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CLASSIFIED FUNDING IN THE FY 2010 DEFENSE BUDGET REQUEST

By Todd Harrison

Classified or "black" programs appear to account for about $35.8 billion, or 17 percent, of the acquisition funding included in the fiscal year (FY) 2010 Department of Defense (DoD) budget request (see Table, page 3). This total includes $18.1 billion in procurement funding and $17.7 billion in research and development (R&D) funding. These figures represent 14 percent and 22 percent, respectively, of the total funding requested for procurement and R&D in FY 2010. Among other things, this analysis finds that:

▪ In real (inflation-adjusted) terms, the $35.8 billion FY 2010 request is the second highest level of funding provided for classified acquisition programs since FY 1987. The highest level of classified funding was in FY 2007, about 1 percent more than has been requested for FY 2009.

▪ Classified acquisition funding has more than doubled in real terms since FY 1995, when funding for these programs reached its post-Cold War low.

▪ While the dollar amount of classified funding has continued to increase, the share of overall acquisition funding directed to classified programs has fallen from its high in FY 2003 of 19 percent. This is primarily due to the increase in acquisition funding for the wars in Iraq and Afghanistan, which have included a smaller share of classified funding as compared to the base budget. Thus, while classified spending increased, its share of the total acquisition budget has decreased.

The record for classified acquisition programs has been mixed. A notable success was the Corona program for reconnaissance satellites, which produced valuable imagery intelligence from 1960 to 1972. Several successful and effective aircraft have also been developed and even produced as black programs, including the F-117 stealth fighter, the B-2 stealth bomber, and the SR-71 reconnaissance plane. On the other hand, some classified programs have had troubled histories. A recent example is the Future Imagery Architecture program to develop the next generation of spy satellites for the National Reconnaissance Office. The electro-optical satellite component of the program was cancelled in 2005 due to significant cost overruns and technical issues, resulting in what was reported as a $4 billion loss for the government.[1]

Restrictions placed on access to classified programs have meant that DoD and Congress typically exercise less oversight over classified programs than unclassified ones. This lower level of scrutiny, coupled with the compartmentalization of information generally associated with classified efforts has led some members of Congress and others to argue

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[1] Philip Taubman, "In Death of Spy Satellite Program, Lofty Plans and Unrealistic Bids," New York Times, November 11, 2007. Accessed at:
http://www.nytimes.com/2007/11/11/washington/11satellite.html?pagewanted=all

that the Pentagon's classification policies should be reformed and funding further reduced for classified programs. However, classified programs can, at times, field systems more quickly, and the potential existence of such programs increases uncertainty in the planning of potential adversaries.[2]

As in the past, the Air Force's FY 2010 budget request contains the largest share of DoD's classified acquisition funding—more than 80 percent of the total. Classified programs account for about 42 percent, or $17.0 billion, of the Air Force's procurement request and 43 percent, or $12.0 billion, of its R&D request. The concentration of classified funding in the Air Force's budget is the result of two factors. First, the Air Force acquisition budget is believed to contribute funds to a number of intelligence agencies, including the Central Intelligence Agency (CIA), National Security Agency (NSA) and National Reconnaissance Office (NRO).[3] Second, the Air Force is responsible for most command, control, communications and intelligence (C3I) functions and related assets such as reconnaissance satellites and satellite launch and control facilities, which tend to be heavily classified programs.[4]

SOURCES AND METHODOLOGY

Estimates of DoD's classified acquisition budget request were calculated from information found in DoD's Procurement Programs (P-1) and Research, Development, Test and Evaluation (R-1) books. The funding for FY 2008 to FY 2010 was taken directly from the classified funding lines provided in the FY 2010 budget documentation. However, classified funding has not always been explicitly provided in these budget documents. To determine funding in years prior to FY 2008, all line items with budget numbers included in the R-1 and P-1 budget documents were totaled and then compared to the sums specified in the budget documents for each procurement account (e.g., Air Force Other Procurement) and research category (e.g., Defense-wide Operational Systems Development). The difference between the two figures provided the first part of the classified funding estimate. Each account was then examined for programs identified by code names (e.g., Link Plumeria, Black Light) or non-descriptive titles (e.g., Special Update Program) for which DoD does not publicly reveal the purpose. The sum of the budgets for these programs furnished the second part of the classified funding estimate. These two parts were summed by Service to arrive at the estimate of total classified acquisition funding.

