



**CONGRESSIONAL BUDGET OFFICE
COST ESTIMATE**

September 24, 2004

**S. 2840
National Intelligence Reform Act of 2004**

*As reported by the Senate Committee on Governmental Affairs
on September 23, 2004*

SUMMARY

S. 2840 would establish the National Intelligence Authority (NIA) to unify and strengthen intelligence activities of the U.S. government, including foreign intelligence and counterintelligence activities. The legislation would transfer some existing organizations, specifically the Office of the Deputy Director of Central Intelligence for Community Management and the Terrorist Threat Integration Center, to the NIA. S. 2840 also would establish a National Counterterrorism Center and one or more national intelligence centers within the NIA. Finally, the legislation would direct the President to establish a “trusted information network” to promote sharing of intelligence and homeland security information among all relevant federal departments, state and local authorities, and relevant private-sector entities, and to establish a national intelligence reserve corps.

CBO estimates that implementing S. 2840 would cost about \$700 million over the 2005-2009 period, assuming appropriation of the necessary amounts. That total does not include the costs associated with implementing provisions dealing with the national intelligence reserve corps. CBO cannot predict when a national emergency would occur, but costs for the proposed reserve corps would likely be insignificant in most years. Enacting S. 2840 would not affect direct spending or receipts.

S. 2840 contains intergovernmental and private-sector mandates as defined in the Unfunded Mandates Reform Act (UMRA), but CBO expects the cost of complying with those mandates would be small and well below the thresholds established in that act (\$60 million for intergovernmental mandates and \$120 million for private-sector mandates in 2004, adjusted annually for inflation).

ESTIMATED COST TO THE FEDERAL GOVERNMENT

The following table summarizes the estimated net budgetary impact of establishing the National Intelligence Authority (including the costs of building a new headquarters facility to house the NIA and administering the organization) and implementing certain activities authorized by the bill. The costs of this legislation fall within budget functions 050 (national defense) and 750 (administration of justice).

| | By Fiscal Year, in Millions of Dollars | | | | |
|---|--|------|------|------|------|
| | 2005 | 2006 | 2007 | 2008 | 2009 |
| CHANGES IN SPENDING SUBJECT TO APPROPRIATION | | | | | |
| Create the National Intelligence Authority | | | | | |
| Estimated Authorization Level | 15 | 210 | 50 | 80 | 60 |
| Estimated Outlays | 10 | 35 | 80 | 135 | 130 |
| Establish Information-Sharing Network | | | | | |
| Estimated Authorization Level | 50 | 51 | 52 | 53 | 54 |
| Estimated Outlays | 25 | 50 | 52 | 53 | 54 |
| Other Authorizations ^a | | | | | |
| Estimated Authorization Level | 10 | 15 | 15 | 15 | 15 |
| Estimated Outlays | 10 | 15 | 15 | 15 | 15 |
| Total Changes | | | | | |
| Estimated Authorization Level | 75 | 276 | 117 | 148 | 129 |
| Estimated Outlays | 45 | 100 | 147 | 203 | 199 |

a. The estimate does not include the costs associated with establishing the national intelligence reserve corps. Any such costs would be insignificant in most years and CBO has no basis for predicting when a national emergency would occur.

BASIS OF ESTIMATE

CBO estimates that implementing S. 2840 would cost about \$700 million over the 2005-2009 period, assuming appropriation of the necessary funds. These costs are in addition to those that would be incurred by the Office of the Deputy Director of Central Intelligence for Community Management and the Terrorist Threat Integration Center under current law. The estimated costs include expenses to establish, house, and administer the new intelligence authority, carry out new information-sharing activities in 2005 specifically authorized in the bill, and implement other specified programs, such as improving intelligence training programs and establishing a scholarship program. The estimate does not include the costs

associated with establishing the national intelligence reserve corps. Any such costs would be insignificant in most years, and CBO has no basis for predicting when a national emergency would occur.

For purposes of this estimate, CBO assumes that the bill will be enacted by the end of the calendar year and that necessary funds will be appropriated for each fiscal year. The estimated costs of implementing the bill are based on limited information obtained about the affected organizations and on the staffing levels and administrative expenses of other federal agencies.

Create the National Intelligence Authority

CBO estimates that establishing, housing, and administering the new authority would cost about \$390 million over the 2005-2009 period.

Costs for New NIA Staff and Interim Office Space. The bill would transfer the Office of the Deputy Director of Central Intelligence for Community Management (identified as the Intelligence Community Management Account within the budget) and the Terrorist Threat Integration Center (TTIC) to the NIA.

