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*Mr. Field*  
*Director*  
*Mr. Field*

HOUSE OF REPRESENTATIVES

HEARINGS

BEFORE THE COMMITTEE

on

SELECT COMMITTEE ON INTELLIGENCE

BUDGET INQUIRY ON INTELLIGENCE ACTIVITIES

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Thursday, August 7, 1975

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C O N T E N T S

STATEMENT OF:

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Glen Pommerening,  
Assistant Attorney General for Administration

accompanied by:

Eugene W. Walsh,  
Assistant Director, Administrative Division, <sup>(Federal Bureau of Investigation)</sup> and  
James Hoobler,  
Director of Management Programs <sup>(and staff)</sup> Budget for the  
Justice Department

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Hon. Donald C. Alexander,  
Commissioner of Internal Revenue

accompanied by:

William Williams,  
Deputy Commissioner,  
Meade Whitaker,  
Chief Counsel,  
Singleton Wolf,  
Assistant Commissioner, Compliance,  
Warren Bates,  
Assistant Commissioner, Inspection,  
Robert Potter,  
Assistant Director, Intelligence Division  
Miss Anita Alperin,  
Assistant Commissioner of Planning and Research,  
Joseph Davis,  
Assistant Commissioner, Administration, and  
Alan Beck,  
Fiscal Management Officer.

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## BUDGET INQUIRY ON INTELLIGENCE

## ACTIVITIES

- - -

Thursday, August 7, 1975

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House of Representatives,  
 Select Committee on Intelligence,  
 Washington, D. C.

The committee met, pursuant to recess, at 10:05 a.m. in Room 2118, Rayburn House Office Building, the Honorable Otis G. Pike (chairman) presiding.

Present: Representatives Pike (presiding), Glavin, Dellums, Murphy, Aspin, Milford, Hayes, Lehman, McClery, Kasten and Johnson.

Also Present: A. Searle Field, Staff Director.

- - -

Chairman Pike. The committee will come to order.

Today we move from the intelligence-gathering activities which are at least supposed to be operating in gathering foreign intelligence to those which are gathering intelligence here in America.

Our very efficient staff has provided in the back-up book a chapter from a book written in 1971: Investigative Tools FBI and the title of the chapter is "The Bureau's Budget -- A Source of Power."

It starts out, "The Federal Bureau of Investigation's Budget, like the organization itself, stands unique within the federal government."

I am not going to read any more of this, but it is difficult within the domestic intelligence-gathering activities, as well as within the foreign intelligence-gathering activities, to find out exactly how much is being spent on gathering intelligence over American citizens.

We have today, as our principal witness this morning, Mr. Glen Pommerening, the Assistant Attorney General for Administration, accompanied by Mr. Eugene<sup>W.</sup> Walsh and Mr. <sup>J.</sup> James Hoobler.

We are delighted to have you here. I want you to tell us all you can tell us about how much money you spend for gathering intelligence over American citizens and foreign citizens who are located within America.

STATEMENT OF GLEN POMMERENING, ASSISTANT  
 ATTORNEY GENERAL FOR ADMINISTRATION, ACCOMPANIED BY  
 EUGENE W. WALSH, ASSISTANT DIRECTOR, ADMINISTRATIVE  
 DIVISION AND JAMES HOOBLER, DIRECTOR OF MANAGEMENT  
 PROGRAMS BUDGET FOR JUSTICE DEPARTMENT

*Federal Bureau  
 of Investigation*

Mr. Pommerening. Thank you, Mr. Chairman.

I appreciate the chance to appear before you today to talk about the Department of Justice Budget as it relates to intelligence activities and the process by which these activities are reviewed.

My comments, of course, will be based upon my first-hand

knowledge of the process, a review of the records of my organization and its predecessor, and such elements of historical knowledge of the Department as may be within my knowledge.

Part 28, subpart O of the Code of Federal Regulations, vested in the Assistant Attorney General for Administration the responsibility to supervise, direct and review the preparation, justification and execution of the Justice budget.

