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REPORT TO THE PRESIDENT



Information Security Oversight Office



Authority

Executive Order 12958, “Classified National Security Information,” and Executive Order 12829, “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 reports them annually, along with other information, 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

- To hold classification activity to the minimum necessary to protect the national security.
- To ensure the safeguarding of classified national security information in both Government and industry in a cost-effective and efficient manner.
- To promote declassification and public access to information as soon as national security considerations permit.

September 20, 2002

The President
The White House
Washington, DC 20500

Dear Mr. President:

We are pleased to submit the Information Security Oversight Office's (ISOO) 2001 Report to the President.

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. In addition, it contains cost estimates for the security classification system in both Government and industry.

In general, the upward trend in classification activity continued. ISOO does not expect this to change, particularly in light of the current global war on terrorism. At the same time, the executive branch has continued to make noteworthy progress in its efforts to declassify older records of permanent value, the product of which will facilitate the writing of this nation's history in years to come. Cost estimates for Government increased modestly while industry cost estimates decreased, with the total costs estimates remaining stable.

The security classification system is intended to protect the secrets that safeguard the American people and their governmental institutions from harm, and at the same time provide for an informed American public. As ISOO oversees the trends in this system, we will continue to focus on enhancing the policy and guidance to this end. The staff of ISOO and many thousands of other individuals in the executive branch and industry who implement the security classification program, stand ready to continue to move this program forward.

Respectfully,



J. William Leonard
Director



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SUMMARY OF FY 2001 PROGRAM ACTIVITY

The following Report to the President is the sixth report under E.O. 12958, which went into effect in October 1995. The following data highlight ISOO’s findings.

CLASSIFICATION

- The number of original classification authorities increased by 2 to 4,132.
- Reported original classification decisions increased by almost 39,752 to 260,678.
- Reported derivative classification decisions increased by 10,015,727 to 32,760,209.
- The total of all classification actions reported for fiscal year 2001 increased by 44 percent to 33,020,887.

DECLASSIFICATION

- Under Automatic and Systematic Review Declassification programs, agencies declassified 100,104,990 pages of historically valuable records.
- Agencies received 3,275 new mandatory review requests.
- Under mandatory review, agencies declassified in full 58,508 pages; declassified in part 73,889 pages; and retained classification in full on 16,251 pages.
- Agencies received 105 new mandatory review appeals.
- On appeal, agencies declassified in whole or in part 1,459 additional pages.

YEAR SIX IMPLEMENTATION OF THE AUTOMATIC DECLASSIFICATION PROVISION OF EXECUTIVE ORDER 12958

CLASSIFIED NATIONAL SECURITY INFORMATION

I. BACKGROUND

Executive Order 12958, "Classified National Security Information," issued on April 17, 1995, and effective on October 14, 1995, marked a significant departure from the secrecy policies of the past. The first order to revise the security classification system since the end of the Cold War, E.O. 12958 included major changes which have already resulted in a dramatic increase in the amount of information being declassified. Fiscal Year 2001 marked the sixth year in which the policies of the Order have been in effect.

The declassification provisions of Section 3.4 contain the most far-reaching reforms of the security classification system. This section, entitled "Automatic Declassification," requires the automatic declassification of most historically valuable information that is 25 years old. In the past, older classified records remained classified indefinitely. Under E.O. 12958, these same records, including approximately 1.627 billion pages created over the past 50 years, were subject to declassification five years from the issuance date of the Order, or 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 provision until October 14, 2001. 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, E.O. 13142 extended the date of the imposition of the automatic declassification provision an additional eighteen months, until April 17, 2003.

In order to keep information classified beyond 25 years, agency heads must be able to demonstrate that: (1) particular information falls within narrow exemptions to automatic declassification. This determination is then subject to review by an interagency panel of senior officials; or (2) particular file series, identified by the agency head and approved by the President, almost invariably contain exempted information.

On March 9, 1999, 10 agencies were granted specific "File Series Exemptions" for series, which were replete with information that almost invariably fell into one or more of the exemption categories. For further information, please see ISOO's FY 1998 Report to the President on ISOO's home page at <http://www.archives.gov/isoo/index.html>.

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

II. PAGES DECLASSIFIED

The data gathered by the Information Security Oversight Office for this report reveal that in Fiscal Year 2001, the agencies of the executive branch continued to declassify historically valuable documents in numbers unprecedented before the issuance of E.O. 12958. In FY 2001, executive branch agencies declassified over 100 million pages of permanently valuable historical records. This represents an increase of approximately 34 percent from the number of pages declassified in FY 2000 and continues to exceed the yearly average under prior executive orders by five-fold. Agencies continued to do significant declassification even with implementation of the legislative¹ requirement to re-review previously declassified records before they are made available to the public. The purpose of this legislation is to make certain that the declassified records do not inadvertently contain information classified under the terms of the Atomic Energy Act, called "Restricted Data" and "Formerly Restricted Data." Records classified under the Atomic Energy Act are not subject to E.O. 12958 or its declassification provisions.

¹ Section 3161 of Public Law 105-261, entitled "Protection Against Inadvertent Release of Restricted Data and Formerly Restricted Data."

The number of pages declassified in FY 2001 is remarkable given the apparent downward trend noted in the past two fiscal years. The 34 percent increase occurred even in the face of a further reduction experienced by the National Archives and Records Administration (NARA), usually the largest contributor to the number of pages declassified under the automatic declassification program. The legislation referenced above, has most directly impacted NARA, which has, in prior years, had accounted for more than 50 percent of the pages declassified by the Executive branch.

For the second year in a row, the Department of Defense (DOD) has taken the lead in declassification activity. DOD, led by the Departments of Navy and Army, declassified nearly 86 million pages of permanently valuable records in FY 2001. This represents an increase of 34 million pages from FY 2000. DOD's total represents 86 percent of the total number of pages declassified in FY 2001. The FY 2001 total for the executive branch remains extraordinary given the reduction in the current universe of records subject to automatic declassification, and the various legislative provisions that impact the resources dedicated to systematic review.