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[2] Andrew F. Krepinevich, Defense Investment Strategies in an Uncertain World, CSBA, Washington D.C., pp. 56-7.

[3] Stephen I Schwartz, et. al., Atomic Audit, Brookings Institution Press, Washington D.C., pp. 253-5.

[4] For a more detailed discussion of some programs and activities funded through DoD's classified budget, see Bill Sweetman, "US Continues t0 Increase Spending on Classified Programmes," *Janes.com*, February 10, 2006, available at http://www.janes.com/defence/news/jdi/jdi060210_1_n.shtml.

Department of Defense Classified Budget
for Acquisition Programs, FY 1987 - FY 2010
(Total Budget Authority in Billions of Current Year Dollars)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010*
Total DoD Acquisitions	119.6	119.6	117.2	117.9	98.9	100.3	91.6	77.1	77.7	77.4	79.7	82.1	88.7	93.2	103.9	110.9	137.9	147.5	167.8	178.0	212.0	244.1	215.0	210.0
Classified Acquisitions	20.8	19.6	16.6	15.4	16.3	15.7	13.8	12.9	11.7	12.6	13.2	14.9	15.8	15.4	18.1	18.2	26.1	27.6	29.8	31.5	34.5	33.8	35.2	35.8
% Classified	17%	16%	14%	13%	16%	16%	15%	17%	15%	16%	17%	18%	18%	17%	17%	16%	19%	19%	18%	18%	16%	14%	16%	17%
Procurement																								
Army Procurement	15.6	15.2	14.8	13.9	9.0	8.6	7.4	6.9	6.7	7.6	8.1	6.8	9.5	10.3	11.8	10.5	15.8	16.2	26.0	28.2	48.8	67.0	41.2	34.3
Classified Procurement	0.4	0.0	0.2	0.1	0.1	0.2	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% Classified	3%	0%	1%	0%	1%	3%	0%	0%	0%	0%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Navy Procurement	32.1	36.9	31.3	34.6	27.3	25.3	20.9	16.0	17.3	15.8	17.2	19.5	20.5	23.4	25.9	24.5	27.5	29.9	32.5	36.9	40.2	47.1	41.6	46.9
Classified Procurement	0.3	0.0	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	0.1	0.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
% Classified	1%	1%	0%	1%	0%	0%	1%	0%	0%	0%	0%	0%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Air Force Procurement	33.9	28.0	31.0	30.1	22.7	23.6	21.7	17.8	15.9	16.7	14.4	15.3	18.2	18.6	22.1	23.6	31.7	32.4	36.1	35.8	39.9	43.9	41.5	39.9
Classified Procurement	11.1	9.9	8.2	8.4	8.3	8.3	7.2	7.4	6.5	6.7	5.4	6.1	6.6	6.4	7.0	8.5	12.4	13.7	15.6	16.2	17.2	16.2	16.6	17.0
% Classified	33%	35%	27%	28%	36%	35%	33%	42%	41%	40%	37%	40%	36%	35%	30%	30%	39%	42%	43%	45%	43%	37%	40%	42%
Def. Agencies Procurement	1.4	1.3	1.3	1.4	2.4	2.5	2.1	1.8	3.4	2.3	3.5	3.3	2.4	2.5	2.2	3.6	4.7	4.7	4.0	4.4	5.5	6.7	8.9	10.0
