

REPORT TO THE PRESIDENT 2003



INFORMATION SECURITY OVERSIGHT OFFICE

March 31, 2004
The President
The White House
Washington, DC 20500



Dear Mr. President:

We are pleased to submit to you the Information Security Oversight Office's (ISOO) 2003 Report.

This Report provides information on the status of the security classification program as required by Executive Order 12958, "Classified National Security Information." It includes statistics and analysis concerning components of the system, primarily classification and declassification. It also contains information with respect to the implementation of industrial security in the private sector as required by Executive Order 12829, "National Industrial Security Program."

The hallmark of 2003 was, of course, the amendment you issued to Executive Order 12958. In this revision, you called upon all agencies to make the concept of automatic declassification of 25 year-old or older historical classified records a reality by December 31, 2006. Other changes reflected eight years of experience in implementing the Order, as well as new priorities resulting from the events of September 11, 2001. In September 2003, ISOO issued the directive implementing the revised Executive Order. We will be working on continued refinements to the security classification system in order to make it more conducive to the electronic environment in which agencies increasingly operate.

As noted in this Report, implementation of the National Industrial Security Program seems to be at a crossroads. Several issues, including excessive security clearance delays for industry, continue to hamper industry's ability to be responsive to Government's needs. The responsible agencies have developed a number of initiatives addressing this long standing issue on security clearances, as well as other issues.

Ultimately, the full implementation of the security classification system and the industrial security program is designed to equally promote an informed and protected American public. Deliberate, continuous effort is required to succeed at both—the American people expect and deserve nothing less.

Respectfully,

J. William Leonard
Director

AUTHORITY

Executive Order 12958, as amended, "Classified National Security Information," and Executive Order 12829, as amended, "National Industrial Security Program." The Information Security Oversight Office (ISOO) is a component of the National Archives and Records Administration and receives its policy and program guidance from the National Security Council (NSC).

MISSION

ISOO oversees the security classification programs in both Government and industry and reports to the President annually on their status.

FUNCTIONS

- ★ Develops implementing directives and instructions.
- ★ Maintains liaison with agency counterparts and conducts on-site inspections and special document reviews to monitor agency compliance.
- ★ Develops and disseminates security education materials for Government and industry; monitors security education and training programs.
- ★ Receives and takes action on complaints, appeals, and suggestions.
- ★ Collects and analyzes relevant statistical data and, along with other information, reports them annually to the President.
- ★ Serves as spokesperson to Congress, the media, special interest groups, professional organizations, and the public.
- ★ Conducts special studies on identified or potential problem areas and develops remedial approaches for program improvement.
- ★ Recommends policy changes to the President through the NSC.
- ★ Provides program and administrative support for the Interagency Security Classification Appeals Panel (ISCAP).

GOALS

- ★ Promote and enhance the system that protects the national security information that safeguards the American Government and its people.
- ★ Provide for an informed American public by ensuring that the minimum information necessary to the interest of national security is classified and that information is declassified as soon as it no longer requires protection.
- ★ Promote and enhance concepts that facilitate the sharing of information in the fulfillment of mission-critical functions related to national security.



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Note: The Report on Cost Estimates for Security Classification Activities will be reported separately.



SUMMARY OF FY 2003 PROGRAM ACTIVITY

The following Report to the President is the eighth report under E.O. 12958, which went into effect in October 1995, and was amended on March 25, 2003. The following data highlight ISOO's findings.



Classification

- ★ Executive branch agencies reported 3,978 original classification authorities.
- ★ Agencies reported 234,052 original classification decisions.
- ★ Executive branch agencies reported 13,993,968 derivative classification decisions.
- ★ Agencies reported 14,228,020 combined classification decisions.

Declassification

- ★ Under Automatic and Systematic Review Declassification programs, agencies declassified 43,093,233 pages of historically valuable records.
- ★ Agencies received 5,354 new mandatory review requests.
- ★ Under mandatory review, agencies declassified in full 218,764 pages; declassified in part 80,520 pages; and retained classification in full on 10,889 pages.
- ★ Agencies received 43 new mandatory review appeals.
- ★ On appeal, agencies declassified in whole or in part 1,465 additional pages.

THE IMPORTANCE OF BASICS

Fiscal year 2003 saw significant activity with respect to the framework employed to classify national security information. Yet, even with the signing on March 25, 2003, of Executive Order 13292, further amending Executive Order 12958 on classified national security information, what is most notable about the new amendment is what did not change with respect to the fundamentals that make the security classification system work.

To bring to bear the capabilities of the classification system for national security information, the information's originator need simply affix certain classification markings. However, it is not the security markings on the media that protect truly sensitive information from unauthorized disclosure; rather, it is the people who deal with the information, their knowledge and understanding of the program, and their belief in the integrity of the system represented by the markings. This knowledge, understanding, and confidence cannot be taken for granted.

The security classification system is no different than other systems in that it requires continuous attention and upkeep. Left alone, the system will likely corrode and lose its overall effectiveness, placing in jeopardy all information cloaked in its protective measures. This, of course, has more than theoretical consequences in time of war; especially with respect to the resulting damage to the common defense should such information be subject to unauthorized disclosure. Yet, if we are not attentive, the demands of war can distract us from doing what is necessary today to ensure the continued efficacy of the security classification system. The security classification system is not self-directing—it works only when leadership demonstrates personal commitment and directs senior management to make it work.

Executive Order 12958, as amended, is replete with measures to ensure the classification system's continued effectiveness. Agencies must appoint senior officials to oversee the agency's program, promulgate internal regulations, establish and maintain security education and training programs as well as an ongoing self-inspection program, and commit the resources necessary to ensure effective implementation of the program, among other requirements. Many agencies are excelling at fulfilling these requirements. According to agency reviews as well as agency submissions in preparation of this report, others are not. In the final analysis, this is a fundamental issue for agency heads and their leadership teams.

Many senior officials will candidly acknowledge that the government classifies too much information, although oftentimes the observation is made with respect to the activities of agencies other than their own. The potential issue of excessive classification is supported, in part, by agency input indicating that overall classification activity is up over the past several years. Yet, some individual agencies are not certain. They have no real idea how much of the information they generate is classified; whether the overall quantity is increasing or decreasing; what the explanations are for such changes; which elements within their organizations are most responsible for the changes; and, most important, whether the changes are appropriate, i.e., whether too much or too little information is being classified and whether it is for too long or too short a period of time. The absence of such rudimentary baseline information makes it difficult for agencies to ascertain the effectiveness of their classification efforts.

Similarly, one of the principal procedures for maintaining the effectiveness of the classification system is to remove from the safeguarding system information that no longer requires protection in the interest of national security. In addition to processes such as automatic and systematic declassification, as well as mandatory declassification reviews, the Executive order clearly states that "information shall be

declassified as soon as it no longer meets the standards for classification" (Section 3.1). Elsewhere, the Order specifically prohibits the use of classification "to prevent or delay the release of information that does not require protection in the interest of the national security" (Section 1.7 (a) (4)). Nonetheless, as noted in this report, declassification activity has been down for the past several years.

In some quarters, when it comes to classification in times of national security challenges, when available resources are distracted elsewhere, the approach toward classification can be to "err on the side of caution" by classifying and delaying declassification "when in doubt" and by "asking questions later." Yet, the classification system is too important, and the consequences resulting from improper implementation too severe, to allow "error" to be a part of any implementation strategy. Error from either perspective, both too little and too much classification, is not an option. Too much classification unnecessarily impedes effective information sharing. Too little classification subjects our nation to potential harm.

Proactive oversight by an agency of its security classification program is not a luxury. Similarly, declassification cannot be regarded as a "fair weather project," something we tend to when resources are plentiful but that quickly falls off the priority list when times get tough, especially in times of national security challenges. Allowing information that will not cause damage to national security to remain in the classification system, or to enter the system in the first instance, places all classified information at needless increased risk.

In response to this concern, ISOO has asked all agency heads to closely examine efforts to implement and maintain the security classification system at their agencies. Each has been asked to give special emphasis to reviewing how they provide their personnel who deal with classified information with the knowledge and understanding required to make the program work, and what positive steps they can take to ensure the continued integrity of the system. This effort includes ensuring that information that requires protection is properly identified and safeguarded and, equally important, that information not eligible for inclusion in the classification system remains unclassified or is promptly declassified. Further, in the interests of information sharing, agencies with original classification authority need to recognize the inherent discretion they have in making such a decision; just because information can be classified does not mean that it should be classified. Finally, the classification framework itself, in the overall context of information sharing and protection at all levels, can benefit from a fresh assessment of how it can be enhanced to better meet the needs of the electronic environment in which the Government increasingly operates. During the coming year, ISOO will be working closely with agencies to ensure that these and other steps are being taken to ensure the classification system's continued effectiveness.

In addition, for the next several years, future editions of this report will emphasize agency progress in fulfilling the direction set forth in the Order to achieve complete implementation of automatic declassification by December 31, 2006. It is essential that agencies recapture the momentum of prior years in their declassification efforts. Special emphasis will be placed on interagency process improvements, especially in the areas of joint training, increased empowerment of reviewers, and increased delegation of authority between agencies.