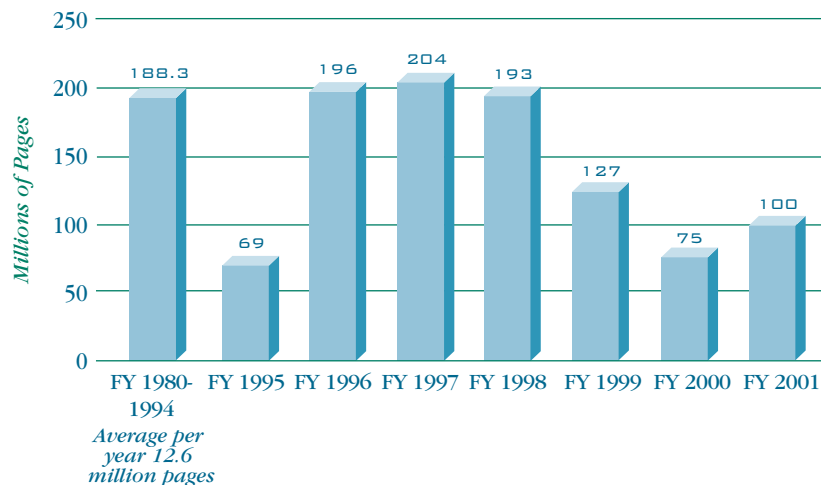
During the first six years that E.O. 12958 has been in effect, the agencies of the Executive branch have declassified approximately 895 million pages of permanently valuable historical records. In FY 1995, after the Order was signed, but prior to its effective date, an additional 69 million pages of permanently valuable historical records were declassified. Since ISOO came into existence in late 1978, and began collecting and

analyzing data beginning with FY 1980, it has reported the declassification of permanently valuable historical records totaling approximately 1.1 billion pages. Of that total, 964 million pages, or 86 percent, have been declassified due in large part to the automatic declassification provision of E.O. 12958.

III. LOOKING AHEAD

It is reasonably clear that the automatic declassification program will be affected by the events of September 11, if only in the number of resources dedicated to it. Because the major classifying agencies have invested in an infrastructure for declassification, it is important that these infrastructures be maintained, particularly given that each year more classified information becomes subject to the automatic declassification provisions of the Order. Agencies have made great strides in bringing the "mountain" of older classified information down to size. If automatic declassification is set aside, the Executive branch will again be creating another "mountain" of older classified information. Options are available to lessen the burden of the automatic declassification program. For example, extending the date that automatic declassification is imposed, may be one option. ISOO will be working with the agencies to look for ways to address their concerns about the program. Already hundreds of millions of pages declassified under this Order will benefit the general public and serve as an irreplaceable resource for historians and other researchers for generations to come. We must not lose this momentum.

1.1 BILLION PAGES DECLASSIFIED
Fiscal Years 1980-2001





INTERAGENCY SECURITY CLASSIFICATION APPEALS PANEL

AUTHORITY

Section 5.4 of Executive Order 12958, "Classified National Security Information."

FUNCTIONS

- 1 To decide on appeals by authorized persons who have filed classification challenges under Section 1.9 of E.O. 12958.
- 2 To approve, deny or amend agency exemptions from automatic declassification as provided in Section 3.4(d) of E.O. 12958.
- 3 To decide on mandatory review appeals by parties whose requests for declassification under Section 3.6 of E.O. 12958 have been denied at the agency level.

MEMBERS*

William H. Leary, Acting Chair
National Security Council

Carl A. Darby
Intelligence Community

Michael J. Kurtz
National Archives and Records Administration

J. William Leonard
Department of Defense

Frank M. Machak
Department of State

EXECUTIVE SECRETARY*

Steven Garfinkel, Director
Information Security Oversight Office

SUPPORT STAFF

Information Security Oversight Office

SUMMARY OF ACTIVITY

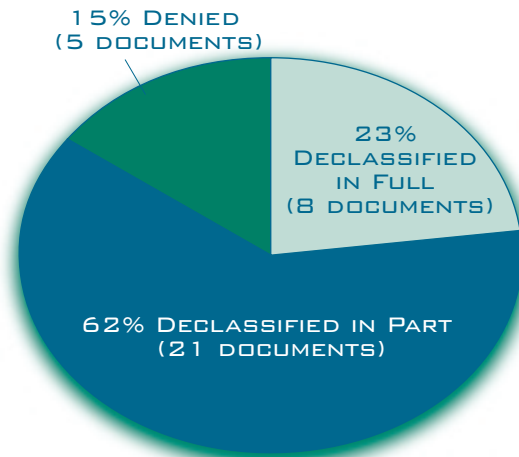
The Interagency Security Classification Appeals Panel (ISCAP) was created under E.O. 12958 to perform the critical functions noted in this section. The ISCAP, comprised of senior level representatives appointed by the Secretaries of State and Defense, the Attorney General, the Director of Central Intelligence, the Archivist of the United States, and the Assistant to the President for National Security Affairs, began meeting in May 1996. The President designates its Chair, the Director of 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 FY 2001, the ISCAP decided upon 34 documents that remained fully or partially classified upon the completion of agency processing. It declassified the entirety of the remaining classified information in 8 documents (23%), and declassified additional information in 21 of the documents (62%). The ISCAP fully affirmed the agency decisions in their entirety for 5 documents (15%).



ISCAP DECISIONS

Fiscal Year 2001



* The individuals named in this section were those in such positions as of the end of FY 2001.

From May of 1996 through September 2001, the ISCAP has decided upon a total of 252 documents. Of these, the ISCAP declassified information in 80% of the documents. Specifically, it has declassified the entirety of the remaining classified information in 94 documents (37%), and has declassified additional information in 108 documents (43%). The ISCAP has fully affirmed agency classification actions in 50 documents (20%).

Documents declassified by the ISCAP are made available through 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.

TELEPHONE
202.219.5250

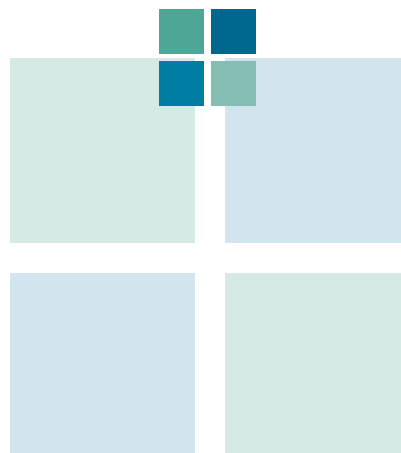
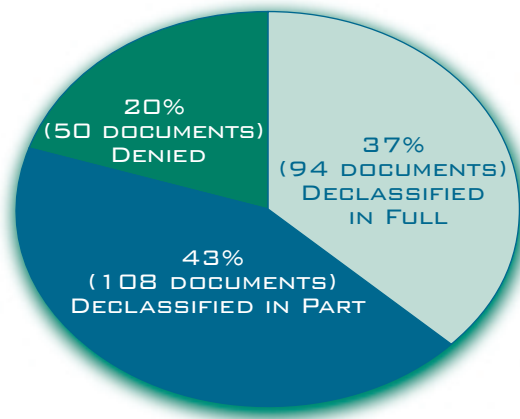
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ISCAP DECISIONS
May 1996—September 2001





SECURITY CLASSIFICATION: WHAT DOES IT COST?