Classified Procurement	0.8	0.7	0.7	0.6	0.7	0.7	0.6	0.7	0.5	0.6	0.6	0.5	0.7	0.8	0.4	0.4	0.8	0.7	0.7	0.5	0.5	0.9	0.9	1.1
% Classified	58%	50%	54%	42%	28%	29%	28%	38%	15%	25%	17%	17%	30%	31%	20%	10%	18%	14%	16%	11%	9%	13%	10%	11%
Total DoD Procurement	83.7	82.6	79.7	81.3	64.3	62.2	53.8	42.4	43.2	42.4	43.2	44.9	50.6	54.9	62.2	62.2	79.6	83.2	98.5	105.3	134.4	164.7	133.3	131.1
Classified Procurement	12.6	10.5	9.2	9.2	9.1	9.3	7.9	8.2	7.1	7.3	6.1	6.8	7.5	7.5	7.5	8.9	13.2	14.5	16.3	16.6	17.7	17.1	17.5	18.1
% Classified	15%	13%	12%	11%	14%	15%	15%	19%	16%	17%	14%	15%	15%	14%	10%	10%	17%	17%	17%	16%	13%	10%	13%	14%
R&D																								
Army R&D	4.7	4.7	5.2	5.3	5.4	6.4	6.1	5.4	5.4	4.8	4.9	5.0	5.0	5.2	6.2	7.0	7.6	10.2	10.6	11.7	11.4	12.6	12.2	10.5
Classified R&D	0.5	0.5	0.5	0.5	0.7	0.5	0.4	0.3	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1	0.2	0.2	0.0	0.0	0.0
% Classified	11%	10%	10%	9%	13%	7%	6%	5%	2%	2%	3%	3%	3%	3%	3%	2%	1%	2%	1%	2%	2%	0%	0%	0%
Navy R&D	9.3	9.5	9.3	9.5	8.3	8.6	8.9	8.2	8.6	8.8	7.9	7.9	8.9	9.1	9.5	11.4	13.7	14.8	17.1	19.0	19.7	18.5	20.0	19.4
Classified R&D	1.0	1.7	2.4	1.4	1.4	1.4	1.1	0.8	0.9	1.0	1.1	1.3	1.4	1.3	1.3	1.5	1.9	2.0	2.1	2.3	2.6	1.4	1.5	1.3
% Classified	10%	18%	26%	15%	17%	16%	13%	10%	11%	12%	14%	17%	16%	15%	14%	14%	14%	13%	12%	12%	13%	7%	8%	7%
Air Force R&D	15.1	15.1	14.7	13.6	11.7	13.1	12.9	12.2	11.6	13.0	14.1	14.3	13.7	14.3	14.3	14.5	18.9	20.2	20.5	22.2	24.5	26.3	27.2	28.0
Classified R&D	5.6	5.5	3.2	3.0	3.0	3.2	3.1	2.4	2.4	3.2	4.6	5.4	5.2	5.2	5.2	5.4	6.8	7.0	7.4	8.3	9.7	10.8	11.8	12.0
% Classified	37%	36%	22%	22%	26%	24%	24%	20%	21%	24%	33%	38%	38%	36%	36%	38%	36%	35%	36%	37%	40%	41%	43%	43%
Defense Agencies R&D	6.8	7.6	8.2	8.0	8.9	9.7	9.8	8.9	8.9	9.8	9.6	10.0	10.4	9.7	11.3	15.7	18.1	19.2	21.2	19.8	22.0	22.1	22.3	21.0
Classified R&D	1.2	1.5	1.2	1.4	2.0	1.4	1.3	1.2	1.2	1.0	1.3	1.2	1.6	1.3	1.8	2.1	4.0	4.0	3.9	4.0	4.2	4.5	4.4	4.4
% Classified	18%	20%	15%	17%	23%	14%	13%	13%	14%	10%	14%	12%	15%	13%	16%	14%	22%	21%	18%	20%	19%	20%	20%	21%
Total DoD R&D	35.9	37.0	37.5	36.6	34.6	38.1	37.8	34.7	34.5	35.0	36.5	37.2	38.1	38.3	41.7	48.6	58.3	64.4	69.3	72.7	77.6	79.4	81.7	78.9
Classified R&D	8.2	9.1	7.4	6.2	7.2	6.4	5.9	4.7	4.6	5.3	7.2	8.1	8.3	7.9	10.6	9.3	12.9	13.2	13.5	14.8	16.7	16.6	17.7	17.7
% Classified	23%	25%	20%	17%	21%	17%	15%	14%	13%	15%	20%	22%	22%	21%	25%	19%	22%	20%	20%	20%	22%	21%	22%	22%

* FY 2010 figures are *requested* funding levels.
Source: Center for Strategic and Budgetary Assessments based on DoD data, July 2009.