This responsibility encompasses the setting of general policies and procedures for the formulation of the overall budget requests for the Department and for each subordinate organization for a given fiscal year.

Our budget, like that of most other agencies, has traditionally reflected a "categorical" approach, organized by appropriation and organization, so that the programs of a given organization have fallen under one or more generalized budget "activities."

In the past these broad categories have not, by themselves, provided much detail on the scope of particular programs.

Beginning with the FY 1975 budget cycle, however, the Department took steps to initiate a more thorough form of budget review when it initiated its Management-by-Objectives (MBO) program. Under this program all organizations provided specific objectives for all of their programs for that year.

In the FY '76 cycle, the Department integrated the Management-by-Objectives program with the traditional budget process. This step required all organizations to provide specific program objectives in support of their FY'76 funding request. For the first time, the Department received financial data at the program level of detail, and all major organizations participated in an in-depth internal hearing process with senior department officials.

The purpose of these internal departmental hearings was to explore significant policy, program, and resource issues, including those matters relating to the intelligence activities of the Federal Bureau of Investigation.

In carrying out this new program, the Federal Bureau of Investigation made the most extensive submission of data that had ever been given the Department.

While the Department's FY 1975 Management-by-Objectives/Budget formulation and internal review process did provide a more comprehensive level of information to the Department's leadership, it was evident that a more structured, programmatic perspective was required to provide greater detail and to facilitate cross-organizational analysis of Department programs.

Consequently, for FY 1977, the Department has developed and implemented an MBO/Budget Planning System with a detailed program budget structure which highlights over 350 specific programs, including those dealing with intelligence-gathering.



This structure enables, and indeed requires, each organization to describe to the Department its FY 1977 plans and the level of resources required. This system is still developmental in the sense that this is the first year it has been tried, but we expect to refine and follow this basic programmatic approach in future years, at least for internal review purposes.

In the FY 1977 cycle, the FBI submitted detailed data on 42 separate programs, some of which are linked directly to its intelligence and counterintelligence programs. Much of this material is classified "SECRET," but the submission is the most comprehensive the FBI has ever submitted as part of the department's budget review process.

The Drug Enforcement Administration reported 38 program areas for FY 77, of which 6 related to intelligence; it should be noted that DEA has a budget activity for intelligence activities. The Immigration and Naturalization Service reported 34 program areas for FY 77, of which two were related to intelligence. Other organizations reporting programs related to intelligence activities in FY '77 are the Criminal Division and the Office of the Deputy Attorney General, which reported one intelligence program area respectively.

The internal review process for FY 1977 continued the practice of extensive internal hearings oriented <sup>toward</sup> ~~toward~~ policy and program issues.

In summary, the Department had a basic but limited

capacity to evaluate program and budget requests prior to 1974. Since then the amount of program information and analytical expertise available to the Department has increased markedly. These changes have improved the Department's ability to review programs. Although the formal submission to the OMB and the Congress does not reflect a comparable level of detail, we believe that our new MBO/Budget Planning System, and any subsequent refinements, will continue to ensure Department awareness of intelligence programs and facilitate our ability to evaluate these programs and supporting budget requests.

This concludes my prepared statement, Mr. Chairman. Accompanying me today are Mr. Eugene<sup>W.</sup> Walsh, Assistant Director for the Administrative Division of the FBI and Mr. James F. Hoobler, Director, Management Programs and Budget Staff for the Department. We will be happy to answer any questions we can in this session and if you have questions related to classified material, we would be happy to respond to them at the appropriate time. *Mr. Walsh also has a prepared statement.*

Insert  
Attached

Chairman Pike. Let us start with the basic question as to classified material. Who classified it?

Mr. Pommerening. Materials we receive are classified by the Federal Bureau of Investigation.

Chairman Pike. Are they classified by the Director of the Federal Bureau of Investigation or are they classified at some lower level?