Our security classification framework recognizes that our democratic principles require that the American people be informed of the activities of their Government and that our nation's progress depends upon the free flow of information. Nevertheless, it also recognizes that throughout our history, the national defense has required that certain information be maintained in confidence in order to protect our citizens, our democratic institutions, our homeland security, and our interactions with foreign nations. This is not an either/or challenge. Deliberate, continuous effort is required to succeed at both—the American people expect and deserve nothing less.

INTERAGENCY SECURITY CLASSIFICATION APPEALS PANEL

AUTHORITY

Section 5.3 of Executive Order 12958, as amended, "Classified National Security Information."

FUNCTIONS

- (1) To decide on appeals by authorized persons who have filed classification challenges under Section 1.8 of E.O. 12958, as amended.
- (2) To approve, deny, or amend agency exemptions from automatic declassification as provided in Section 3.3 of E.O. 12958, as amended.
- (3) To decide on appeals by persons or entities who have filed requests for mandatory declassification review under Section 3.5 of E.O. 12958, as amended.

MEMBERS*

William H. Leary, *Chair*
National Security Council

James A. Baker
Department of Justice

Edmund Cohen
Central Intelligence Agency

Margaret P. Grafeld
Department of State

Carol A. Haave
Department of Defense

Michael J. Kurtz
National Archives and Records Administration

EXECUTIVE SECRETARY

J. William Leonard, *Director*
Information Security Oversight Office

SUPPORT STAFF

Information Security Oversight Office

*The individuals named in this section were those in such positions as of the end of FY 2003.

SUMMARY OF ACTIVITY

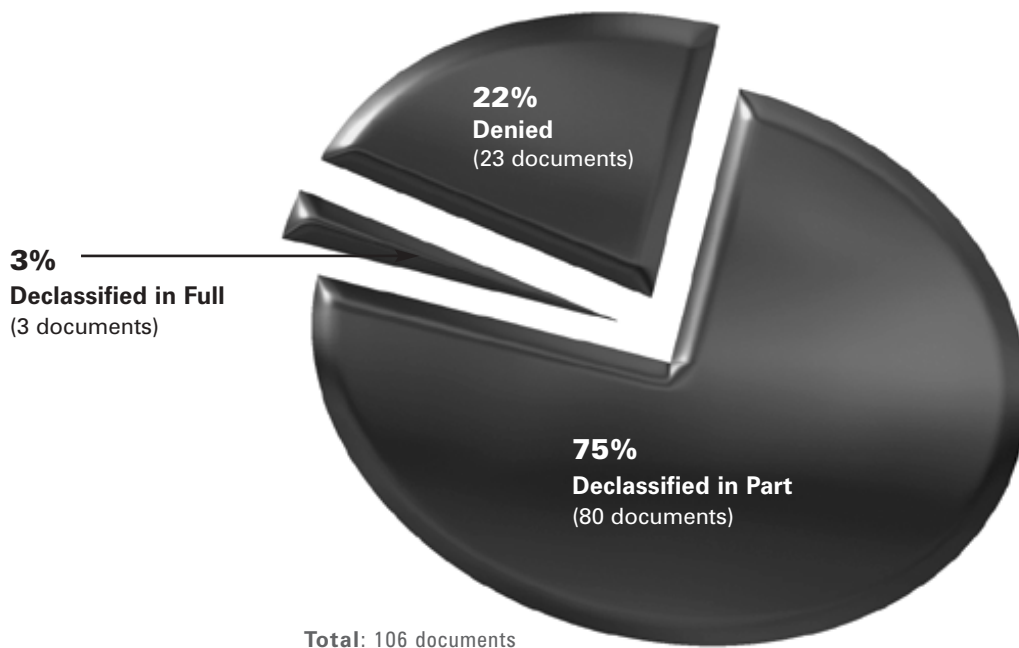
The Interagency Security Classification Appeals Panel (ISCAP) was created under E.O. 12958 to perform the critical functions noted above. The ISCAP, comprised of senior level representatives appointed by the Secretaries of State and Defense, the Attorney General, the Director of Central Intelligence (DCI), the Archivist of the United States, and the Assistant to the President for National Security Affairs, began meeting in May 1996. The President selects its Chair, the Director of the Information Security Oversight Office (ISOO) serves as its Executive Secretary, and ISOO provides its staff support.

To date, the majority of the ISCAP's efforts have focused on mandatory declassification review appeals. During fiscal year 2003, the ISCAP decided upon 106 documents that remained fully or partially classified upon the completion of agency processing.

It declassified the entirety of the remaining classified information in 3 documents (3 percent), and declassified some portions while affirming the classification of other portions in 80 of the documents (75 percent). The ISCAP fully affirmed the agency decisions in their entirety for 23 documents (22 percent).

ISCAP DECISIONS

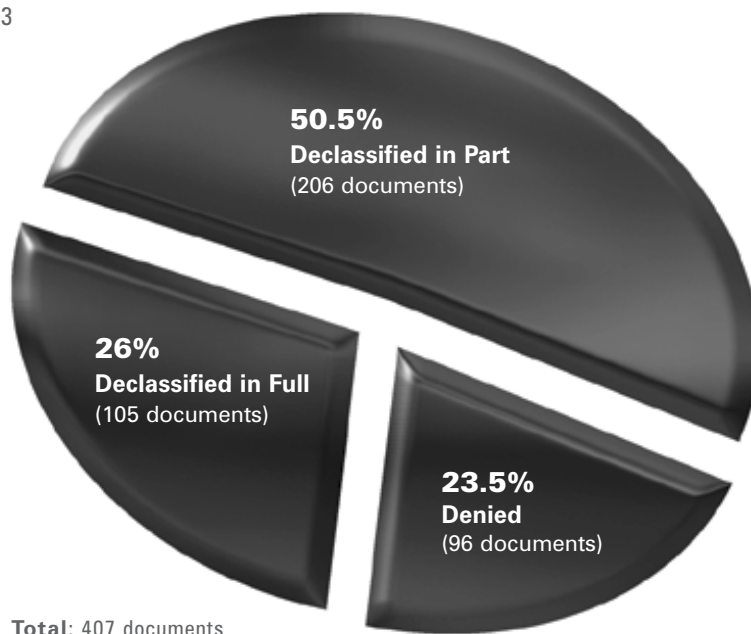
Fiscal Year 2003



From May 1996 through September 2003, the ISCAP has decided upon a total of 407 documents. Of these, the ISCAP declassified information in 76.5 percent of the documents. Specifically, it has declassified the entirety of the remaining classified information in 105 documents (26 percent), and has declassified some portions while affirming the classification of other portions in 206 documents (50.5 percent).

ISCAP DECISIONS


May 1996 – September 2003




The ISCAP has fully affirmed agency classification decisions in 96 documents (23.5 percent). Documents declassified by the ISCAP may be requested from the entity that has custody of them, usually a presidential library. For assistance in identifying and requesting copies of such documents, or for any other questions regarding the ISCAP, please contact the ISCAP staff at ISOO.

During fiscal year 2003, the ISCAP also approved declassification guides submitted by the Department of the Navy and the Joint Chiefs of Staff in accordance with Section 3.3(b) of E.O. 12958, as amended, and the applicable provision of its government-wide implementing directive (32 C.F.R. Part 2001.32(c)). When approved by the ISCAP, such guides authorize the exemption of information determined by an agency head to fall within an exemption category listed in Section 3.3(b) of the amended Order. Essentially, the guides permit certain information to be classified for more than 25 years. In order to gain ISCAP approval, guides must provide a comprehensive description of the information proposed for exemption, a distinct relationship to a specific exemption, a justification or explanation of the need for exemption, and a fixed date or event for future declassification.

If you have any questions concerning the ISCAP, please contact the ISCAP staff :

202.219.5250 

iscap@nara.gov

202.219.5385 

www.archives.gov/isoo/oversight_groups/iscap.html

Amendment to E.O. 12958 regarding the Director of Central Intelligence (DCI)

With the amendment of E.O. 12958 in fiscal year 2003, the DCI has the ability to block ISCAP declassification of certain information owned or controlled by the DCI, requiring that the DCI's determination be appealed to the President (see Section 5.3(f) of the amended Order). ISOO will report annually on the use of this provision.

NATIONAL INDUSTRIAL SECURITY PROGRAM

Through Executive Order 12829, the President formally established the National Industrial Security Program (NISP) on January 6, 1993. The Order calls for a single, integrated, cohesive system for safeguarding classified information held by industry. Consistent with this goal, the four major tenets of the NISP are as follows:

- ★ Achieve uniformity in security procedures.
- ★ Implement the reciprocity principle in security procedures, particularly with regard to facility and personnel clearances.
- ★ Eliminate duplicative or unnecessary requirements.
- ★ Achieve reductions in security costs.

During the early years of the NISP, a substantial amount of positive change was accomplished in a relatively short period. This early success was a direct result of the shared commitment and interest exhibited by top officials within the agencies along with cooperation from key representatives in industry. Recently, however, there is a growing sentiment that the transition to a fully functional NISP is in need of renewed attention by senior management in both Government and industry. Symptomatic of these concerns is mounting frustration over the inability to eliminate the backlog of personnel security clearances, reach true reciprocity in regard to personnel and facility clearances, and accredit industry's automated information systems in a timely manner, despite repeated efforts.

