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MEMORANDUM FOR THE PRESIDENT

FROM: SECRETARY OF DEFENSE



SUBJECT: Intelligence "Reform"

350.09

The effort to draft legislation for intelligence reform has the potential to result in a useful tension between the responsibility of the Cabinet officers and the authorities of the proposed National Intelligence Director (NID). There is also a risk that legislation could be drafted in a way that is damaging to our intelligence capabilities.

You properly rely on your Cabinet officers to ensure that their Departments can fulfill their statutory responsibilities and carry out your directives, policies and orders. To do so, the components within a Department, to include the intelligence components in the various Departments, operate under the authority, direction and control of the Cabinet Secretaries. Any intelligence reform proposal should not, and need not, change this.

The NID can serve two major roles. First, he can be the principal intelligence advisor. Second, he can ensure that domestic, foreign and military intelligence are integrated for the purpose of giving you and the NSC advice, while leading the intelligence community so that it supports the operations of the Cabinet Secretaries in the performance of their respective duties. In these roles the NID's importance and value is not as a collector or producer of intelligence – or as a super CIA director – but rather as the leader of the intelligence community.

Among the authorities you have proposed to be granted to the NID is "full budget authority" over the intelligence community, including those organizations within the various departments. This decision on budget authority creates an obvious tension between the NID and the Cabinet Secretaries, who, without budget authority are nevertheless supposed to be responsible for managing and directing the activities of the intelligence organizations within their Departments.

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The tension between the line authority of the Cabinet Secretaries and the budget authority of the NID might be used productively if their relationships are properly structured. If not properly structured, there will be responsibility without authority in the Cabinet Departments, which is clearly not appropriate. The result would be a train wreck, or you and your successors will have to spend a great deal of time acting as a referee, with some risk to U.S. intelligence capabilities.

Following is a suggestion:

- The NID, based on priorities to be set by the NSC, provides to the Cabinet Secretaries guidance for building the budgets of the national intelligence organizations within their departments;
- The Cabinet Secretaries would then take the NID's guidance and build and present the budgets (and associated programs) for their organizations to the NID, identifying three things:
 - ⑨ How the budget conforms to the NID's guidance;
 - ⑨ Where they may have adjusted the NID's guidance in order to meet particular department-level needs; and
 - ⑨ An assessment of the impact of any such adjustments with respect to the NID's guidance and any associated resource impacts.
- The NID would compare the proposals he or she receives from the Cabinet Secretaries to the guidance he provided, using the venue of the Joint Intelligence Community Council (JICC). Then, in his budget presentation to you, the NID would note whether he decided not to meet the requirement(s) of a given department and why, and provide you an assessment of the risks that would be assumed as a result of his budget proposals to you.
- Appropriations by Congress would be made to the NID and passed through to the Cabinet Secretaries for execution consistent with their management responsibilities. The NID would approve and direct reprogramming, but within established and agreed upon thresholds.



9/11/2004 4:05 PM

Such a construct should assure that the inevitable tension between the NID and the Cabinet Secretaries is constructive, rather than destructive, and should help to ensure a balanced set of intelligence capabilities.

In my view, this approach would fully meet your public preferences with respect to the authorities of the NID, including that it have "full budget authority." It would also meet your preference to not place any one between you and anyone you need to hold responsible for operations and management.

The White House staff paper currently being prepared for your consideration would not permit the kind of arrangement I have recommended above. Absent a construct like the one I have recommended you would not be able to hold Cabinet Secretaries responsible for managing the components of the intelligence community within their departments because they clearly would lack the authority to do so.

Additionally, with respect to the Department of Defense, the proposed bill would put at risk established command responsibilities of the Secretary of Defense and the Combatant Commanders. Conversely, conforming the current White House draft bill to accommodate the recommendation I have made would not lead to a disruption of those command relationships.

I believe draft 7 of the White House bill would be undesirable and that there is a risk that, if it or something like it were to become law, it could harm US intelligence capabilities.

General Myers and I believe this is an important subject and we are available to discuss it with you before a final decision is made.

Respectfully.