STATEMENT OF ~~MR. EUGENE W. WALSH,~~  
~~ASSISTANT DIRECTOR, ADMINISTRATIVE DIVISION,~~  
~~FEDERAL BUREAU OF INVESTIGATION,~~  
~~BEFORE THE SELECT COMMITTEE ON INTELLIGENCE,~~  
~~UNITED STATES HOUSE OF REPRESENTATIVES~~

*Mr. Walsh,*

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

THE OPPORTUNITY TO APPEAR BEFORE THIS COMMITTEE IS APPRECIATED AND I WILL DO MY BEST TO RESPOND FULLY AND ACCURATELY TO QUESTIONS REGARDING THE FBI'S BUDGET AND PROGRAMS.

WHILE THE FBI HAS SUBMITTED ITS BUDGET REQUEST TO THE DEPARTMENT IN A PROGRAMATIC FORM ONLY SINCE THE FISCAL YEAR 1975, IT HAS ALWAYS SUBMITTED ITS REQUESTS IN STRICT CONFORMANCE WITH OFFICE OF MANAGEMENT AND BUDGET CIRCULAR A-11 AS DO OTHER AGENCIES. THIS CIRCULAR SETS FORTH VERY DETAILED INSTRUCTIONS CONCERNING THE PREPARATION AND SUBMISSION OF BUDGET ESTIMATES.

HOWEVER, EXTENSIVE DETAIL WAS PROVIDED IN TESTIMONY BEFORE THE OFFICE OF MANAGEMENT AND BUDGET AND CONGRESSIONAL APPROPRIATIONS SUBCOMMITTEES WITH REGARD TO THE VARIOUS FBI PROGRAMS. PRIOR TO THE HEARINGS FOR FISCAL YEAR 1975, THE CONGRESSIONAL APPROPRIATIONS HEARINGS WERE HELD IN EXECUTIVE SESSION, FORMER DIRECTOR HOOVER CUSTOMARILY GAVE A PORTION OF HIS TESTIMONY OFF-THE-RECORD WHEN COUNTERINTELLIGENCE OR OTHER HIGHLY SENSITIVE MATTERS WERE DISCUSSED. AT THE CONCLUSION OF THE OPEN HEARINGS HELD BY THE HOUSE APPROPRIATIONS SUBCOMMITTEE IN CONNECTION WITH THE FISCAL YEAR 1976

REQUEST, AN EXECUTIVE SESSION WAS CALLED BY THE CHAIRMAN TO PERMIT A DISCUSSION OF COUNTERINTELLIGENCE AND OTHER SIMILARLY SENSITIVE MATTERS.

THE FBI HAS ALWAYS BEEN WILLING TO ANSWER ANY INQUIRIES BY THE APPROPRIATIONS COMMITTEES OR ANY OTHER CONGRESSIONAL COMMITTEES CONCERNING ITS PROGRAMS OR ITS USE OF FUNDS. DURING THE COURSE OF THIS PRESENT HEARING, MR. CHAIRMAN, SHOULD SENSITIVE QUESTIONS OF A CLASSIFIED NATURE INVOLVING NATIONAL SECURITY BE BROUGHT UP FOR RESPONSE OR DISCUSSION. I WOULD REQUEST THAT THIS BE DONE IN EXECUTIVE SESSION.

Mr. Pommerening. I believe they are classified at a lower level but Mr. Walsh could better respond to the question.

Chairman Pike. Who classifies the budget "~~Secret~~?"

Mr. Walsh. In this particular response, Mr. Chairman, I acted as the Classification Officer, and it bears my number, No. 9.

Chairman Pike. Now, what is there about the budget of the FBI that requires it to be secret?

Mr. Walsh. Mr. Chairman, there is nothing about the total budget that requires it to be secret. The only classification --

Chairman Pike. All right, then what is the total budget of the FBI?

Mr. Walsh. The total budget of the FBI, Mr. Chairman, for FY 1975, amounts to \$449,546,000.