The security classification program is now in its seventh year of reporting costs for both Government and industry. Congress first requested security classification cost estimates from the executive branch in 1994. In addition, ISOO is tasked through Executive Order 12958 to report these costs to the President. Executive Order 12829, "National Industrial Security Program," also requires that industry or contractor costs be collected and reported by ISOO to the President.

Until the last few years, the costs for the security classification program were deemed non-quantifiable, intertwined with other somewhat amorphous overhead expenses. While many of the program's costs remain ambiguous, ISOO continues to monitor the methodology used to collect the cost estimate data. Requiring agencies to provide exact responses to the cost collection efforts would be cost prohibitive. Consequently, ISOO relies on sampling to estimate the costs of the security classification system.

The collection methodology has remained stable over the past seven years providing a good indication of the total cost burden and its upward and downward trends. In the future, ISOO expects to review the cost collection methodology, particularly the definitions being used. This review will help to ensure that the methodology is current and relevant.

GOVERNMENT

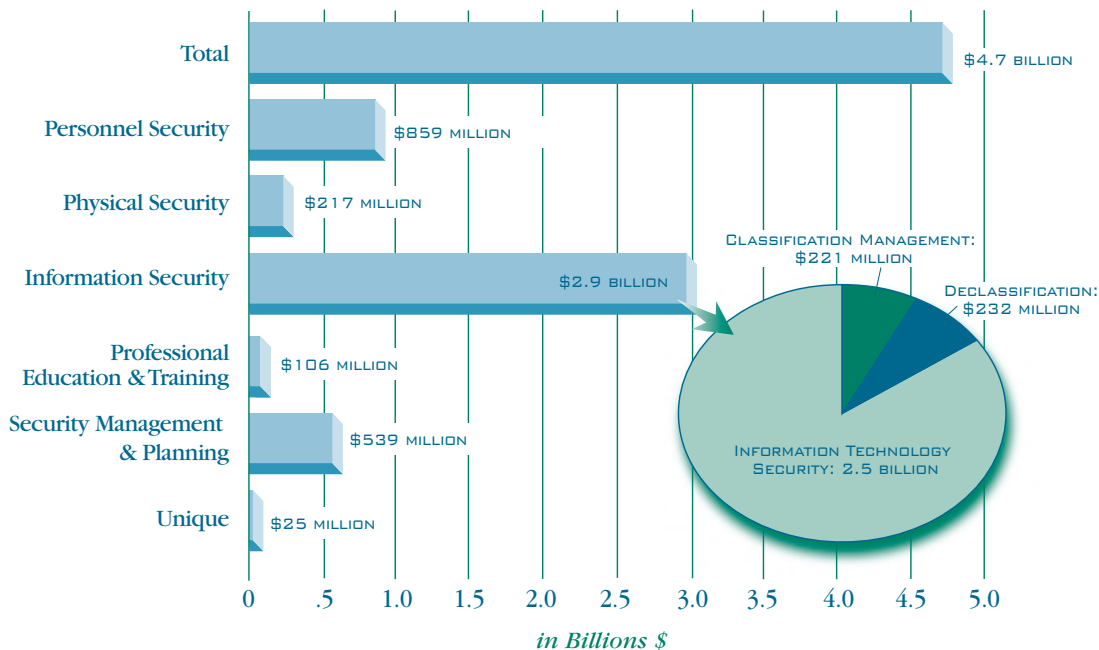
The data presented below were collected by categories based on common definitions developed by an executive branch working group. The categories are defined below.

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.



GOVERNMENT SECURITY CLASSIFICATION COSTS ESTIMATE



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 sub-categories:

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 or mandatory review programs authorized by executive order or statute.

INFORMATION TECHNOLOGY SYSTEMS SECURITY:

(Automated Information Systems or Information Technology Systems Security)

Measures and controls that ensure confidentiality, integrity, and availability of the information processed and stored by a computer or information technology system. 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.

The total security classification costs estimate within Government for FY 2001 is \$4,710,778,688. This figure represents estimates provided by 45 executive branch agencies including the Department of Defense, whose estimate incorporates the National Foreign Intelligence Program. It does not include, however, the cost estimates of the CIA, which that agency has classified.

Because of expressed interest in the declassification programs established under Executive Order 12958, ISOO also requested agencies to identify that portion of their cost estimates in the category of information security/classification management that was attributable to their declassification programs. For FY 2001, the agencies reported declassification cost estimates of \$231,884,250, or 4.9 percent of their total cost estimates, which is a smaller percentage than noted in FY2000.

INDUSTRY

A joint Department of Defense 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 facilities. The category of facility is based on the complexity of security requirements that a particular company must meet in order to hold a classified contract with a Government agency.

The 2001 cost estimate totals for industry pertain to the twelve-month accounting period for the most recently completed fiscal year of each company that was part of the industry sample. For most of the companies included in the sam-



ple, December 31, 2001, was the end of their fiscal year. The estimate of total security costs for 2001 within industry was \$766,503,000.

The Government cost estimate shows a 10 percent increase above the cost estimate reported for FY 2000. Industry, on the other hand, reported a 20 percent decrease in its cost estimate. The total cost estimate for Government and industry for 2001 is \$5.5 billion, \$300 million more than the total cost estimate for Government and industry in 2000.

The increase in cost estimates for Government does not appear to result from any new programs. Personnel Security experienced the largest increase (102%), with agencies such as the DOD reporting marked increases to address the backlog of investigations. Increases were also noted in the following categories: Security Management, Oversight and Planning (23%); Unique Items (1%); and in the subcategories of Information

