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THE WHITE HOUSE  
WASHINGTON  
August 19, 2004

MEMORANDUM FOR THE VICE PRESIDENT  
THE SECRETARY OF STATE  
THE SECRETARY OF THE TREASURY  
THE SECRETARY OF DEFENSE  
THE ATTORNEY GENERAL  
THE SECRETARY OF HOMELAND SECURITY  
CHIEF OF STAFF TO THE PRESIDENT  
DIRECTOR OF THE OFFICE OF MANAGEMENT AND BUDGET  
ASSISTANT TO THE PRESIDENT AND COUNSEL TO THE  
PRESIDENT  
ASSISTANT TO THE PRESIDENT FOR HOMELAND SECURITY  
ACTING DIRECTOR OF CENTRAL INTELLIGENCE  
CHAIRMAN OF THE JOINT CHIEFS OF STAFF  
DIRECTOR, FEDERAL BUREAU OF INVESTIGATION

SUBJECT: Draft Memo on National Intelligence Director (NID)  
Organization Options

As agreed to during the Principals Committee meeting on August 18, 2004, attached at Tab A is the draft memo to the President outlining the issues and options for establishing an effective National Intelligence Director (NID) position. Please provide me your comments by opening of business August 21.

In forwarding your comments, please advise whether you wish to have your comments shared among Principals or have them provided exclusively to the President for his consideration.



Condoleezza Rice  
Assistant to the President  
for National Security Affairs

Attachment  
Tab A Draft Paper on NID Organization Options (NSC)



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## National Intelligence Director: Organization Options

Issue: The 9/11 Commission identified a number of problems with the pre-9/11 Intelligence Community (IC) that limited the country's ability to prevent terrorist attacks. Among other issues identified concerning information sharing among intelligence agencies, they described a "wall" between the domestic law enforcement and foreign intelligence communities that prevented effective integration of information and planning to combat terrorism. The Commission also concluded that broad management and structural problems prevented unified and joint action by the IC. As an example, they noted how the DCI's "declaration of war" against al Qaeda in 1998 was not effective because of his limited authority over the direction and priorities of the intelligence community. The Commission sharply criticized the IC's "divided management" structure concluding that the "responsibility and accountability" were too diffuse. The Commission concluded that the DCI already has too many jobs as the head of CIA, the IC, and principal intelligence adviser to the President. Rather than further expanding the scope of the DCI's responsibilities, a National Intelligence Director (NID) would be charged with managing the IC and with integrating all foreign and domestic intelligence in order to provide authoritative threat analysis and improve the warning function, and oversee the National Counterterrorism Center (NCTC).

Congressional panels examining intelligence on weapons of mass destruction - as well as the Silberman-Robb Commission - have also identified as critical the need to ensure competition in analysis, to promote greater information sharing and to increase our ability to collect human intelligence.

Your Administration has already implemented many of the Commission recommendations to fix problems identified in their report. In order to further address the challenges of identifying and responding to current and emerging threats to national security, you endorsed the creation of a NID.

**Goal:** Implement your decision to endorse creation of the NID post. Principals met to determine which specific authorities should be given to the NID beyond those currently granted to the DCI. Principals agreed that the NID should be responsible for integrating all foreign and domestic intelligence, thereby enabling him to identify and analyze both current and emerging threats to our national security. The NID should also ensure



that diverse views are routinely sought, fairly considered and, when appropriate, presented to you and other policymakers as competing analysis.

With respect to appointments, the DCI now by law concurs in the nominations of individuals to head NSA, NRO and NGA, and also consults on the selection of the heads of DIA and the intelligence-related components within the State and Energy Departments, as well as the **FBI**. These authorities can be strengthened by requiring the NID to concur, or present a separate recommendation, for all senior level IC appointments and nominations in the IC sent to you.. The NID would also recommend to you a Director for CIA.

The Principals devoted most of their attention to the IC's management structure and specific budget authorities that will be required by the NID to meet his responsibilities.

### Management Structure

- Commission Recommendation: Three Deputies (Foreign Intelligence, Military Intelligence, and Homeland Intelligence) would report both to the NID and relevant department/agency heads. These Deputy/NIDs "would have the job of acquiring the systems, training the people, and executing the operations planned by the national intelligence centers."

Principals agreed that the Commission's recommendation for "dual-hatted" Deputies poses significant management problems. This recommendation has also been widely criticized during recent congressional hearings on intelligence reform. Principals believe the NID may need one or more deputies to help manage the IC, but these deputies should not also hold positions in other departments.

Principals identified three options for the IC's management structure, which in all cases empower the NID as the President's senior intelligence advisor to task analysis and production and includes the transfer to the NID of the National Intelligence Council (NIC) to promote an independent analytical capability separate from the Director of Central Intelligence's all-source analysis, and separately, the National Counterintelligence Executive (NCIX).

