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CLASSIFIED FUNDING IN THE FY 2009 DEFENSE BUDGET REQUEST

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Classified or “black” programs appear to account for about \$34.0 billion, or 19 percent, of the acquisition funding included in the fiscal year (FY) 2009 Department of Defense (DoD) budget request (see Table, page 3). This total includes \$15.1 billion in procurement funding and \$18.9 billion in research and development (R&D) funding. These figures represent 14 percent and 24 percent, respectively, of the total funding requested for procurement and R&D in FY 2009. Among other things, this analysis finds that:

- In real (inflation-adjusted) terms, the \$34.0 billion FY 2009 request is the second highest level of funding provided for classified acquisition programs since FY 1987. About 5 percent more was provided for classified programs in FY 2007 than has been requested for FY 2009. The FY 2007 level is higher than the FY 2009 request primarily because it includes war-related funding, while the FY 2009 figure does not.¹ It is likely that once war-related funding is included, the FY 2009 total will surpass the FY 2007 level—making it the highest total for classified acquisition programs since FY 1987 in real terms.
- Classified acquisition funding has more than doubled 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 by about 115 percent in real terms—a substantially higher rate than funding for acquisition programs overall, which has grown by about 76 percent.

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 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.² It also has led some members of

¹ The Bush Administration has so far requested about \$66 billion in DoD funding for military operations in FY 2009 (plus \$4 billion for the Department of State and other international operations). It has not, however, provided the level of detail necessary to determine how much of that is classified acquisition funding. Moreover, ultimately, far more than \$66 billion will likely have to be provided for military operations in FY 2009.

² 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

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 2009 budget request contains the largest share of DoD's classified acquisition funding—more than three-quarters of the total. Classified programs account for about 41 percent, or \$14.4 billion, of the Air Force's procurement request and 42 percent, or \$11.9 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 (C3I) functions and related assets such as reconnaissance satellites and satellite launch and control facilities, which tend to be heavily classified programs.³

SOURCES AND METHODOLOGY

Estimates of DoD's classified acquisition budget request for FY 1987-FY 2008 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., 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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A-12 program." Eric Rosenberg, "Joint Contractor Complaint Tells a Different A-12 Story," *Defense Week*, June 17, 1997, p. 7. Other factors, however, also contributed to cost growth in the A-12 program, including technical risks associated with the cutting edge capabilities sought for new aircraft. And it is impossible to know how much of the cost growth it experienced might reasonably be attributed, specifically, to its heavily classified status. 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.

³ For a more detailed discussion of some programs and activities funded through DoD's classified budget, see Bill Sweetman, "US Continues to 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 2009***
(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	2005	2006	2007	2008	2009
Total DoD Weapons Acquisition	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	137.9	147.5	167.8	178.0	212.0	203.2	183.8
Classified Acquisition	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	26.1	27.6	29.8	31.5	34.5	31.9	34.0
% Classified	17%	16%	14%	13%	16%	16%	15%	17%	15%	16%	17%	18%	18%	17%	17%	16%	19%	19%	18%	18%	16%	16%	19%
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	31.6	25.0
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
% Classified	3%	0%	1%	0%	1%	3%	0%	0%	0%	0%	0%	1%	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	38.8	39.1
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
% Classified	1%	1%	0%	1%	0%	0%	1%	0%	0%	0%	0%	0%	1%	1%	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	33.1	35.2
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	14.0	14.4
% Classified	33%	35%	27%	28%	36%	35%	33%	42%	41%	40%	37%	40%	36%	35%	30%	30%	39%	42%	43%	45%	43%	42%	41%
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	22.9	4.8
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	0.8	0.7	0.7	0.5	0.5	0.5	0.7
% Classified	58%	50%	54%	42%	28%	29%	28%	38%	15%	25%	17%	17%	30%	31%	20%	10%	18%	14%	16%	11%	9%	2%	14%
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	126.4	104.2
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	14.5	15.1
% Classified	15%	13%	12%	11%	14%	15%	15%	19%	16%	17%	14%	15%	15%	14%	10%	10%	17%	17%	17%	16%	13%	11%	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	12.0	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	0.2	0.2
% Classified	11%	10%	10%	9%	13%	7%	6%	5%	2%	2%	3%	3%	3%	3%	3%	2%	1%	2%	1%	2%	2%	2%	2%
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	17.8	19.3
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	2.4	2.7
% Classified	10%	18%	26%	15%	17%	16%	13%	10%	11%	12%	14%	17%	16%	15%	14%	14%	14%	13%	12%	12%	13%	13%	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	18.9	20.2	20.5	22.2	24.5	26.2	28.1
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	10.9	11.9
% Classified	37%	36%	22%	22%	26%	24%	24%	20%	21%	24%	33%	38%	38%	36%	36%	38%	36%	35%	36%	37%	40%	42%	42%
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	20.8	21.7
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	3.8	4.1
% Classified	18%	20%	15%	17%	23%	14%	13%	14%	10%	14%	12%	15%	13%	16%	14%	22%	21%	18%	20%	19%	18%	19%	19%
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	76.9	79.6
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	17.3	18.9
% Classified	23%	25%	20%	17%	21%	17%	15%	14%	13%	15%	20%	22%	22%	21%	25%	19%	22%	20%	20%	20%	22%	23%	24%

* FY 2009 figures are *requested* funding levels and do not include war-related funding. FY 2008 figures exclude GWOT acquisition funding still (at press time) pending before Congress.
Source: Center for Strategic and Budgetary Assessments based on DoD data, May 2008.