Background and Methodology

As part of its responsibilities to oversee agency actions to ensure compliance with E.O. 12958, as amended, “Classified National Security Information,” and E.O. 12829, as amended, “National Industrial Security Program,” ISOO annually reports to the President on the estimated costs associated with the implementation of these Executive orders.

ISOO relies on the agencies to estimate the costs of the security classification system. Requiring agencies to provide exact responses to the cost collection efforts would be cost prohibitive. The collection methodology used in this report has consistently provided good indication of the trends in total cost. Nevertheless, it is important to note that absent any security classification activity, many of the expenditures reported herein would continue to be made in order to address other, overlapping security requirements.

The data for Government presented in this report were collected by categories based on common definitions developed by an Executive branch working group. The categories are defined below.

Personnel Security: A series of interlocking and mutually supporting program elements that initially establish a Government or contractor employee’s eligibility, and ensure suitability for the continued access to classified information.

Physical Security: That portion of security concerned with physical measures designed to safeguard and protect classified facilities and information, domestic or foreign.

Information Security: Includes three subcategories:

- Classification Management: The system of administrative policies and procedures for identifying, controlling, and protecting classified information from unauthorized disclosure, the protection of which is authorized by Executive order or statute. Classification management encompasses those resources used to identify, control, transfer, transmit, retrieve, inventory, archive, or destroy classified information.

- Declassification: The authorized change in the status of information from classified information to unclassified information. It encompasses those resources used to identify and process information subject to the automatic, systematic, and mandatory declassification review programs authorized by Executive order, as well as declassification activities required by statute.

- Information Systems Security for Classified Information: An information system is a set of information resources organized for the collection, storage, processing, maintenance, use, sharing, dissemination, disposition, display, or transmission of information. Security of these systems involves the protection of information systems against unauthorized access to or modification of information, whether in storage, processing or transit, and against the denial of service to authorized users, including those measures necessary to detect, document, and counter such threats. It can include, but is not limited to, the provision of all security features needed to provide an accredited system of protection for computer hardware and software, and classified information, material, or processes in automated systems.
Professional Education, Training and Awareness: The establishment, maintenance, direction, support, and assessment of a security training and awareness program; the certification and approval of the training program; the development, management, and maintenance of training records; the training of personnel to perform tasks associated with their duties; and qualification and/or certification of personnel before assignment of security responsibilities related to classified information.

Security Management and Planning: Development and implementation of plans, procedures, and actions to accomplish policy requirements, develop budget and resource requirements, oversee organizational activities, and respond to management requests related to classified information.

Unique Items: Those department-or agency-specific activities that are not reported in any of the primary categories but are nonetheless significant and need to be included.

Survey Results and Interpretation

The total security classification cost estimate within Government for FY 2007 is $8.65 billion. This figure comes from estimates provided by 42 Executive branch agencies, including DOD. It does not include, however, the cost estimates of the CIA, NGA, DIA, the National Reconnaissance Office (NRO), and NSA, which those agencies have classified in accordance with Intelligence Community classification guidance. Those costs are however reported to ISOO.

To fulfill the cost reporting requirements of E.O. 12829, as amended, a joint DOD and industry group developed a cost collection methodology for those costs associated with the use and protection of classified information within industry. Because industry accounts for its costs differently than Government, cost estimate data are not provided by category. Rather, a sampling method was applied that included volunteer companies from four different categories of contractor facilities. The category of facility is based on the complexity of security requirements that a particular company must meet in order to hold and perform under a classified contract with a Government agency.

The FY 2007 cost estimate totals for industry pertain to the twelve-month accounting period for the most recently completed fiscal year of each of the 593 companies that were part of the industry sample. For most of the companies included in the sample,
December 31, 2007, was the end of their fiscal year. The estimate of total security classification costs for FY 2007 within industry was $1.26 billion.

As stated previously, the Government cost estimate for FY 2007 is $8.65 billion, which is a $415 million, or 4.8 percent increase, above the cost estimates reported for FY 2006. The industry estimate is up by $24.6 million. This makes the total FY 2007 cost estimate for Government and industry $9.91 billion, which is $439 million more (4.6 percent) than the total FY 2006 cost estimate for Government and industry.

The largest increase came from the Physical Security category which experienced a $310 million, or 22.7 percent increase. Several agencies report that they are still developing Sensitive Compartmented Information Facilities (SCIFs), emergency operational control centers, and Continuity of Operations (COOP) sites. Some existing facilities required enhanced physical security features to bring them up to standards. Classification Management, Information Systems Security for Classified Information, and Information Security all showed an increase in FY 2007 with the cost increases in these categories, ranging from 3.3 to 3.8 percent. A decrease of 12.2 percent was reported for the Professional Education, Training, and Awareness category while the amount spent on declassification programs rose slightly (1.4 percent) after the large decrease that was reported for FY 2006.

**Government Security Classification Costs Estimate Fiscal Year 2007**

<table>
<thead>
<tr>
<th>Category</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>$8.65 Billion</td>
</tr>
<tr>
<td>Personnel Security</td>
<td>$1.1 Billion</td>
</tr>
<tr>
<td>Physical Security</td>
<td>$1.4 Billion</td>
</tr>
<tr>
<td>Information Security</td>
<td>$4.6 Billion</td>
</tr>
<tr>
<td>Professional Education and Training</td>
<td>$211 Million</td>
</tr>
<tr>
<td>Security Management and Planning</td>
<td>$1.3 Billion</td>
</tr>
<tr>
<td>Unique</td>
<td>$8 Million</td>
</tr>
</tbody>
</table>

**Conclusion**

After an extensive surge to bolster Government-wide security measures in the post-9/11 era, the annual rate of growth for total security costs is declining. The annual rate of growth of total security costs for FY 2006 (3.3 percent) and FY 2007 (4.6 percent) are lower than those reported for any other year since FY 2001. The average rate of growth from FY 2002 to FY 2005 was 12.11 percent, compared to an average rate of growth of 3.95 percent from FY 2006 to the present.