Option 1: Make the NID a de facto "Secretary of Intelligence."  
Under this model, all 15 agencies funded through the National



Foreign Intelligence Program (NFIP) would report to the NID. Principals agreed this approach - while certainly empowering the NID - would be too disruptive particularly during a time of war, undermine existing chains of command, and potentially weaken intelligence support to key government departments and missions.

**Option 2:** Maintain the existing IC configuration, but move the three DoD national intelligence agencies (NSA, NGA, and NRO) under the NID.

- o The Director of the National Counterterrorism Center (NCTC), along with the heads of CIA, NSA, NGA, and NRO, would report to the NID.
- The heads of the departmental intelligence components, such as State/INR, DHS/IA, DoD/DIA continue to report through existing chains of command.

**Option 3:** Maintain the existing IC configuration, but authorize the NID to direct the intelligence agencies through an Intelligence Community Council (ICC) which would include the heads of CIA, NSA, NGA, NRO, departmental intelligence offices, and DIA (including on behalf of the military services). In addition to chairing the ICC, the NID would:

- Set strategic direction for the IC through significant new budget authorities (options below).
- Evaluate the performance of the national intelligence agencies, including the option of seeking from you "hire and fire" authority - as a last resort;
- Establish uniform administrative policies across the IC to foster "jointness" in key areas of training and professional development. For example, establish a cohesive IC personnel system with common education, training, and performance standards; uniform information, data-sharing and IT policies, and common security practices (akin to the Goldwater-Nichols model);
- Direct tasking of analysis and production while setting uniform standards for analysis;
- Direct the development and acquisition of technology across the IC.

### **Budget Authority**

- Commission Recommendation: The NID "would submit a unified budget for national intelligence that reflects priorities chosen by the National Security Council, an appropriate balance among the varieties of technical and human intelligence collection, and analysis. He or she would



receive an appropriation for national intelligence and apportion the funds to the appropriate agencies, in line with that budget, and with authority to reprogram funds among the national intelligence agencies to meet any new priority..."

The DCI currently provides guidance and approves the budgets of agencies funded through the NFIP. In addition, once funds are appropriated, the DCI must agree to any reprogramming within an agency. The DCI is authorized to transfer funds between agencies or accounts only if certain strict requirements are met, and SecDef or the head of any other affected department(s) agrees to the transfer.

The DCI has never fully exercised these authorities. The guidance and approval process is largely passive; the DCI has not engaged in agency-by-agency deliberations to define the content of budgets or enforce compliance with national policy goals and requirements.

**Principals identified two options for expanded NID budget authority:**

Option 1: The NID receives the entire NFIP appropriation, but with sufficient safeguards in place to ensure critical departmental intelligence requirements are met.

- NID determines the scope and content of the NFIP (including individual program/agency budgets) and submits it to OMB.
- Funds are directly appropriated to NID for distribution to NFIP agencies. NID executes funds for the national agencies, and transfers funds for departmental agencies to execute.
- A NID Comptroller is created to manage all national intelligence funds.
- Non-NFIP tactical intelligence funds -- TIARA and JMIP -- would remain appropriated to DoD.
- Safeguards are provided to department heads (including SecDef, in particular) to ensure critical departmental requirements are met. Examples include:
  - o Statute requiring NID to make support to combatant commanders' war fighting intelligence needs a top priority;
  - o Requirement that NID solicit the views of department heads before reprogramming funds above a certain threshold;
  - o NID Comptroller staffed with representatives of other agencies with full access to financial information;



- o The Deputy NID could be a senior military officer.

Option 2: DoD and other departments/agencies continue to receive and manage their intelligence budgets, but with incrementally enhanced NID authorities.

- NID assumes DCI's current budget responsibilities and SecDef continues to receive appropriations for DoD agencies and manage them through the DoD Comptroller. Budgets for other departments' intelligence components are treated similarly.
- NID influence over the NFIP budget enhanced by granting authority to determine scope/content of the NFIP (including individual program/agency budgets) and submit to OMB.
- NID authorized to transfer and reprogram funds - beneath a threshold level -, within the NFIP subject to OMB approval. This may be combined with a realignment of NFIP to ensure it includes truly national programs.
- Require NID coordination on funding decisions within DoD's non-NFIP intelligence programs.

### Collection Tasking Authority

- Commission Recommendation: The NID would "manage the 'national intelligence program and oversee the agencies that contribute to it' .... and "have the power to reach across agencies and reallocate effort." The NID "must be able to directly oversee intelligence collection inside the United States."

### **Principals' Recommendation:**

- NID is granted authority to task all IC agencies with collection against requirements consistent with priorities established in the National Intelligence Priorities Framework (NSPD 26, approved twice yearly by Principals) (same as current DCI authority).
- NID tasking authority over domestic collection permits only setting of requirements, not direction of specific domestic collection techniques (e.g. surveillance, personal interviews, physical searches) (extends current DCI authority)
- NID authority to task national collection assets transfers to SecDef under three circumstances: 1) at DefCon One; 2) as directed by you; or 3) by mutual NID-SecDef agreement (same as the current arrangement),

