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## **CLASSIFIED FUNDING IN THE FY 2004 DEFENSE BUDGET REQUEST**

By **Steven M. Kosiak**

Classified or “black” programs account for about \$23.2 billion, or 17 percent, of the acquisition funding included in the fiscal year (FY) 2004 Department of Defense (DoD) budget request (see Table). This total includes \$11.3 billion for weapons procurement and \$11.8 billion for research and development (R&D). These figures represent 16 percent and 19 percent, respectively, of the total funding requested for procurement and R&D. Among other things, this analysis finds that:

- In real (inflation-adjusted) terms the \$23.2 billion FY 2004 request includes more classified acquisition funding than any other defense budget since FY 1988, near the end of the Cold War, when DoD received \$19.7 billion (\$26.7 billion in FY 2004 dollars) for these programs.
- Classified acquisition funding has increased by about 75 percent in real terms since FY 1995, when funding for these programs reached its post-Cold War low.
- Since FY 1995, funding for classified acquisition programs has increased at a slightly faster rate than has funding for acquisition programs overall, which has grown by about 65 percent in real terms.

The record for classified acquisition programs has been mixed. Some successful and effective weapon systems were developed and even produced as black programs. These include, for example, the F-117 stealth fighter and the B-2 stealth bomber. On the other hand, some classified programs have had troubled histories. Restrictions placed on access to classified funding 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 contributed to performance problems and cost growth in a number of programs, such as the Navy’s ill-fated A-12 attack aircraft program.<sup>1</sup> It also has led some members of Congress and others to argue that the Pentagon’s classification policies should be reformed and funding further reduced for classified programs.

As in the past, the Air Force’s FY 2004 budget request contains the largest share of DoD’s classified acquisition funding: 75 percent. Classified programs account for about 37 percent, or \$10.9 billion, of

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<sup>1</sup>The Navy’s A-12 medium attack plane, cancelled in 1991, is an example of a classified program that experienced significant technical problems and cost growth. After it was cancelled, the aircraft’s manufacturers complained that the Navy “failed to provide critical data from other classified programs,” and in particular that “vital information from these compartmented [classified] programs was unavailable to the contractors during the demonstration and validation phase of the A-12 program.” Eric Rosenberg, “Joint Contractor Complaint Tells a Different A-12 Story,” *Defense Week*, June 17, 1997, p. 7. For more information on the A-12 dispute see, Tony Capaccio, “DOJ Claims Mismanagement by A-12 Team Widespread,” *Defense Week*, December 15, 1997, and Herbert Fenster, “The A-12 Legacy: It Wasn’t an Airplane—It Was a Train Wreck,” *Proceedings*, February 1999.

the Air Force's procurement request and 32 percent, or \$6.6 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 contributes funds to a number of intelligence agencies, including the Central Intelligence Agency (CIA), National Security Agency (NSA) and National Reconnaissance Office (NRO). Second, the Air Force is responsible for most command, control, communications and intelligence (C<sup>3</sup>I) functions and related assets such as reconnaissance satellites, and satellite launch and control facilities, which tend to be heavily classified programs. According to some analyses, some classified funding is also hidden in DoD's military personnel, operations and maintenance, and military construction accounts in addition to its acquisition budget.<sup>2</sup>

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For more information, contact Steven Kosiak at (202) 331-7990

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#### Sources and Methodology

Estimates of DoD's classified acquisition budget request for FY 1987-FY 2004 were calculated from information found in DoD's *Procurement Programs (P-1)* and *Research, Development, Test and Evaluation (R-1)* books.

All line items with budget numbers included in these documents were totaled. These calculations were 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., Selected Activities, 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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<sup>2</sup>For further information, see Bill Sweetman, "The Budget You Can't See," *Washington Post*, July 7, 1996, p. C3; and Jason Sherman, "Under Pressures," *Armed Forces Journal International*, December 1997, p. 10.

**Department of Defense Classified Budget  
for Acquisition Programs, FY 1987 - FY 2004**  
(Total Obligational Authority in Billions of Dollars)

	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004*
<b>Total DoD Weapons Acquisition</b>	119.6	119.6	117.2	117.9	98.8	100.3	91.6	77.1	77.7	77.4	79.7	82.1	88.7	93.2	103.9	110.9	127.5	134.6
<b>Classified Weapons Acquisition</b>	20.9	19.7	16.6	15.4	16.2	15.8	13.8	12.9	11.7	12.6	13.2	14.9	15.8	15.4	18.1	18.2	22.2	23.2
<b>% Classified</b>	17%	16%	14%	13%	16%	16%	15%	17%	15%	16%	17%	18%	18%	17%	17%	16%	17%	17%
<b>Procurement</b>																		
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	12.5	10.8
Classified Procurement	0.4	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
<b>% Classified</b>	3%	0%	1%	0%	1%	3%	0%	0%	0%	0%	0%	1%	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	26.6	28.9
Classified Procurement	0.3	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
<b>% Classified</b>	1%	1%	0%	1%	0%	0%	1%	0%	0%	0%	0%	0%	1%	1%	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	27.8	29.3
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	9.2	10.9
<b>% Classified</b>	33%	35%	27%	28%	36%	35%	33%	42%	41%	40%	37%	40%	36%	35%	30%	30%	30%	37%
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	3.5	3.8
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	0.7	0.5
<b>% Classified</b>	58%	50%	54%	42%	28%	29%	28%	38%	15%	25%	17%	17%	30%	31%	20%	10%	20%	13%
<b>Total DoD Procurement</b>	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	70.4	72.7
<b>Classified Procurement</b>	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	9.0	9.9	11.3
<b>% Classified</b>	15%	13%	12%	11%	14%	15%	15%	19%	16%	17%	14%	15%	15%	14%	10%	10%	10%	16%
<b>R&amp;D</b>																		
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	7.5	9.1
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	0.1
<b>% Classified</b>	11%	10%	10%	9%	13%	7%	6%	5%	2%	2%	3%	3%	3%	3%	3%	2%	2%	1%
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	13.6	14.1
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
<b>% Classified</b>	10%	18%	26%	15%	17%	16%	13%	10%	11%	12%	14%	17%	16%	15%	14%	14%	14%	14%
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	18.6	20.3
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	7.1	6.6
<b>% Classified</b>	37%	36%	22%	22%	26%	24%	24%	20%	21%	24%	33%	38%	38%	36%	36%	38%	38%	32%
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	17.3	18.3
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	3.0	3.2
<b>% Classified</b>	18%	20%	15%	17%	23%	14%	13%	13%	14%	10%	14%	12%	15%	13%	16%	14%	17%	18%
<b>Total DoD R&amp;D</b>	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	57.0	61.8
<b>Classified R&amp;D</b>	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	12.2	11.8
<b>% Classified</b>	23%	25%	20%	17%	21%	17%	15%	14%	13%	15%	20%	22%	22%	21%	25%	19%	21%	19%

\* FY 2004 figures are *requested* funding levels.

Source: Center for Strategic and Budgetary Assessments based on DoD data, June 2003.