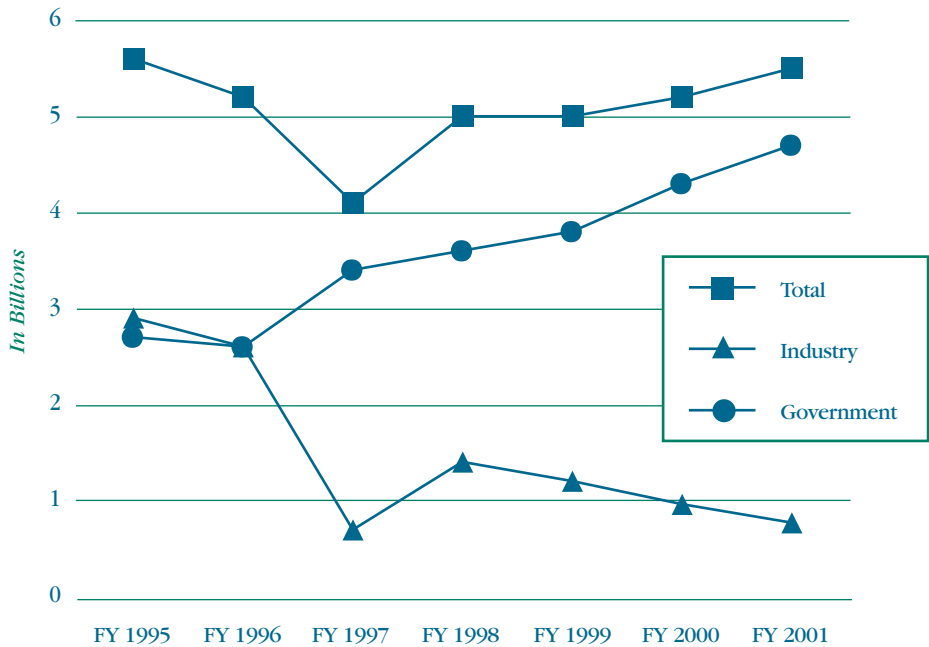
Security, Classification Management (4%) and Declassification (1%). Decreases occurred in the following categories: Professional Education Training and Awareness (6%); Physical Security (20%); and Information Security, specifically, Information Technology (2%).

For the second year, contractor costs continued in a downward trend. The 2001 figure is not the lowest reported by industry and it is not clear whether this downward trend will continue. The current estimate was based on sampling from a larger pool of companies as was 2000's. ISOO continues to believe, as does the Executive Agent for the National Industrial Security Program, that a larger mix of small and large companies reporting data would provide a better sample. ISOO expects that future estimates will continue to include this larger mix of small and large companies, which appears to yield the most realistic data reported to date in what remains an evolving process.



COMPARING TOTAL COSTS FOR GOVERNMENT AND INDUSTRY

Fiscal Years 1995-2001



	<i>Total</i>	<i>Government</i>	<i>Industry</i>		<i>Total</i>	<i>Government</i>	<i>Industry</i>
FY 1995	\$5.6 billion	\$2.7 billion	\$2.9 billion	FY 1999	\$5 billion	\$3.8 billion	\$1.2 billion
FY 1996	\$5.2 billion	\$2.6 billion	\$2.6 billion	FY 2000	\$5.2 billion	\$4.3 billion	\$958,543,000
FY 1997	\$4.1 billion	\$3.4 billion	\$692,823,000	FY 2001	\$5.5 billion	\$4.7 billion	\$766,503,000
FY 1998	\$5 billion	\$3.6 billion	\$1.4 billion				

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, 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 2001, the number of original classifiers throughout the executive branch was 4,132, an increase of two classifiers from the previous year. Executive branch agencies with significant decreases in OCAs include the Department of Energy (DOE), the National Reconnaissance Office (NRO), the National Security Council (NSC), and the Department of Defense (DOD). ISOO believes that the agency heads' careful scrutiny and re-issuance of delegations of original classification authority continues to be the largest contributing factor for keeping OCAs to

a minimum. Additionally, 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 2001, agencies reported a 7 percent increase in the number of original classifiers for the Top Secret level and a 1 percent decrease for the Secret classification level. OCAs declined 3 percent at the Confidential level. DOD had a 15% increase in Top Secret OCAs while it decreased its Secret and Confidential OCAs by 10 and 30 percent respectively. While most agencies are reducing the number of OCAs, ISOO noted, with concern that two agencies, the Department of Treasury and United States Trade Representative (USTR), have experienced an increase of 52% and 233% respectively, from fiscal year 2000. The original classification activity of these agencies for fiscal year 2001 does not appear to support such an increase, especially USTR, which had a decrease of 7% for its total combined classification activity. ISOO and representatives from USTR are examining this issue. Treasury, on the other hand increased OCAs at the Top Secret level by 7, the Secret level by 30 and the Confidential level by 25 mainly due to post September 11 demands.

Of the decreases reported by DOD, DOE, NRO, and the NSC, the most significant decrease came from DOD, which dropped from a total of 1,249 in FY 2000 to 1,204 in 2001. ISOO commends these agencies for their reductions. ISOO anticipates a significant increase in the number of OCAs reported by the agencies in FY 2002 as the full effect of September 11 becomes apparent in the security classification program.