Consistent with ISOO's responsibilities under Section 102(b) of the Order, ISOO began its third survey of the NISP in the summer of 2002. The survey report was finalized in the summer of 2003 and a copy of the report can be accessed at <http://www.archives.gov/isoo>.

Despite a general acknowledgment that the initial momentum of the NISP has tapered off, there remains a genuine consensus, particularly at the grass roots level, that a revitalized NISP is essential. Although there has been some disagreement as to how the NISP can be revitalized and, in particular, whether ISOO should increase its role within the NISP, the Order outlines several areas where ISOO believes it must increase its role in the implementation and monitoring of the program. These areas will be the focus of our NISP-related activities in the future and will be detailed in future reports.

National Industrial Security Program Policy Advisory Committee

E.O. 12829 established the National Industrial Security Program Policy Advisory Committee (NISPPAC). The Committee, with representation from government and industry, advises the Chairman (ISOO Director) on all matters concerning the NISP. During fiscal year 2003, the NISPPAC met only once. Its 21st meeting was held on April 23, 2003. Of particular note, the Committee voted to add the Department of Homeland Security as a permanent voting member of the NISPPAC. Given the increased role of the Office of Personnel Management (OPM) in personnel security investigations, the Committee also requested that OPM attend future NISPPAC meetings. However, regardless of these changes, slow movement in response to a number of other initiatives caused the Chair to delay the next NISPPAC meeting until fiscal year 2004.

CLASSIFICATION

ORIGINAL CLASSIFIERS

Original classification authorities (OCAs), also called original classifiers, are those individuals designated in writing, either by the President or by selected agency heads, to classify information in the first instance. Under Executive Order 12958, as amended, only original classifiers determine what information, if disclosed without authority, could reasonably be expected to cause damage to the national security. Original classifiers must also be able to identify or describe the damage.

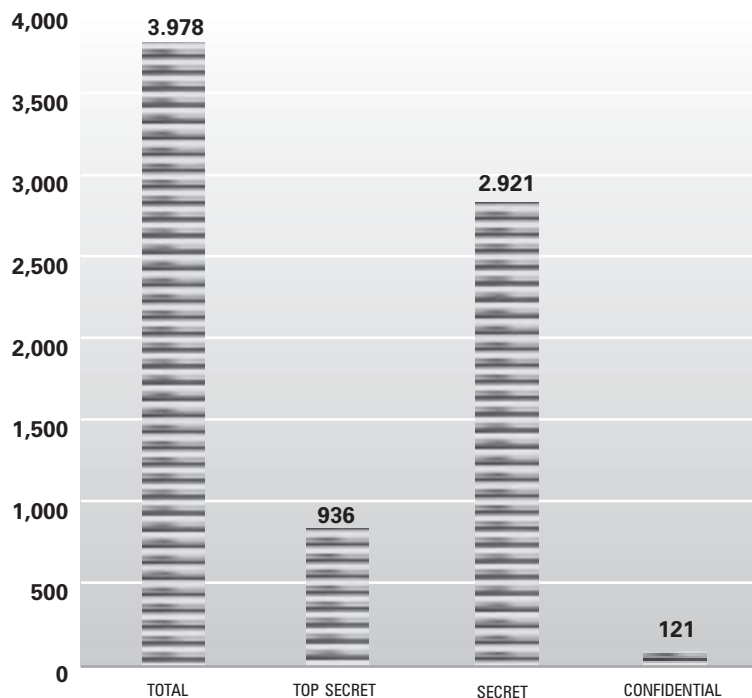
For fiscal year 2003, the number of original classifiers throughout the executive branch decreased to 3,978—or approximately 1 percent from the previous year.* Executive branch agencies with significant decreases in OCAs include the Department of the Treasury (Treasury), the Department of Defense (DOD), the National Aeronautics and Space Administration (NASA), the Office of Science and Technology Policy (OSTP), the Overseas Private Investment Corporation (OPIC), and the Office of the United States Trade Representative (USTR). Additionally, the Department of Justice (Justice) experienced a slight decrease in the number of OCAs. ISOO believes that careful scrutiny and re-issuance of delegations of original classification authority continues to be the largest contributing factor for keeping OCAs to a minimum. In addition, the use of classification guidance has reduced the need for OCAs for operational needs. Nevertheless, some larger agencies that had comparable classification activity, but many more OCAs, could apparently reduce the number of OCAs without negatively affecting operations through the development and increased use of classification guidance. In fiscal year 2003 there was a 1 percent increase in original classifiers at the Top Secret and Secret levels, and a 32 percent decline at the Confidential level. The number of OCAs in DOD at the Top Secret and Secret levels continues to drop significantly. Evidently the continuing self-review of DOD OCA allocations continues to produce positive results. Six agencies, the Central Intelligence Agency (CIA), the Department of State (State), the Department of Commerce (Commerce), the Department of Energy (DOE), and the National Security Council (NSC) experienced slight increases in the number of OCAs. Although ISOO anticipated an increase in the number of OCAs reported by the agencies in fiscal year 2003 as a result of the continuing War on Terrorism, these figures do not reflect such an increase.

ISOO commends the entire Executive branch for its judicious delegation of Original Classification Authority.

*PFIAB and OVP did not report data through the SF 311 to ISOO this year. This report, therefore, does not include any data from these two entities.

ORIGINAL CLASSIFIERS

Fiscal Year 2003



ORIGINAL CLASSIFICATION

Original classification is an initial determination by an authorized classifier that information requires extraordinary protection, because unauthorized disclosure of the information could reasonably be expected to cause damage to the national security. The process of original classification ordinarily includes both the determination of the need to protect the information and the placement of markings to identify the information as classified. By definition, original classification precedes all other aspects of the security classification system, including derivative classification, safeguarding, and declassification. Therefore, ISOO often refers to the number of original classification decisions as the most important figure that it reports.

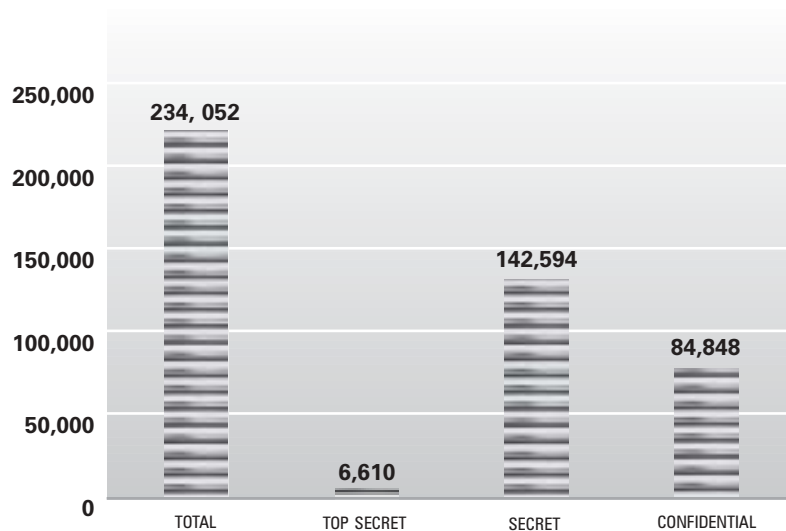
For fiscal year 2003, agencies reported a total of 234,052 original classification decisions. This figure represents an increase of 8 percent over the number of original classification decisions reported in fiscal year 2002, most of this increase is attributable to DOD and Justice. This small overall increase is not unusual given the current scope of military and counterterrorism operations. Other agencies with smaller security classification programs reported marked increases in original classification decisions. In particular, these increases occurred at NASA (224 percent), the Department of Health and Human Services (HHS) (150 percent), and USTR (181 percent).

By classification level, Top Secret experienced a dramatic drop of 42 percent, while Secret increased by 25 percent, and Confidential decreased by 7 percent. This shift in original classification is mainly attributed to DOD and Justice. DOD reported a 37 percent decrease at the Top Secret level and a 24 percent increase at the Secret level. Justice experienced a 48 percent decrease at the Top Secret level along with a 43 percent increase at the Secret level. This shift is logical in an era of increased operational tempo with an emphasis on real-world execution of plans and programs as opposed to

contingency planning. In the case of DOD, the continuing operations in Afghanistan combined with the surge of operational activity generated by Operation Iraqi Freedom account for this shift to the Secret level, while at Justice the numbers are driven by a swell in counterterrorism activities. The recent emphasis on information sharing may have also helped the move toward the Secret level. As OCAs become more focused on enabling the dissemination of vital information, they will look to classify at lower levels, or even to declassify, whenever possible. This is perhaps one of the most encouraging developments in the security classification system since the issuance of E.O. 12958 in April 1995.