Chairman Pike. Roughly \$450 million?

Mr. Walsh. That is right, sir.

Chairman Pike. Now, of that total amount, can you tell us how much is classified "~~Secret~~?"

Mr. Walsh. I can't tell you exactly, Mr. Chairman, but the idea of the classification is -

Chairman Pike. You mean you can't tell us because you don't know or you decline to tell us in open session?

Mr. Walsh. No, sir. What I mean is, if I may have an opportunity to explain in my own way, what we are seeking to do

is not to reveal the specific resources and manpower committed to counter-intelligence --

Chairman Pike. I understand that, but all I am asking you is not specifically about resources and manpower, I am asking you for the number of dollars as to which you can't give us any details. How much of that \$450 million FBI budget is secret?

Mr. Pommerening. Mr. Chairman, in our interpretation of the Budget <sup>Submission</sup> Commission we have received from the FBI and the classifications that have been applied to them, the amount that we consider in one way or another constrained by classification is \$82,488,000, which is FY 1975.

Chairman Pike. Of the amount which is not classified, how much is dedicated to gathering intelligence?

Mr. Pommerening. None.

Chairman Pike. So all of the money which is dedicated to gathering intelligence falls within the secret budget?

Mr. Pommerening. That is correct.

Chairman Pike. Is all of the money within the secret budget dedicated to gathering intelligence?

Mr. Pommerening. My interpretation of the budget submission is that the answer is yes.

Chairman Pike. Now, tell us why the amount of money -- well, I guess it isn't secret any more because you have now told us how much of it is secret, so that is no longer a secret.

82.4  
We have got \$84 million worth of "un-line-itemed" expenditures for the gathering of intelligence.

Does the GAO audit these expenditures?

Mr. Pommerening. Yes, they do.

Chairman Pike. On a complete line item basis whenever they want to without any restrictions?

Mr. Walsh. May I respond to that, Mr. Chairman?

Chairman Pike. Certainly.

Mr. Walsh. Before I do, I would ask your leave to clarify one statement. I am not positive that the \$82 million figure mentioned by Mr. Pommerening includes intelligence gathered in the field of organized crime.

I would have to check that to make absolutely certain but I feel that type of intelligence is not included in the figure that Mr. Pommerening mentioned.

Chairman Pike. Are you saying what we spend for intelligence against organized crime is not secret?

Mr. Walsh. It isn't secret in the category of the National Defense or Security category, but it would certainly be harmful to our effort I would say, Mr. Chairman, if organized crime were aware in specific detail --

Chairman Pike. I don't have any trouble agreeing with you; all I am trying to find out is, is the \$82 million figure secret intelligence-gathering activities of the FBI which have nothing to do with organized crime?

Mr. Walsh. Mr. Pommerening has advised me that the entire intelligence effort is included in the \$82 million and I stand corrected on that.

Chairman Pike. Mr. McClory.

Mr. McClory. You say that the GAO has reviewed the budget of the FBI, of the Department of Justice and the FBI, and if so, where is the GAO report? Is that available to us? May we have a copy of that?

Mr. Walsh. If I may explain, <sup>(McClory)</sup> Mr. Congressman, I have some exact data here on the extent of their audit and it is as follows:

During the past 15 years the General Accounting Office has conducted two separate site audits relating to an examination of the Bureau's payroll records.

On January 18, 1964, an audit of payroll records covering the period June 1, 1961 through January 18, 1964, was completed.

On August 3, 1972, GAO completed an audit of payroll records covering the period January 13, 1964, through January 8, 1972.

Mr. McClory. They have really never audited the expenditures of the FBI, have they?

Mr. Walsh. No, ~~sir~~. For the record, if I could add one additional thing, with regard to the GAO audited <sup>of</sup> voucher records, three separate site audits have been made during the past 15 years.



In January, 1965, GAO completed an audit of all voucher and related records for the FY 1961 through 1964.