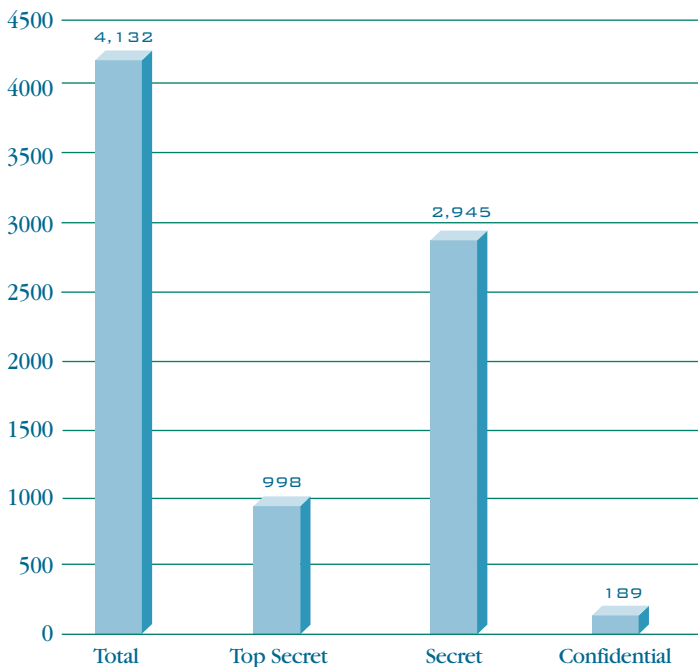
ORIGINAL CLASSIFICATION

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 classifi-

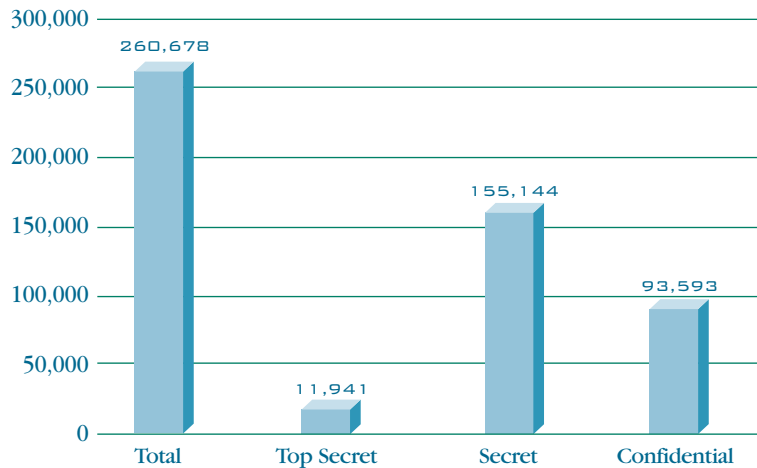


ORIGINAL CLASSIFIERS

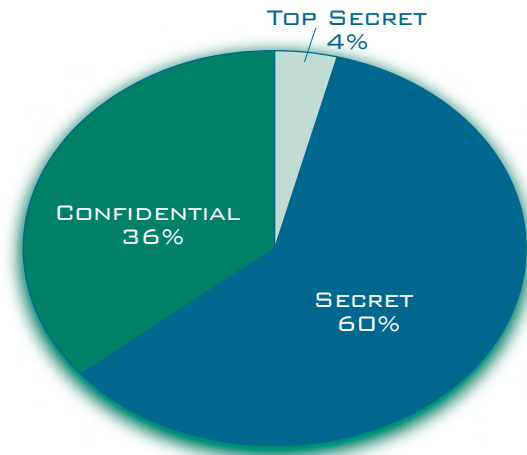
Fiscal Year 2001



ORIGINAL CLASSIFICATION ACTIVITY
Fiscal Year 2001



ORIGINAL CLASSIFICATION LEVEL
Fiscal Year 2001



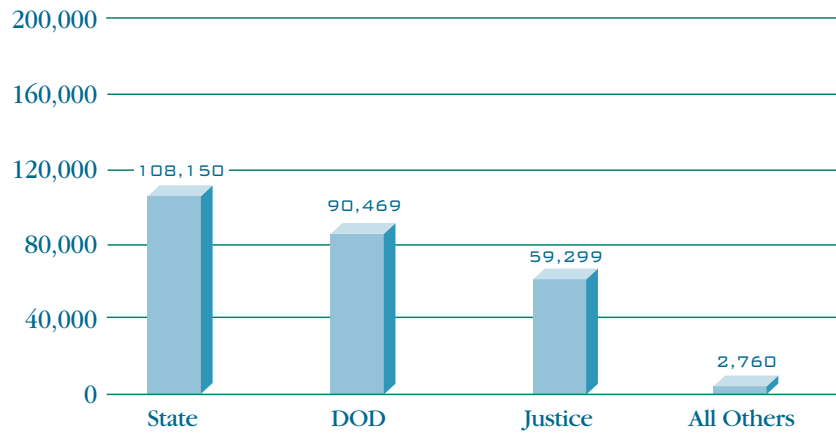
ation ordinarily includes both the determination of the need to protect the information and the placement of markings to identify the information as classified. By definition, original classification precedes all other aspects of the security classification system, e.g., derivative classification, safeguarding, and declassification. Therefore, ISOO often refers to the number of original classification decisions as the most important figure that it reports.

For fiscal year 2001, agencies reported a total of 260,678 original classification decisions. This figure represents an increase of 18 percent over the number of original classification decisions reported in FY 2000, most of which is attributable to increases reported by the Department of Defense. By classification level, Top Secret increased by 89 percent, Secret increased by 46 percent and Confidential decreased by 13 percent. A review of original classification activity under E.O. 12958 does not show a steady trend. During fiscal year 1997, the second full year of implementation of the Order, original classification activity increased by 51 percent, while fiscal year 1998 saw a decrease of 14 percent and fiscal year 1999 an increase of 24 percent. Again, as in fiscal year 2000, the increase for fiscal year 2001 reflects a change in how certain agencies are collecting the data and may also be a function of the requirement to review and issue classification guides.

Three agencies—DOD, Justice, and State—now account for 96 percent of all original classification decisions. DOD reported a total of 90,469 original classification decisions, an 83 percent increase from the previous year. This is probably a result of unique events resulting in an increase in DOD operations.

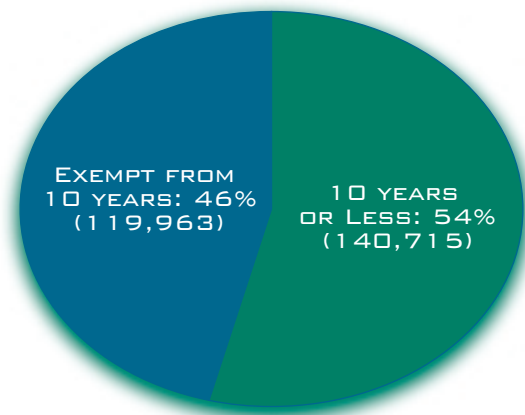
For the fifth year in a row, Justice also reported an increase. This year's 3 percent increase is one percent lower than last year's increase of 4 percent. State registered a 2 percent decrease despite the incorporation of ACDA and USIA into the Department.

ORIGINAL CLASSIFICATION BY AGENCY



DURATION OF CLASSIFICATION

Fiscal Year 2001



Several agencies with smaller security classification programs reported marked decreases in the number of original classification decisions. In particular, ISOO commends PFIAB and USTR, which reported decreases for two consecutive years. Also reporting decreases were Commerce, DOT, NASA, NRC, NSC, ONDCP, and OVP, which reported decreases of 56 percent, 71 percent, 50 percent, 80 percent, 11 percent, 70 percent, and 71 percent, respectively.

As part of the original classification process, the classifiers must determine a time frame for

the protection of the information. This is commonly called the “duration” of classification. Executive Order 12958 creates three possible outcomes at the time of original classification. First, if applicable to the duration of the information’s national security sensitivity, information should be marked for declassification upon a specific date or event. For example, a classifier could determine that the information’s sensitivity would lapse upon the completion of a particular project. The event would be noted on the face of the document, and when the project had been completed, the information would automatically be declassified. Second, if the original classification authority could not determine an earlier specific date or event for declassification, information should ordinarily be marked for declassification 10 years from the date of the original decision. Third, if the specific information falls within one or more of eight categories, the classifier may exempt it from declassification at 10 years. In almost all instances, this will result in the information being subject to automatic declassification at 25 years. The indefinite duration marking used under E.O. 12958’s predecessor, Executive Order 12356, “Originating Agency’s Determination Required” or “OADR,” was eliminated with the issuance of E.O. 12958.