ORIGINAL CLASSIFICATION ACTIVITY

Fiscal Year 2003

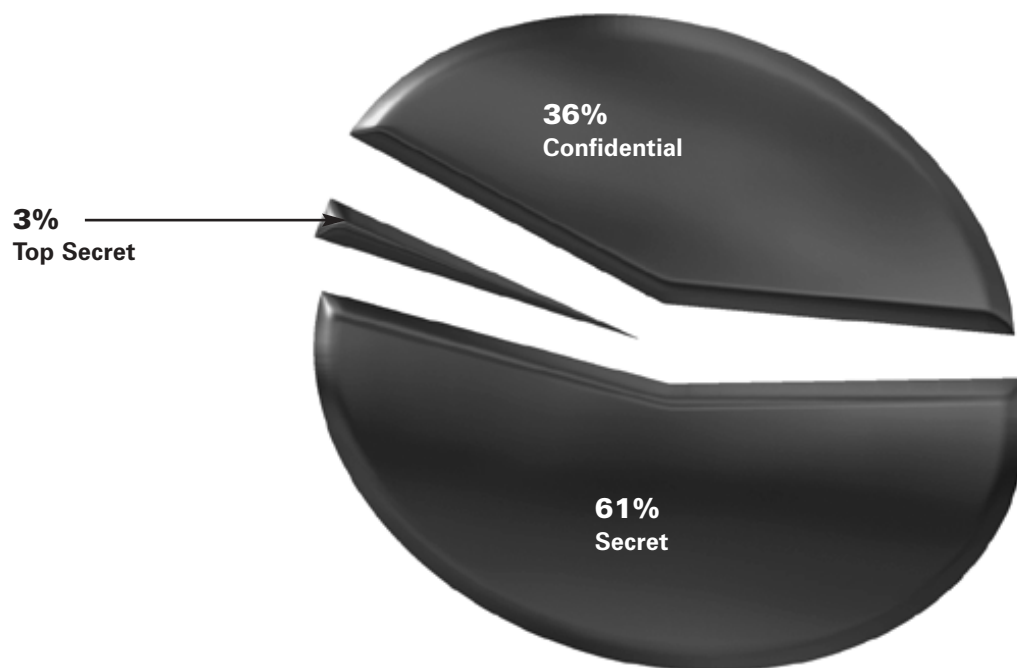


Three agencies—DOD, Justice, and State—continue to account for 99 percent of all original classification decisions. DOD reported a total of 47,238 original classification decisions, a 27 percent increase from the previous year. For the seventh year in a row, Justice reported an increase. For fiscal year 2003 the increase is directly related to the FBI’s counterterrorism activities and emphasis on counternarcotics and dangerous drug interdiction. State registered a 13 percent decrease, mainly because of its enhanced accountability and reporting for this type of information.



ORIGINAL CLASSIFICATION BY LEVEL

Fiscal Year 2003



Several agencies with smaller security classification programs reported marked decreases in the number of original classification decisions. In particular, the Department of Transportation (DOT), the Office of National Drug Control Policy (ONDCP), and Commerce experienced decreases of 100, 64, and 14 percent, respectively.

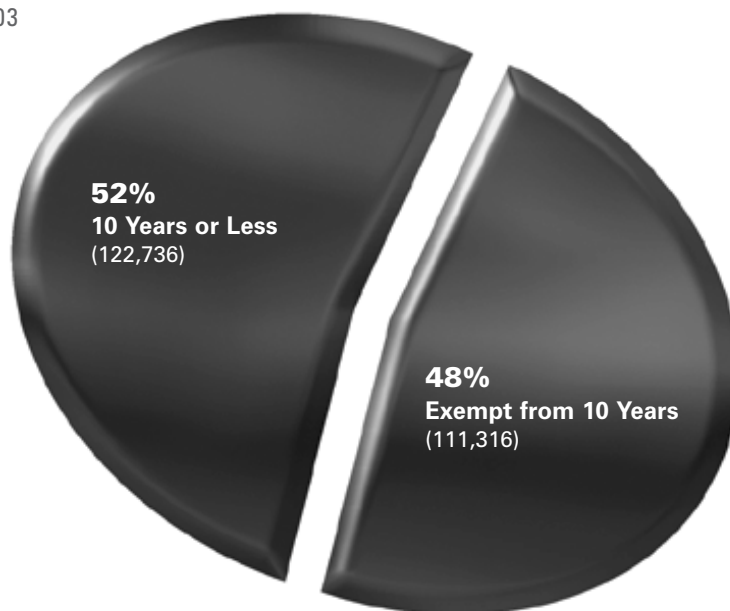
As part of the original classification process, classifiers must determine a timeframe for the protection of the information. This period is commonly called the "duration" of classification. The March 25, 2003, amendment to Executive Order 12958 instituted new marking procedures that became effective on September 22, 2003. For fiscal year 2003, agencies continued to use the markings in place before the amendment was issued, including the X-1 through X-8 exemption categories used to exempt information from 10-year declassification. As of the effective date noted above, these same markings, X1 through X8, can no longer be used to exempt information. Depending on the sensitivity of the information, one of the following four options may be applied:

1. A date or event less than 10 years from the date of the decision, or if unable to identify such a date or event; then
2. A date 10 years from the date of the decision; or
3. A date greater than 10 and less than 25 years from the date of the decision; or
4. A date 25 years from the date of the decision.

The indefinite duration marking, "Originating Agency's Determination Required" or "OADR," used under E.O. 12958's predecessor, Executive Order 12356, was eliminated with the issuance of E.O. 12958.

DURATION OF CLASSIFICATION

Fiscal Year 2003



During fiscal year 2003, classifiers chose declassification upon a specific date or event less than 10 years or upon the 10-year date for 122,736 (52 percent) original classification decisions. For the remaining 111,316 (48 percent) original classification decisions, original classifiers elected to apply an exemption from 10-year declassification. The 52 percent noted for the 10-year or less category is 5 percent lower than was reported for this category in 2002. Historically, under this Order, agencies selected 10 years or less 57 percent of the time in 2002; 54 percent in 2001; 59 percent in 2000; 50 percent in 1999; 36 percent in 1998; and 50 percent in both 1997 and 1996.

In the future, the elimination of the use of the X1 through X8 markings will have a significant effect on determining the duration of classification. Instead of "X" codes, classifiers must now identify specific dates or events more than 10 years but not more than 25 years from the date of the decision when classifying information. The Order expects that all OCAs should strive harder to look for a 10-year or less declassification date rather than defaulting to a selection of a date 25 years from the date of the decision. Although this change should have little or no impact on the declassification process, it will certainly affect classifiers' perception of how long classified information should be protected. Education and experience with these markings will help to alleviate classifiers' concerns.

Amendment to E.O. 12958 Regarding Reclassification

The amended Order and revised directive spell out two cases when reclassification can occur: (1) when the information has been declassified or marked as declassified with proper authority, but not publicly released; and (2) when the information has been declassified with proper authority and released to the public. Agencies must follow specific procedures in either case and use them judiciously. In the latter case, the agency must report such actions to ISOO. ISOO will monitor the use of this provision and report on it annually.

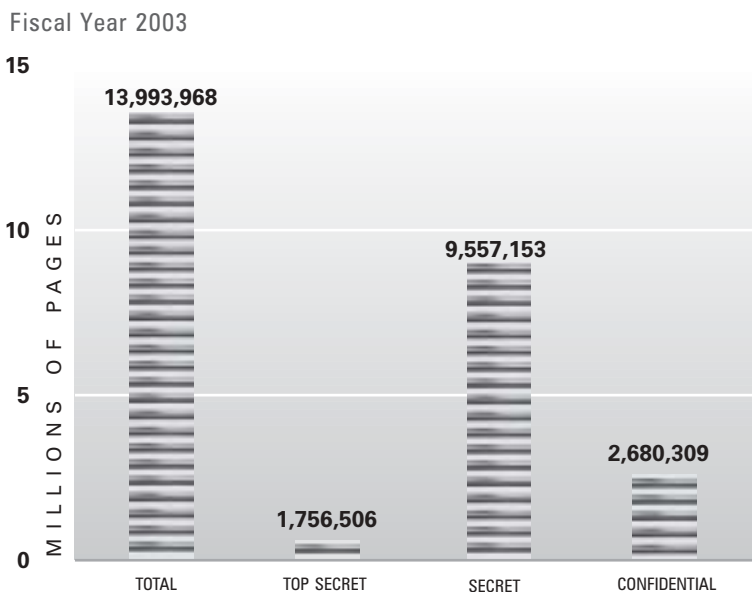
DERIVATIVE CLASSIFICATION

Derivative classification is the act of incorporating, paraphrasing, restating, or generating in new form, classified source information. Information may be classified in two ways: (1) through the use of a source document, usually correspondence or publications generated by an OCA; or (2) through the use of a classification guide.

A classification guide is a set of instructions issued by an OCA. It pertains to a particular subject and describes the elements of information about that subject that must be classified, and the level and duration of classification. Only Executive branch or Government contractor employees with the appropriate security clearance, who are required by their work to restate classified source information, may classify derivatively.

Unlike original classification, which is inherently a discretionary judgment, derivative classification is not. Thus, original classification is a better means to assess trends with respect to an agency's use of classification to protect national security information. Derivative classification activity is more a reflection an agency's productivity, which in the long term provides a reference for future declassification workloads.