The Intelligence Community Management Account (ICMA) was established by Congressional direction to provide resources that directly support the Director of the Central Intelligence Agency (CIA) and the intelligence community as a whole in coordinating cross-program activities. Because part of its budget is classified, CBO does not know the overall size of this organization. Unclassified budgets for the ICMA indicate that the office has a staff of about 300 people who develop the National Foreign Intelligence Program budget, oversee research and development activities, and develop intelligence plans and requirements, but the Congress also authorizes and appropriates funds for additional staff in the classified portion of the intelligence budget.

Similarly, CBO has no budget information on the TTIC, but public information released by the White House indicates that the center opened in May 2004 with a staff of about 60 people working alongside the counterterrorism offices of the Federal Bureau of Investigation and the CIA. That same information indicates that the Administration expects to eventually staff the TTIC with between 200 and 300 people to serve as the hub for all intelligence regarding terrorist threats.

CBO expects that the NIA will require additional staff to perform its authorized functions above the staff transferred from the ICMA and the planned staff for the TTIC. Because

much of the detailed information regarding the organization, staffing levels, and budgets of the intelligence community are classified at a level above clearances held by CBO employees, CBO has used information about staff requirements from similar organizations within the Department of Defense, the Department of Homeland Security, and other federal agencies to attempt to estimate the number of additional staff that might be needed by the NIA. Based on that analysis, CBO estimates that the NIA might need to hire around 300 new staff including appointees such as principal and deputy directors, key managers such as a general counsel and an inspector general, personnel to perform administrative functions such as policy development and budget and finance activities, and personnel for the National Counterterrorism Center and one or more national intelligence centers. CBO expects that many of these new hires would be staff transferred from other organizations within the intelligence community but that those other organizations would eventually fill many of the vacated positions within their organizations over about four years following enactment of this legislation.

Based on information about the staffing levels and costs for the administrative offices of the Department of Defense, the Department of Homeland Security, and other agencies, CBO estimates that the personnel and related expenses to provide centralized leadership, coordination, and support and analytical services for the National Intelligence Authority would eventually cost around \$45 million annually, but that costs would be much lower in the first few years as positions are filled. CBO estimates that such costs would be minimal in the first year and total about \$130 million over the 2005-2009 period.

Section 121 would prohibit the Office of the National Intelligence Director from being co-located with any other element of the intelligence community after October 1, 2006. Until that time, CBO assumes that the director's office and associated staff would occupy the space currently used by the Intelligence Community Management staff. After October 1, 2006, CBO assumes that the office would move to new office space in a building owned by the General Services Administration (GSA) until a new building can be built for its use. CBO estimates that initially GSA would need to renovate and furnish office space for the NIA staff. (After 2009, CBO expects that these positions would be relocated to the new permanent NIA headquarters.) CBO estimates that the GSA rental payments would reach nearly \$20 million a year and total about \$40 million over the 2007-2009 period. Additional costs to purchase computers, network equipment, and supplies in the first few years following the relocation into the GSA-owned building also would be significant. CBO estimates that those costs would total \$30 million over the 2007-2009 period.

Design, Construct, and Maintain a New Federal Building. As mentioned earlier, section 121 would prohibit the Office of the National Intelligence Director from being co-located with any other element of the intelligence community after October 1, 2006. Although

the NIA could choose to buy or lease an existing building, CBO assumes that GSA would construct a new building on land already owned by the federal government to serve as the headquarters of the NIA because of the need for a building that meets Level-V security standards and the mission of the new authority.

Based on information provided by GSA about recent federal office building projects, CBO estimates that planning and design of the new headquarters would cost \$15 million over the 2005-2006 period, and that constructing the facility to house NIA employees would cost about \$175 million over the 2006-2009 period. (An additional \$20 million in spending would occur in 2010 to complete construction of the new building.) CBO assumes that the headquarters would be located on property already owned by the federal government in the Washington, D.C., area. If GSA had to buy land for the building site, costs would be higher. CBO assumes that construction of the new facility would not start until sometime in late 2006 and would be completed after 2009. Therefore, CBO estimates that no costs associated with furnishing, equipping, and maintaining the new space would be incurred during the 2005-2009 period nor would there be costs to relocate NIA staff from the interim offices to the new headquarters over that period.

Other Program Authorizations

S. 2840 would authorize the President and the NIA to initiate or enhance several programs within the intelligence community. Based on information from the Administration and on the costs of other similar efforts, CBO estimates that those efforts would cost about \$35 million in 2005 and total \$305 million over the 2005-2009 period, subject to appropriation of the necessary amounts.