During fiscal year 2001, classifiers chose declassification upon a specific date or event less than 10 years, or upon the 10-year date for 140,715 (54%) original classification decisions. On the remaining 119, 963 (46%) original classi-

DURATION OF ORIGINAL CLASSIFICATION DECISIONS MADE UNDER EXECUTIVE ORDER 12356

FY 1991-1995 (in percent)

	OADR	Date or Event	Not Indicated
1991	96	1	3
1992	94	4	2
1993	97	3	
1994	92	8	
1995	91	9	

classification decisions, original classifiers elected to apply an exemption from 10-year declassification. The 54 percent noted for the 10-year or less category is only 5 percent lower than the all time high percentage reported by the agencies last year. Historically, under this Order, agencies selected 10 years or less 59 percent in 2000; 50 percent in 1999; 36 percent in 1998 and 50 percent in 1997 and 1996. The 10 years or less timetable seems well accepted by OCAs and perhaps will continue. The long-term effect of assigning a specific date, event or 10-year date suggests that more information will be declassified earlier without the need for costlier reviews in the future.

DERIVATIVE AND COMBINED

Derivative classification is the act of incorporating, paraphrasing, restating, or generating in a new form classified source information. Information may be classified in two ways: (a) through the use of a source document, usually correspondence or publications generated by an original classification authority; or (b) through the use of a classification guide. A classification guide is a set of instructions issued by an original classification authority. 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.

Combined classification is the sum of both original and derivative classification activities.

DURATION OF ORIGINAL CLASSIFICATION DECISIONS MADE UNDER EXECUTIVE ORDER 12958

FY 1996-2001 (in percent)

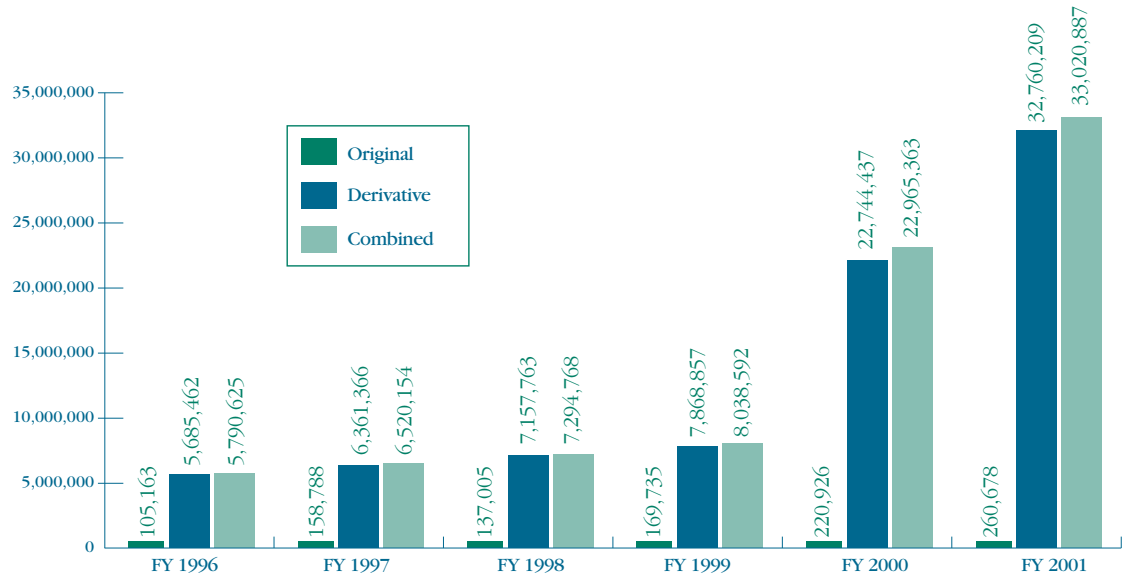
	Exempt from 10 year declass date	10 years or less
1996	49	51
1997	46	54
1998	36	64
1999	50	50
2000	41	59
2001	46	54

While original classification represents the smaller portion of combined (1%), it precedes all other aspects of the security classification system and is the more important aspect of combined classification. Original classification decisions are the root of every derivative classification action. Historically, derivative actions have outnumbered original decisions, varying between 1996 and 1999 anywhere from 40 to 54 derivative actions to one original decision. During fiscal year 2000 this ratio changed dramatically to 100 derivative actions for every one original action. The numbers are even higher for fiscal year 2001, 125 to one.

As noted earlier in this report, original classification is up for the last two years by 30% and 18% respectively, but those numbers are not nearly as troublesome as the increases for derivative, which were 189 and 44 percent, respectively, for 2000 and 2001.

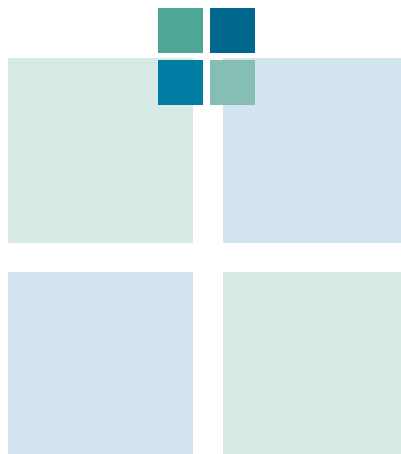
Last year ISOO questioned the value of reporting the data because the increase in derivative decisions seemed so enormous and hardly comparable to the data reported in prior years. While the numbers are even larger this year, ISOO continues to believe that the increase is not a result of new programs, but rather directly related to the increased use of electronic mail and other electronic methods to conduct government business, including classification. Preliminary investigations begun in this last year lead us to conclude further that the lack of a universal sampling method used by the agencies to collect the data coupled with a lack of a common understanding and application of definitions describing the data being collected further

ORIGINAL, DERIVATIVE AND COMBINED CLASSIFICATION ACTIVITY
 FY 1996-2001



complicate the process. These combined factors clearly point to the need to recalculate the baseline figures used for analysis to account for the implications of the electronic environment. Collection of these data would be governed by a common and clearly defined sampling method. ISOO has launched a study to address some of these issues, hoping to complete data collection and analysis during fiscal year 2002. One of our preliminary questions is whether agencies are over counting derivative actions. For example, if a derivatively classified e-mail is sent to 100 addressees, is the agency counting it as one, or one hundred actions. Another example is

whether unclassified e-mail transmitted over a secure system can be segregated and not reported as a classification action or if everything in the system is reported as a classification action. When our study is completed, we will share our findings with agencies. Our conclusions may very well result in a revision of the Standard Form 311, Agency Security Classification Management Program Data (SF 311), the means by which ISOO collects data. Additionally fiscal year 2000 may become the watershed, dividing the reportage of classification decisions made using “paper-centric” office practices from those using electronic practices.