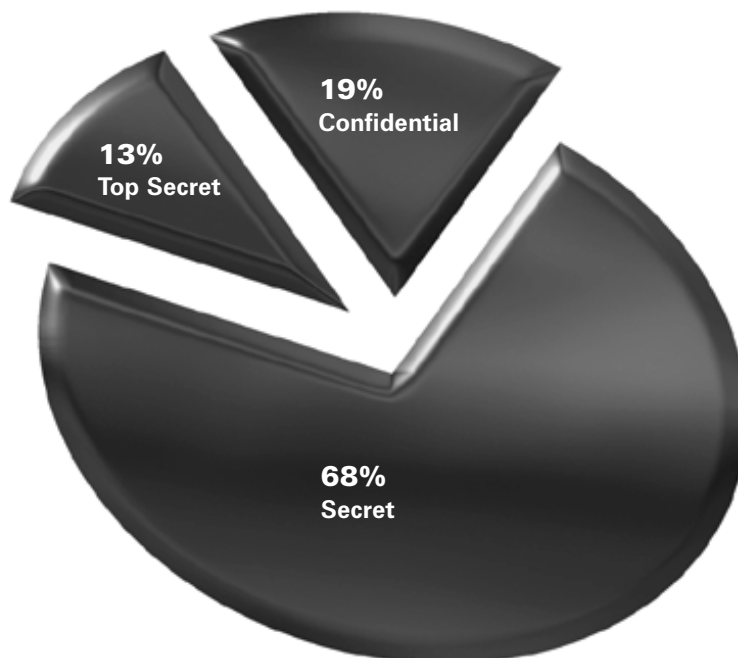
DERIVATIVE CLASSIFICATION ACTIVITY



As we reported last year, ISOO had trouble validating derivative classification decisions with DOD. Further investigation has clarified an inconsistency in one component, dating back to fiscal year 2000. Evolving business practices within that component were recently fully explained to ISOO, causing us to question the data submissions for fiscal years 2000 through 2002. For this reason, we have extracted that component's derivative decisions for those years. Although this reduced the overall total, it does not alter the upward trend in derivative classification that ISOO has been reporting for several years. We will continue to work with DOD to develop a system whereby we can report meaningful data.

DERIVATIVE CLASSIFICATION BY LEVELS

Fiscal Year 2003



For fiscal year 2003, agencies reported 13,993,968 derivative classification actions. Three major classifying agencies have experienced significant increases in derivative classification. CIA is up 41 percent, the National Reconnaissance Office (NRO) is up 17 percent, and Justice is up 102 percent. For fiscal year 2003, DOD, CIA, NRO, and Justice represented 99 percent of all derivative classification actions reported. CIA derivatively classified more than any other agency; DOD placed second, NRO, third; and Justice a distant fourth. State, the Department of the Interior (Interior), and NSC also reported significant increases. NASA, the Nuclear Regulatory Commission (NRC), DOT, DOE, and Treasury reported significant decreases. ISOO commends these agencies for their efforts to reduce derivative classification activity.

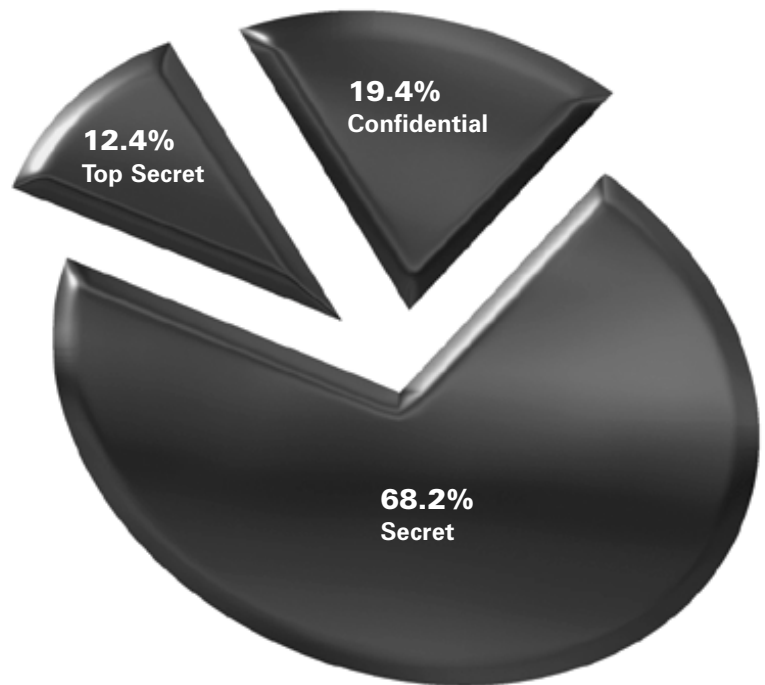
Since the September 2001 terrorist attacks on the U.S homeland, derivative activity has increased by a total of 40 percent. We expect derivative activity to continue at this historically elevated level for the foreseeable future, as the United States faces a long struggle against those who mean to undermine the security of the homeland and our interests around the world. In the face of this mounting volume of classified material, it is particularly important that Executive branch agencies adhere to the requirements defined in E.O. 12958, as amended, and its Implementing Directive—specifically those that govern the marking of classified information and the declassification of information. Commitment to these tenets of the security classification system will help to ensure that the Government does not create another "mountain" or backlog of classified records beyond the immediate purview of the public.

COMBINED CLASSIFICATION

Together, original and derivative classification decisions make up what ISOO calls combined classification activity. In fiscal year 2003, combined classification activity totaled 14,228,020 decisions.

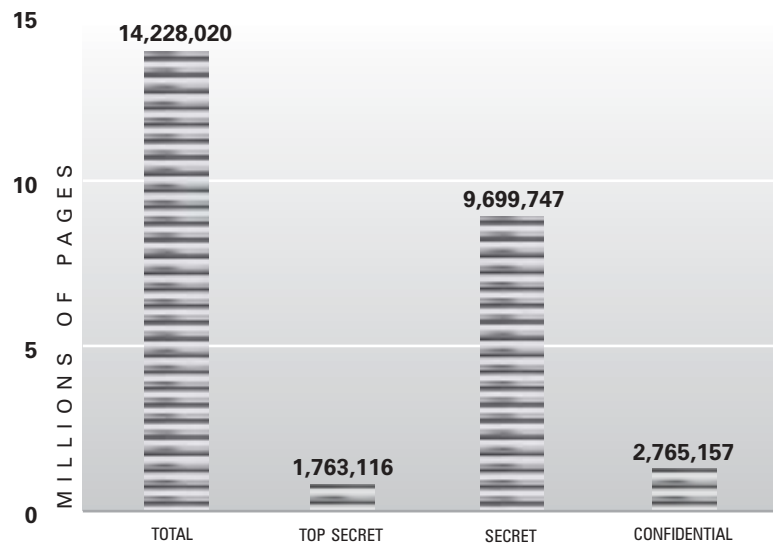
COMBINED CLASSIFICATION BY LEVEL

Fiscal Year 2003



COMBINED CLASSIFICATION ACTIVITY

Fiscal Year 2003

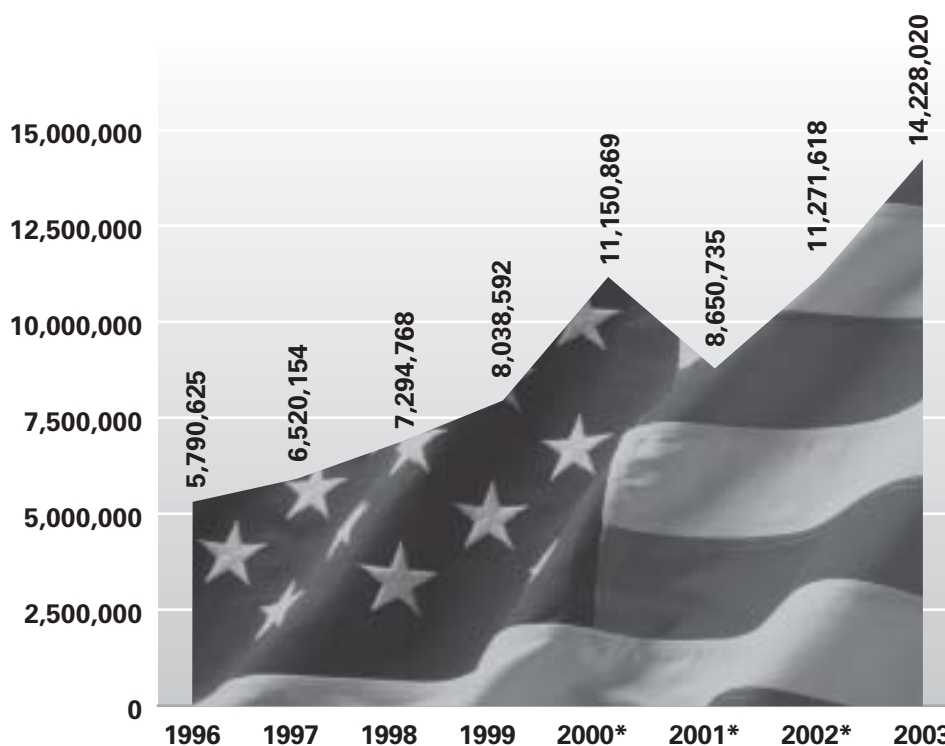


Four agencies—CIA, DOD, NRO, and Justice—accounted for 99 percent of the combined classification activity. Three large agencies reported significant increases in combined classification: CIA, 41 percent; NRO, 17 percent, and Justice, 89 percent.