Information Sharing. Section 206 would direct the President to establish a “trusted information network” to promote sharing of intelligence and homeland security information among all relevant federal departments, state and local authorities, and relevant private-sector entities. That section also would create an executive council chaired by the Director of the Office of Management and Budget to implement and manage the network and create an advisory board to advise the President and the executive council on policy, technical, and management issues related to the design and operation of the network. Finally, the section would authorize the appropriation of \$50 million in fiscal year 2005 and such sums as may be necessary for each subsequent year for this effort. For this estimate, absent an understanding of the information networks in place today within the intelligence community, the requirements for establishing such an information-sharing network, and the timelines needed to do so, CBO has projected the \$50 million authorized for 2005 over the 2006-2009 period with annual adjustments for anticipated inflation. Thus, CBO estimates that

implementing this section would cost about \$235 million over the 2005-2009 period. CBO notes that the Department of Defense recently completed the purchase of equipment for upgrading their intelligence network to improve the sharing of national security intelligence, surveillance and reconnaissance, and command and control information sharing at a cost of nearly \$1 billion.

National Intelligence Reserve Corps. Section 116 would allow the NIA to establish a national intelligence reserve corps consisting of former employees of the intelligence community who would be eligible for temporary reemployment during a period of national emergency. Under the bill, the total number of personnel in this reserve corps could not exceed 200 individuals. Members of the reserve corps would receive transportation and per diem when participating in any training, and members who are retired federal employees would be allowed to collect both pay and retirement benefits during their period of reemployment. CBO cannot predict when a national emergency might occur. In most years, CBO expects that the cost associated with reserve corps would be insignificant—mostly covering a limited training time and per diem and transportation. Even in an emergency, if all members of the reserve corps were reemployed for six months, the costs would total only about \$10 million.

Improving Intelligence Capabilities of the Federal Bureau of Investigation (FBI). Section 204 would direct the Director of the FBI to continue to improve the intelligence capabilities of the bureau and to develop and maintain a national intelligence workforce within the FBI. Today, the FBI spends about \$30 million on counterterrorism training. Since 2002, more than 1,500 agents have been added to the bureau's staff to meet the counterterrorism mission, an increase of about 20 percent. In addition, since the events of September 11, 2001, the FBI has partnered with other intelligence agencies to provide training in counterterrorism and counterintelligence to its staff, and it plans to increase that training in the future. Assuming that implementation of this section would result in more training than currently planned, CBO estimates that the cost for this additional training would total \$3 million in 2005 and almost \$30 million over the 2005-2009 period, a 20 percent increase over current spending levels.

Privacy and Civil Liberties Oversight Board. Section 211 would establish a Privacy and Civil Liberties Oversight Board within the Executive Office of the President to advise the President and Executive Branch on privacy concerns while implementing new legislation. Based on the budgets of other advisory panels, CBO estimates that the costs to operate this panel would be about \$1 million in 2005 and would total \$10 million over the 2005-2009 period.

Intelligence Community Scholarship Program. Section 152 would authorize the NIA Director to establish a scholarship program for individuals designed to recruit and prepare

students for civilian careers in the intelligence community to meet the critical needs of the intelligence community agencies. Assuming that the NIA would provide about 300 scholarships each year, CBO estimates that the costs of these scholarships would average about \$6 million a year and total about \$30 million over the 2005-2009 period.

Security Clearances. Section 115 would establish uniform procedures throughout the federal government for granting security clearances and establish a single agency for conducting all security clearance investigations. Currently, the Office of Personnel Management (OPM) conducts the investigations for 60 percent of the clearances granted by the federal government. By early next year, that figure will grow to 90 percent when it takes over the investigations for the Department of Defense. Assuming that the resources for the 20 agencies for which OPM does not currently conduct investigations are transferred to OPM, CBO estimates that there would be no change in overall government spending if this provision is enacted.

INTERGOVERNMENTAL AND PRIVATE-SECTOR IMPACT

This bill would impose both intergovernmental and private-sector mandates because it would create two new federal entities with the power to subpoena information. State, local, and tribal governments, and entities in the private sector, if subpoenaed by the Inspector General of the National Intelligence Authority or the Privacy and Civil Liberties Oversight Board, would be required to provide testimony, documents, or other evidence. CBO expects that the Inspector General and the Oversight Board would use their subpoena power sparingly and that the costs to comply with such subpoenas would not be significant. CBO estimates that the costs to public and private entities would be small and well below the annual thresholds established in UMRA (\$60 million for intergovernmental mandates and \$120 million for private-sector mandates in 2004, adjusted annually for inflation).

The remaining provisions of the bill contain no mandates as defined in UMRA and would impose no costs on state, local, or tribal governments, or entities in the private sector.

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