DECLASSIFICATION

During fiscal year 2001, declassification activity within the executive branch increased for the first time in three years. Declassification under this Order continued to exceed the average under prior executive orders. Instituting two declassification programs under E.O. 12598: (1) "Automatic Declassification," Section 3.4 of the Order, and (2) "Systematic Declassification Review," Section 3.5 of the Order, has very clearly driven the increase in declassification activity. The "Automatic Declassification" program began in mid-October 1995 with the effective date of Executive Order 12958. Under the "Automatic Declassification" program, information appraised as having permanent historical value is automatically declassified once it reaches 25 years of age unless an agency head has determined that it falls within a narrow exemption that permits continued classification. Fiscal year 1996 was the first full year of implementation for this program.

Started in 1972, "Systematic Review for Declassification" 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, NARA was the only agency required to conduct a systematic review of its classified holdings. Now E.O. 12958 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 become an appendage of the automatic declassification program. ISOO has collected data on declassification that does not distinguish between the two programs because they are now so interrelated.

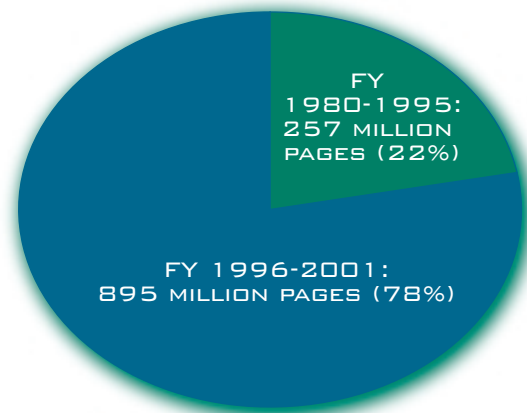
During FY 2001, the executive branch declassified almost 100,105,000 million pages of permanently valuable historical records. This figure represents a 34 percent increase from that reported for FY 2000. It is important to note that the FY 2001 figure represents an increase of 87 million declassified pages when compared to the average yearly declassification activity (12.6 million pages) reported under previous executive orders. The declassification of so many pages is remarkable in light of the many obstacles faced by executive branch agencies.

ISOO estimates that agencies have completed work on approximately 74 percent of the pages subject to automatic declassification, either by declassifying or exempting them. Those records remaining to be reviewed (an estimated 426 million pages based on the April 17, 2000 deadline) tend to be the later (1976 and earlier) and more complex and sensitive bodies of records. Such records require more time to review and process.

However, other factors outside the process affect declassification activity. For example, as reported earlier in this Report, legislation enacted in FY 1999, addressing the protection of Restricted Data and Formerly Restricted Data, required agencies to shift resources away from the automatic and systematic declassification programs to meet the requirements of the legislation. This legislation and other special topical searches mandated by other legislative initiatives such as the Nazi War Crimes Disclosure Act of 1998 and the Japanese Imperial Government Disclosure Act of 2000, again affected NARA's declassification program.



1.1 BILLION PAGES DECLASSIFIED *Fiscal Years 1980-2001*



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NUMBER OF PAGES DECLASSIFIED BY AGENCY

Fiscal Year 2001



DOD	85,653,874
CIA	7,105,000
NARA	3,268,000
JUSTICE	1,734,132
AID	792,164
DOE	618,782
STATE	440,919
NASA	145,255
TREASURY	84,486
NSC	22,875
FEMA	1,308
NRC	500
USTR	46
DOT	2
TOTAL:	100,104,990

The number of pages NARA declassified in FY 2001 again declined, from 7.9 million pages in FY 2000 to 3.3 million pages in FY 2001. The decreased percentage was 2 percent higher than FY 2000 (59%). Prior to the past three years, NARA has been the lead agency in the number of pages declassified. NARA continues to cite the reasons noted in fiscal years 2000 and 1999: legislative mandates; page-by-page review requirements by NARA staff versus the use of sampling methods; and shifting staff from declassification activities to records transfer responsibilities. For FY 2001 NARA specifically cited the review of intelligence records related to the *Nazi War Crimes Disclosure Act of 1998* and the *Japanese Imperial Government Disclosure Act of 2000*, as another factor affecting NARA declassification work. These records, according to NARA, are “more difficult to review and take longer to

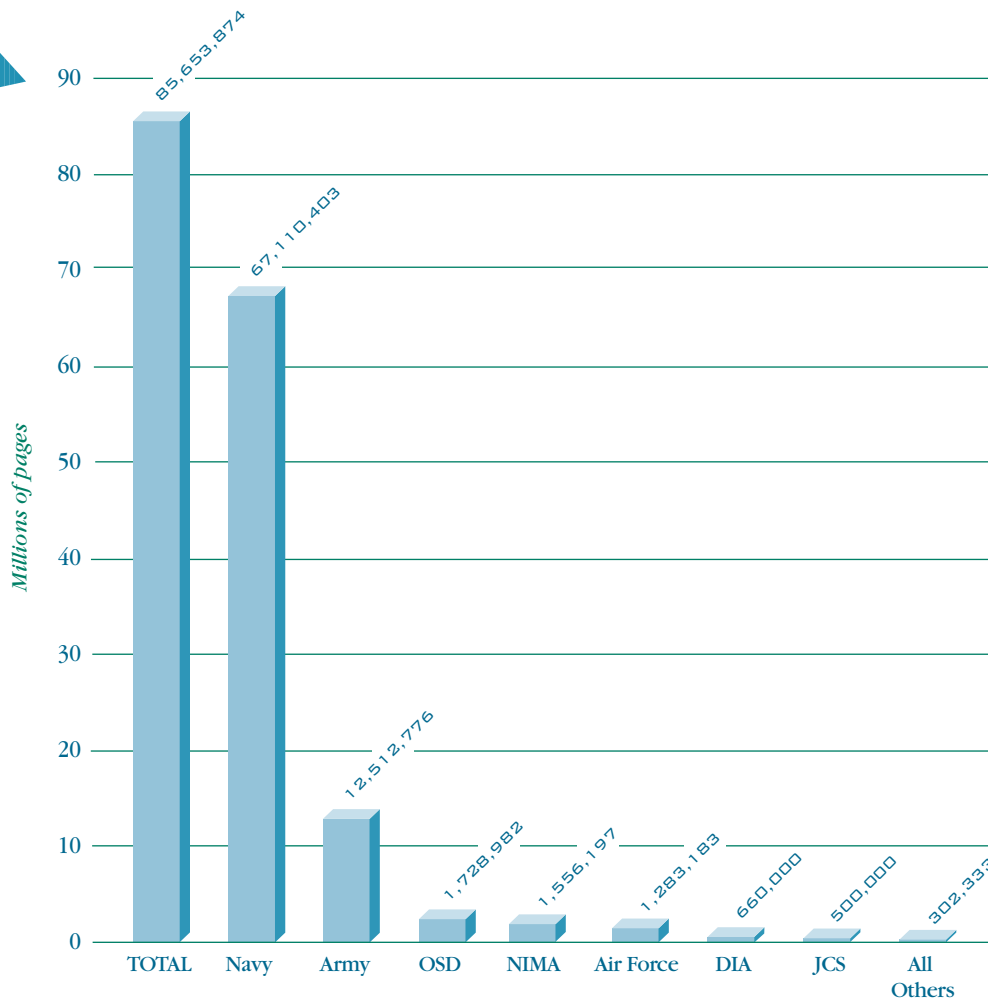
process than average.” Additionally, NARA noted that staff time was required to plan, test, install and train for the new computer tracking system.