It is likely that today's threat environment will continue for some time, resulting in increased classification activity in the future. ISOO's continued monitorship of the program, in combination with renewed agency commitment to meeting the goals of the security classification system, will go a long way toward prudent and balanced classification activity throughout the Executive branch.

COMBINED CLASSIFICATION ACTIVITY

Fiscal Years 1996-2003



*The data for FYs 2000, 2001, and 2002 have been revised downward to exclude some sources of data due to revisions in procedures for identifying finished products in electronic format.



DECLASSIFICATION

BACKGROUND

Declassification is an integral part of the security classification system. It is the authorized change in status of information from classified to unclassified. When Executive Order 12958 was issued on April 17, 1995, the declassification policies of the past changed dramatically. In preceding years, classified information stayed classified and very often did not see the light of general public's, researchers', or historians' eyes without persistent and continuous efforts on the part of these individuals. E.O. 12958 changed this paradigm. With the Order's effective date of October 14, 1995, a new "Automatic Declassification" program was begun in addition to the longstanding "Systematic Review for Declassification."

Under the "Automatic Declassification" provision of E.O. 12958, information appraised as having permanent historical value is automatically declassified at 25 years of age unless an agency head has determined that it falls within a narrow exemption that permits continued classification, and that either the President or the ISCAP has approved. With the issuance of E.O. 12958, these records were subject to automatic declassification on April 17, 2000. Executive Order 13142, issued on November 19, 1999, amended E.O. 12958, to extend the date of the imposition of the automatic declassification provisions until October 14, 2001. It also extended the date of the imposition of the automatic declassification provisions an additional 18 months, until April 17, 2003, for two groups of records: those that contain information classified by more than one agency and those that almost invariably contain information pertaining to intelligence sources or methods. While Executive branch agencies had made significant strides in trying to meet the April 17, 2003, deadline, it was clear in late 2001 that this latter deadline would not be met. As a result, work was begun to further amend the Order to extend the deadline. On March 25, 2003, the signing of E.O. 13292 recommitted the Executive branch to the automatic declassification process and extended the date of the imposition of the automatic declassification provision until December 31, 2006. By this date, Executive branch agencies are expected to have completed the declassification of their eligible records, or to have properly exempted them, referred them to other agencies, or, in the case of special media, appropriately delayed declassification. This amendment also re-introduced the concept of exempting a specific file series from automatic declassification, which originally had been a one-time opportunity. Agencies may now request an exemption at any time for permanent file series that will be subject to automatic declassification within 5 years.

"Systematic Review for Declassification," which began in 1972, is the program under which classified permanently valuable records are reviewed for the purpose of declassification after the records reach a specific age. Under E.O. 12356, the predecessor Order, the National Archives and Records Administration (NARA) was the only agency required to conduct a systematic review of its classified holdings. Now E.O. 12958, as amended, requires all agencies that originate classified information to establish and conduct a systematic declassification review program, which is undertaken in conjunction with the potential onset of automatic declassification. In effect, systematic review has, for the time being, become an appendage of the automatic declassification program. ISOO has collected data on declassification that do not distinguish between the 2 programs because they are now so interrelated.

In effect, E.O. 12958, as amended, reverses the resource burden. Unlike prior systems, in which agencies had to expend resources in order to declassify older information, under the amended order, agencies must expend the resources necessary to demonstrate why older, historical information needs to remain classified.

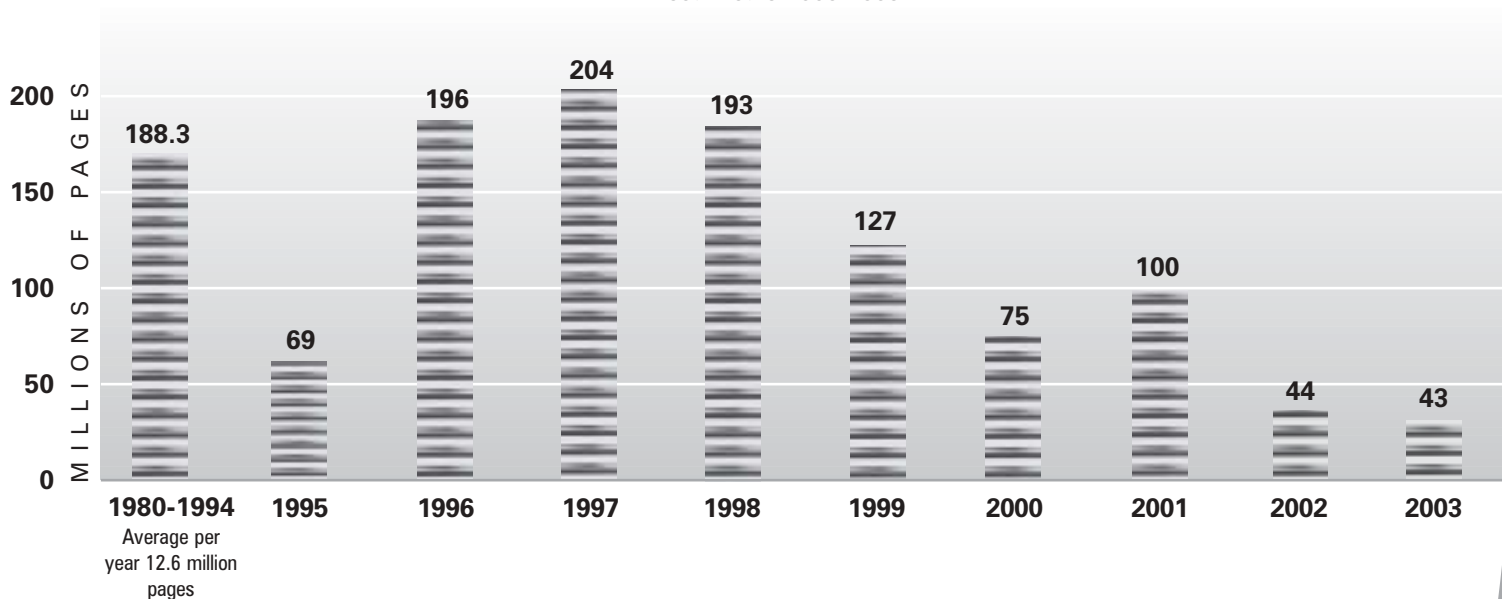
Fiscal year 2003 marked the eighth year in which the policies leading up to automatic declassification have been in effect.

PAGES DECLASSIFIED

During fiscal year 2003, the Executive branch declassified 43,093,233 pages of permanently valuable historical records. This figure represents a 3 percent decrease from that reported for fiscal year 2002. There appears to be a leveling-off in the steady overall downward trend occurring since 1997. Overall, although agencies have not decreased the amount of effort in the declassification arena, the rate of processing has slowed as a result of several factors, including the increasing complexity of the documents and the number that need to be referred to other equity holding agencies. Naturally, the time to review, identify, and refer such documents takes longer than when a document containing only one's own equity is being reviewed, because of both the concentrated intellectual analysis and the additional administrative processing time. Even so, the number of pages declassified in fiscal year 2003 continues to exceed the yearly average (12.6 million pages) under prior Executive orders by three-fold. Given the many obstacles faced by Executive branch agencies in their declassification efforts, this accomplishment is remarkable. However, ISOO is concerned about the anticipated large volume of classified records subject to automatic declassification by December 31, 2006, and will work with agencies to help them reach their goals by whatever means available.

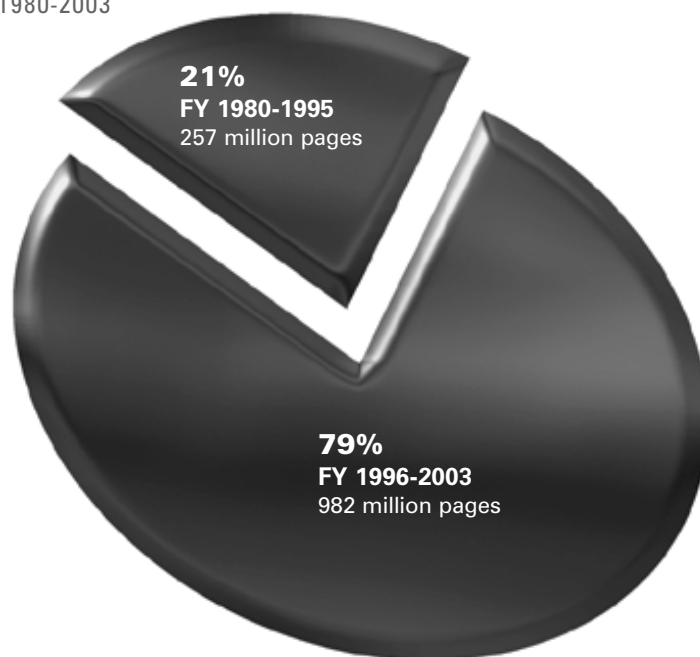
1.24 BILLION PAGES DECLASSIFIED

Fiscal Years 1980-2003



1.24 BILLION PAGES DECLASSIFIED

Fiscal Years 1980-2003



The number of pages subject to the automatic declassification provisions has not been updated since the November 1999 amendment to E.O. 12958. On October 16, 2003, ISOO asked the agencies to update, revise, or establish declassification plans that outline how each agency will declassify, properly exempt, refer, or appropriately delay all 25 year-old or older classified permanent records prior to the full implementation of the automatic declassification provisions on December 31, 2006. As part of this process, agencies will need to reassess their records to determine the volume of records subject to this very important provision of the Order. This assessment will provide a better picture of the workload that agencies face to meet the final deadline. Updating these declassification plans will become an annual process, enabling agencies to assess their progress, adjust plans, and prioritize resources.