In May 1969 their audit covered the FY 1965 through 1968 period and in April 1972, GAO audited these records covering FY 1969 through 1971. That is the extent of their audit except for what is going on at the present time.

Mr. McClory. The FBI refused access to GAO for auditing their expenditures. How about the secret funds, the intelligence funds? They haven't been audited by the GAO, have they?

Mr. Walsh. No, Mr. Congressman, they have not *practically audited funds for intelligence.*

Mr. McClory. How many people worked on the FBI budget?

Mr. Pommerening. Mr. Chairman, I think that is a question for me. Mr. Walsh, of course, has an extensive staff assisting him in the preparation of the budget submissions of the FBI.

The staff which is available to me in budget preparation for the entire <sup>D</sup>department is 53 in number.

Mr. McClory. How many do the FBI?

Mr. Pommerening. There are a total of five analysts assigned to the Federal Bureau of Investigation.

Mr. McClory. How many OMB personnel really go into the FBI budget?

Mr. Pommerening. The Office of Management and Budget, I understand, has seven people whose responsibility includes the entire Department of Justice and the entire Department of the Treasury. They only have one person that I know of with the FBI.

Mr. McClory. Now, did the former Director, J. Edgar Hoover, defend funds that were available to him separately for his personal investigations, or his personal files that he maintained?

Mr. Walsh. To my knowledge, sir, he did not.

Mr. McClory. Would that be covered in any fiscal report, any budgetary report?

Mr. Walsh. I don't know that it would be covered anywhere, Mr. McClory. I just have never heard this situation raised.

Mr. McClory. How about the program of Cointelpro? Are you familiar with that?

Mr. Walsh. I am familiar with that, sir, in a very general way. It was never under my supervision --

Mr. McClory. Was that program presented to the Appropriations Committees of the House and the Senate, and appropriations specifically designated for that program?

Mr. Walsh. The Cointel program, as I understand it, was discussed off the record by Mr. Hoover before the House Appropriations Committee, on at least <sup>6</sup> 10 occasions. ~~As I further understand it, sir -- it was before my time --~~

Mr. McClory. That would be a program that would go into the secret, unaudited funds, would it not?

Mr. Walsh. That program, sir, was not separately funded. There is no fund specifically assigned to what you are referring to as the Cointelpro.

Mr. McClory. Are the funds for those purposes discontinued, at the present time, do you know?

Mr. Walsh. That program has been discontinued.

Mr. McClory. My time is already up. Thank you.

Chairman Pike. Mr. Dellums?

Mr. Dellums. Mr. Chairman, I request unanimous consent to reserve my time.

Chairman Pike. Mr. Murphy?

Mr. Murphy. How are the covert programs in the FBI currently reflected in the budget?

Mr. Pommerening. Mr. Murphy, the way the budget is submitted through the Office of Management and Budget and to the Congress, the funds which are used for intelligence purposes are included under the category Security and Crime<sup>inal</sup> Investigations and Field Investigations.

Mr. Murphy. Is any of this money ever transferred to other agencies?

Mr. Walsh. No, sir.

Mr. Murphy. Could you tell us how much money was spent last year on electronic surveillance?

Mr. Walsh. I do not have that information, Mr. Murphy. I would regard it as being confidential in the interests of national security. I would say if this committee required that information, we could obtain it and submit it but I do not have that information.

Mr. Murphy. I wish you would submit it. We do require it. Would you please submit it to the committee.

(The information referred to will be found in the files of the subcommittee.)

Mr. Murphy. Let me know if you use any other intelligence garnered through electronic surveillance, from any other agency. In other words, does the NSA or the Central Intelligence Agency, do they let you share information they receive through electronic surveillance, or any other method in which they get it?

Mr. Walsh. If I may preface my response, Mr. Murphy, I am not an expert in this field. ~~It does not~~

Mr. Murphy. To whom should we address these questions?

Mr. Walsh. That particular question would be within the realm of the responsibility and knowledge of Assistant Director Wannall. I know in a general way, Mr. Murphy, that all agencies in the intelligence community share intelligence information.