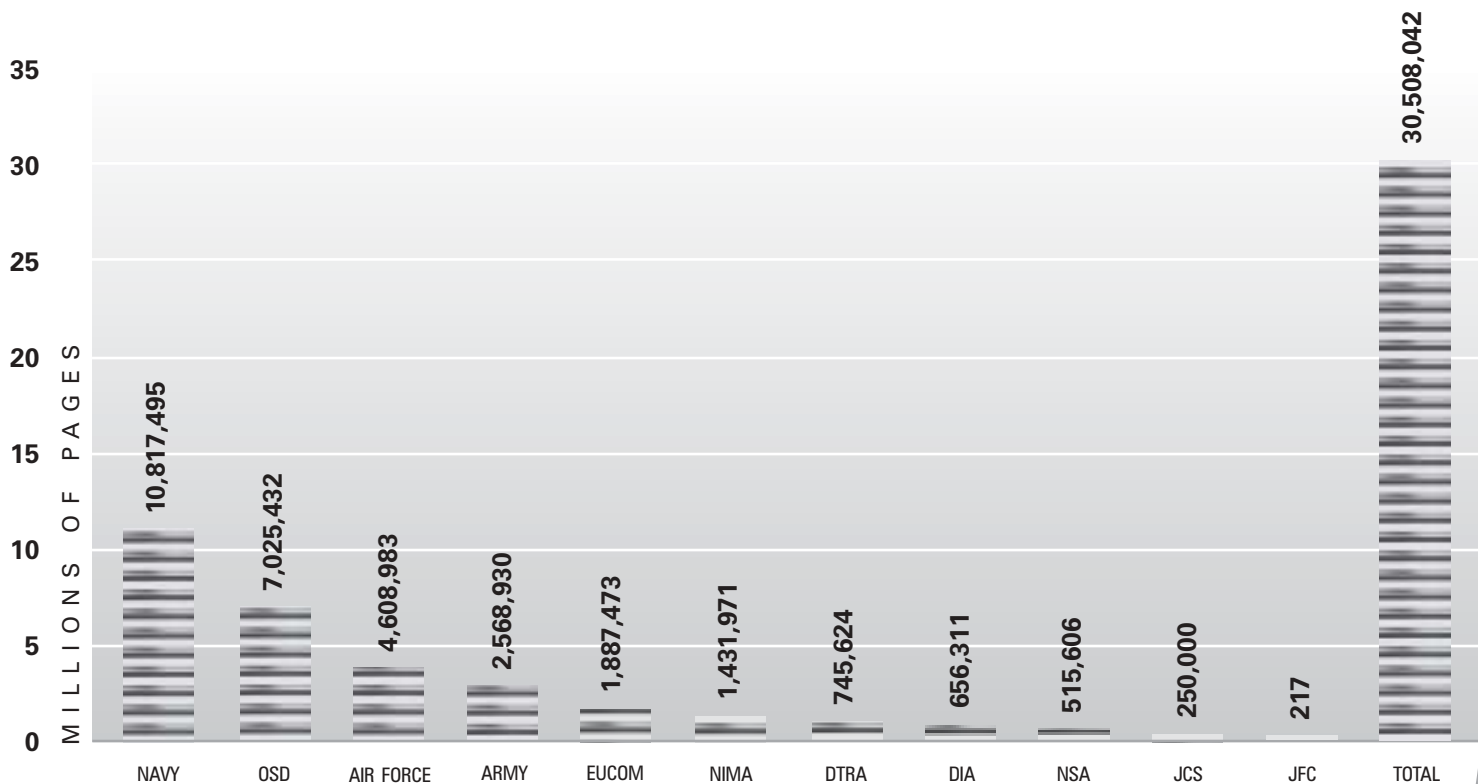
Other factors outside the process have also affected declassification activity. As noted in ISOO's 2002 Annual Report, the Executive branch response to the events of September 11, 2001, continues to have a significant impact. Agencies are looking more closely at certain types of information (such as information related to weapons of mass destruction and homeland security) before making declassification decisions. Special legislative mandates also affect an agency's ability to meet the established goals of the declassification program. For example, legislation enacted in fiscal year 1999, addressing the protection of Restricted Data and Formerly Restricted Data (Section 3161 of Public Law 105-261, entitled "Protection Against Inadvertent Release of Restricted Data and Formerly Restricted Data") and other special topical searches mandated by other legislative initiatives, have required agencies to shift resources away from the automatic and systematic declassification programs to meet the requirements of the legislation.

The number of pages NARA declassified in fiscal year 2003 again declined, from 652,405 pages in fiscal year 2002 to 250,105 pages in fiscal year 2003. This is the lowest number of pages declassified by NARA since the first full year of implementation of the automatic declassification provisions of E.O. 12958 in 1996. In the past 2 years, NARA's focus has shifted from the actual declassification of other agencies' records to the preparation of records that have been declassified by other agencies for public release. There is also a legislative requirement to perform Quality Assessment Reviews of records that potentially contain sensitive atomic and nuclear weapons information.

DOD declassified more pages than any other agency in fiscal year 2003, accounting for 71 percent of the total. However DOD, like NARA, reported its lowest number of pages declassified since the Order became effective on October 14, 1995.

Three agencies reported remarkable increases in their declassification activity during fiscal year 2003 as compared with fiscal year 2002: NRC (100 percent); State (75 percent); and Justice (62 percent). ISOO encourages all these agencies to sustain or work to increase their efforts to implement automatic declassification programs to comply with the December 31, 2006, deadline.

DOD COMPONENTS WITH SIGNIFICANT NUMBERS



NUMBER OF PAGES DECLASSIFIED BY AGENCY

TOTAL	43,093,233	
DOD	30,508,042	
CIA	5,165,000	
JUSTICE	3,961,514	
STATE	2,642,066	
NARA	250,105	
USAID	249,409	
DOE	212,188	
NASA	67,010	
NSC	35,675	
DHS	1,200	
NRC	1,000	
DOT	24	

In the 8 years that Executive Order 12958 has been in effect, Executive branch agencies have declassified over 982 million pages of permanently valuable historical records. Compared with the 257 million pages declassified under the prior two Executive orders (E.O. 12065 and E.O. 12356) and before E.O. 12958 became effective, the Executive branch, in the past 8 years, has more than tripled the number of pages declassified. Since ISOO came into existence in late 1978, and began collecting and analyzing data, beginning in fiscal year 1980, it has reported the declassification of permanently valuable records totaling approximately 1.24 billion pages. Of that total, 1 billion pages, or 84 percent, have been declassified, in large part because of the automatic declassification provisions of E.O. 12958 and its amendments.

LOOKING AHEAD

May 2003 marked the beginning of a new, innovative, inter-agency cooperative effort to coordinate the review of some of the huge volume of classified materials subject to the automatic declassification deadline of December 31, 2006. Most of the Executive branch agencies have been working diligently, since Executive Order 12958 was first implemented in 1995, to review classified documents for potential declassification and have made great progress in declassifying documents that have equities from only one agency. The more difficult task has been to come to terms with all of those documents that contain equities of two or more agencies. This is not to say that agencies have not been cooperating with each other, but this is a concerted multi-agency effort worthy of comment.

The National Archives and Records Administration (NARA), in coordination with the Department of Energy (DOE) and the United States Air Force (AF), established in Spring 2003 a new referral center as a pilot project to coordinate and streamline the review process of material of interest to multiple agencies. As no agency can declassify the equity of another agency, all pertinent players must review the document. In the past, referral of such material was exceedingly cumbersome. There was less coordination between agencies; there was a large administrative cost associated with copying and sending the materials to each equity holder; referrals were done serially, or to one agency at a time, rather than being referred to all equity holders at the same time; and some agencies were unwilling to participate, deciding to focus solely on their own records.

This new center, located at NARA at College Park, MD, seeks to address many of these issues, both through better planning and cooperation, and by taking a more holistic approach to the workload. In essence, a document with multi-agency equities will be identified and reviewed by all interested parties at one time, in one location, at College Park. This should eliminate duplicative administrative efforts, ensure proper safeguarding, and reduce physical wear and tear of the material resulting from multiple handlings. It will also promote cooperation and discussion between agencies who are reviewing the same material. As such, cross-training and education are anticipated by-products, which should, in turn, lead to greater trust, more information sharing, and increased delegation of authority. Finally, by working "smarter," participating agencies could very well experience a reduction in the actual cost of their declassification programs.

Participating agencies, in addition to DOE, NARA, and AF, include the Department of the Army, National Security Agency, Office of Secretary of Defense, Central Intelligence Agency, Department of State, Joint Chiefs of Staff, Defense Intelligence Agency, and the Department of the Navy. ISOO applauds the efforts of each of the agencies, encourages them to continue and expand such centers, and strongly urges other agencies to consider participating. This referral center concept, which furthers joint training, increased empowerment, and greater delegation of authority, is an integral and necessary step to accomplishing the mandate of E.O. 12958, as amended, to ensure that all permanently valuable classified information is declassified, properly exempted, referred, or appropriately delayed, by December 31, 2006.

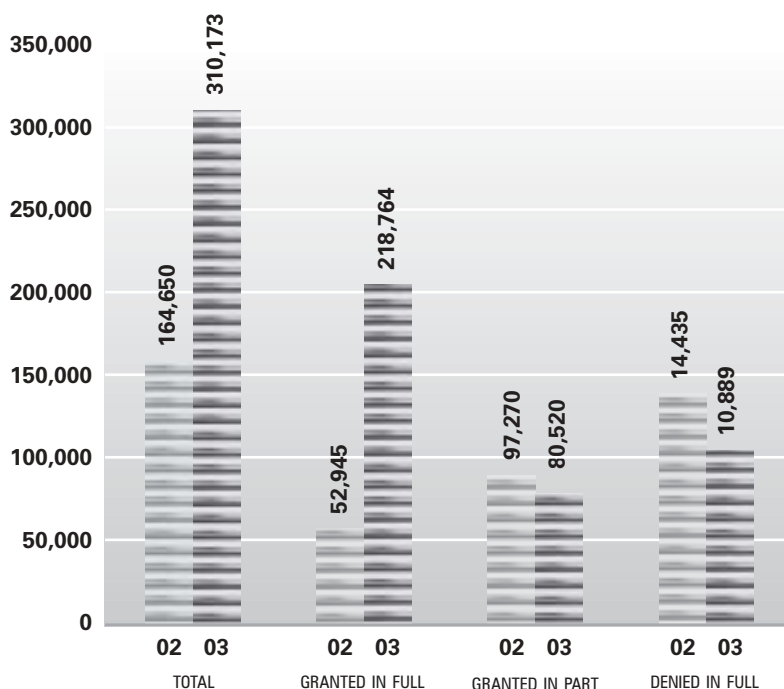
The future of the declassification program is dependent on innovative concepts such as the referral center. Further, renewed commitment to the program through resources and agency cooperative efforts are necessary to make December 31, 2006, a reality. ISOO will continue to work with the agencies to seek solutions and better approaches to fulfill the mandate laid out by the President on March 25, 2003.

MANDATORY REVIEW

Under Executive Order 12958, as amended, the mandatory review process permits individuals or agencies to require an agency to review specified national security information for purposes of seeking its declassification. Requests must be in writing and must describe the information with sufficient detail to permit the agency to retrieve it with a reasonable amount of effort. Mandatory review remains popular with some researchers as a less contentious alternative to Freedom of Information Act (FOIA) requests. It is also used to seek the declassification of presidential papers or records, which are not subject to the FOIA.

MANDATORY REVIEW PAGES PROCESSED

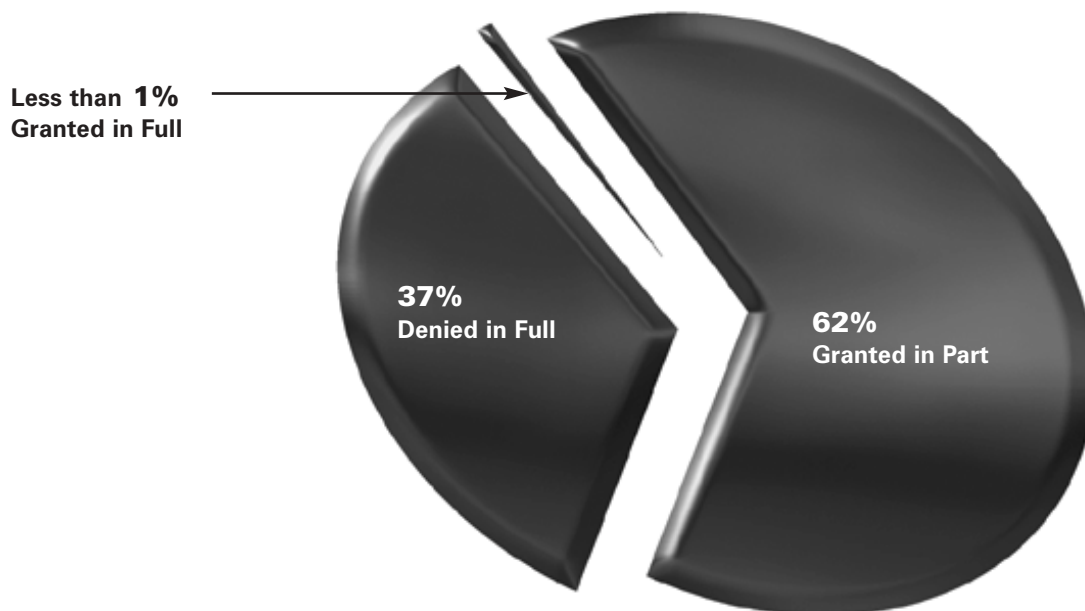
Fiscal Years 2002-2003



Agencies processed 5,354 cases, totaling 310,173 pages during fiscal year 2003. The number of pages processed increased by 53 percent from the previous year. Both the number of pages and the percentage of pages declassified in whole or in part increased, from 150,035 pages and 91 percent to 299,284 pages and 96 percent. The percentage of pages declassified in whole or in part has remained high under this Order. Although outside factors, such as our new security environments and special search legislation, have had an impact on how many mandatory declassification review requests can be processed by the agencies, ISOO believes that mandatory review remains a very successful means of declassifying information.

MANDATORY REVIEW APPEALS DISPOSITION

Fiscal Year 2003



During fiscal year 2003, agencies processed 58 appeals that comprised 2,339 pages. Of these, 63 percent of the pages were granted in whole or in part. The rate is 20 percent lower than 2002. The lower rate of declassification suggests three things: (1) less information remains classified following the initial mandatory review; (2) more recent records are being requested; and (3) agencies are retaining the classification because the sensitivity of the information continues to meet the criteria under the Order.

AGENCY ACRONYMS OR ABBREVIATIONS

Air Force	Department of the Air Force	MMC	Marine Mammal Commission
Army	Department of the Army	MSPB	Merit Systems Protection Board
CEA	Council of Economic Advisers	NARA	National Archives and Records Administration
CIA	Central Intelligence Agency	NASA	National Aeronautics and Space Administration
Commerce	Department of Commerce	Navy	Department of the Navy
DARPA	Defense Advanced Research Projects Agency	NISP	National Industrial Security Program
DCAA	Defense Contract Audit Agency	NISPPAC	National Industrial Security Program Policy Advisory Committee
DCMA	Defense Contract Management Agency	NIMA	National Imagery and Mapping Agency
DeCA	Defense Commissary Agency	NRC	Nuclear Regulatory Commission
DFAS	Defense Finance and Accounting Service	NRO	National Reconnaissance Office
DHS	Department of Homeland Security	NSA	National Security Agency
DIA	Defense Intelligence Agency	NSC	National Security Council
DISA	Defense Information Systems Agency	NSF	National Science Foundation
DLA	Defense Logistics Agency	OA, EOP	Office of Administration, Executive Office of the President
DOD	Department of Defense	OIG, DOD	Office of the Inspector General, Department of Defense
DOE	Department of Energy	OMB	Office of Management and Budget
DOT	Department of Transportation	ONDCP	Office of National Drug Control Policy
DSS	Defense Security Service	OPIC	Overseas Private Investment Corporation
DTRA	Defense Threat Reduction Agency	OPM	Office of Personnel Management
ED	Department of Education	OSD	Office of the Secretary of Defense
EPA	Environmental Protection Agency	OSTP	Office of Science and Technology Policy
EUCOM	European Command	OVP	Office of the Vice President
EXIMBANK	Export-Import Bank of the United States	PC	Peace Corps
FBI	Federal Bureau of Investigation	PFIAB	President's Foreign Intelligence Advisory Board
FCC	Federal Communications Commission	SBA	Small Business Administration
FEMA	Federal Emergency Management Agency	SEC	Securities and Exchange Commission
FMC	Federal Maritime Commission	SSS	Selective Service System
FRS	Federal Reserve System	State	Department of State
GSA	General Services Administration	Treasury	Department of the Treasury
HHS	Department of Health and Human Services	TVA	Tennessee Valley Authority
HUD	Department of Housing and Urban Development	USAID	United States Agency for International Development
Interior	Department of the Interior	USDA	United States Department of Agriculture
ISCAP	Interagency Security Classification Appeals Panel	USITC	United States International Trade Commission
ISOO	Information Security Oversight Office	USMC	United States Marine Corps
JCS	Joint Chiefs of Staff	USPS	United States Postal Service
JFCOM	Joint Forces Command	USTR	Office of the United States Trade Representative
Justice	Department of Justice	VA	Department of Veterans Affairs
Labor	Department of Labor		
MDA	Missile Defense Agency		