Mr. Murphy. Did our staff indicate to you that we might get into these areas before your appearance here today?

Mr. Walsh. Not this particular area, no.

Mr. Murphy. Any of you gentlemen? Your answer is no?

Mr. Pommerening. No.

Mr. Murphy. Do you maintain a central registry of informants' names?

Mr. Walsh. Yes, we do, Mr. Murphy.

Mr. Murphy. Mr. Chairman, I am going to reserve what time I have left and pass at this moment.

Chairman Pike. Mr. Aspin?

Mr. Aspin. Thank you, Mr. Chairman.

Are any of you gentlemen the kind of person who could give us some opinions about the current status of wiretapping and what is legal and what is not legal? Is that in your purview?

Mr. Walsh. It is not in mine, Mr. Aspin.

Mr. Aspin. Do you know, for example, does the FBI or the Justice Department provide information to the NSA and ask the NSA to help in conducting surveillance? I am thinking particularly of the NSA's wiretap operations. Do you provide input for them on those?

Mr. Walsh. I honestly can't respond to that because of lack of knowledge, Mr. Aspin. It is not in my field and I really don't have that information.

Mr. Aspin. Could you tell us about the \$82 million in the budget. Give us broad categories as to what that goes to. What are the different things for which that money is spent?

Mr. Pommerening. Mr. Aspin, the sub-categories of that item -- and I hasten to add that these are not all secret funds. The security classification is applied to the total, to eliminate the possibility of, by subtraction, isolating the figure which is the figure sought to be protected.

The program activities which are included in that category are, internal security, counterespionage, <sup>intelligence and</sup> ~~criminal~~

intelligence -- broken down into <sup>general/criminal</sup> organized crime, internal security, <sup>and</sup> intelligence, counterespionage intelligence.

Mr. Aspin. Can you tell us broadly within that -- are there any numbers that can be released about how much is spent on those things?

Mr. Pommerening. That is the problem we have, Mr. Aspin. If we release some, by the process of elimination --

Mr. Aspin. Which is the biggest? Can you give me an order of magnitude of how much is spent?

Mr. Pommerening. There are three of them that are at about the same level.

Mr. Aspin. Can you tell us which three those are? Are those the three largest?

Mr. Pommerening. Internal security, <sup>intelligence</sup> counterespionage, and intelligence with its sub-categories, are all --

Mr. Aspin. Are all three about the same?

Mr. Pommerening. That is correct.

Mr. Aspin. What is the difference between internal security and counterespionage?

Mr. Pommerening. In general terms -- and, of course, the interpretation of these definitions in large part must rest with the operating agency which must assign costs and man-years between them. Under the internal security category, general guidelines, we have violation of constitutional rights, including ~~civil rights~~; problems of terrorism, and

problems of anti-government activity.

Mr. Aspin. Counterespionage would be what?

Mr. Pommerening. In counterintelligence we have the general problems of reviewing and being aware of intelligence activities of other nations, and attempts to assess the extent of them and to take appropriate measures to deal with them.

Mr. Aspin. If you did wiretaps for example, they might be under any of those?

Mr. Pommerening. Yes.

Mr. Aspin. As <sup>to</sup> the cost of a particular wiretap connected with it, it would fall under the category of whatever it was, espionage, or there might be an internal security wiretap, is that right?

Mr. Pommerening. Yes.

Mr. Aspin. Mr. Chairman, my time is up.

Chairman Pike. Mr. Kasten?

Mr. Kasten. I want to go back to a question Mr. McClary raised. How was Cointelpro reflected in the FBI budget?

Mr. Walsh. Mr. Kasten, there is no such program at the present time.

Mr. Kasten. How was it reflected in the FBI budget? It is my understanding it was not reflected in the FBI budget. Is that your understanding?

Mr. Walsh. Yes, sir. It was part of a general category of field investigations.