In the six years that Executive Order 12958 has been in effect, over 895 million pages have been declassified. Compared to the 257 million pages declassified under two prior executive orders (E.O. 12065 and E.O. 12356) over the course of 16 years, the executive branch in the past six years has more than tripled the number of pages declassified. For the 21 years during which ISOO has been collecting data, declassification activity within the executive branch resulted in over 1.1 billion pages declassified.

For the third year in a row DOD led the executive branch in the number of total pages declassified in FY 2001, accounting for more than 86 percent of the total. DOD reported an increase in its total pages declassified of 66 percent.



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DOD COMPONENTS WITH SIGNIFICANT NUMBERS



Other agencies which reported remarkable increases in their declassification activity in FY 2001 as compared to FY 2000 include: AID (65%), Justice (37%), and CIA (37%). Those agencies that experienced significant decreases

include: NARA (59%), NASA (40%), NSC (68%), State (93%) and Treasury (94%). ISOO commends all of these agencies, whatever their outcomes in FY 2001, and encourages them to sustain or work to increase their efforts.

MANDATORY REVIEW

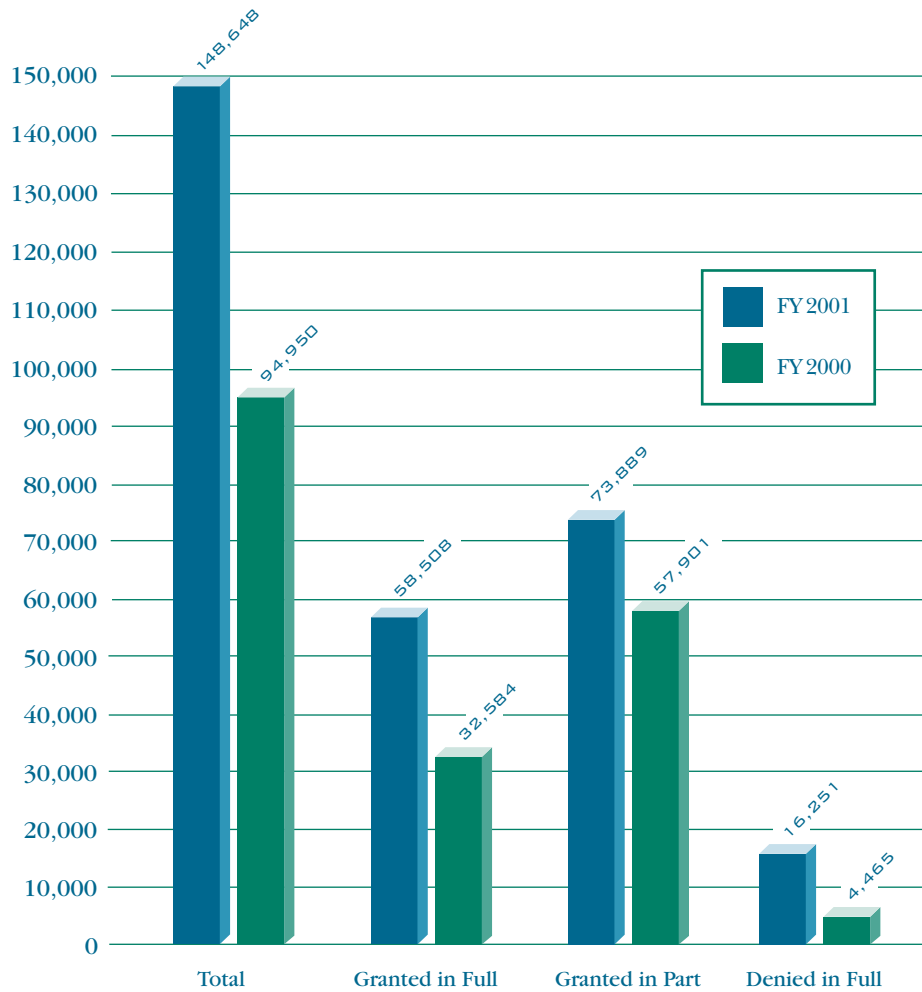
Under Executive Order 12958, the mandatory review process permits individuals or agencies to require an agency to review specified national security information for purposes of seeking its declassification. Requests must be in writing and describe the information with sufficient detail to permit the 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. Also, some researchers are now choosing mandatory review over FOIA in order to retain the right of appeal to the ISCAP (See page 5).



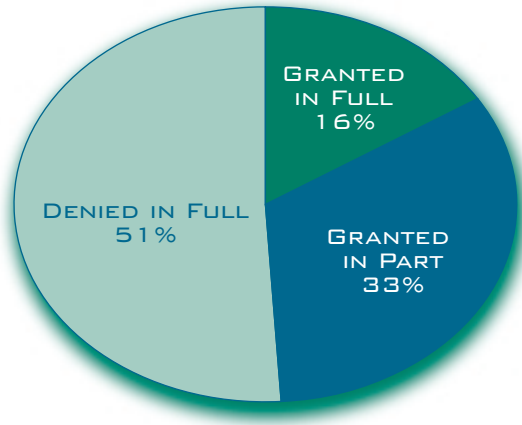
MANDATORY REVIEW PAGES PROCESSED

Fiscal Years 2000-2001





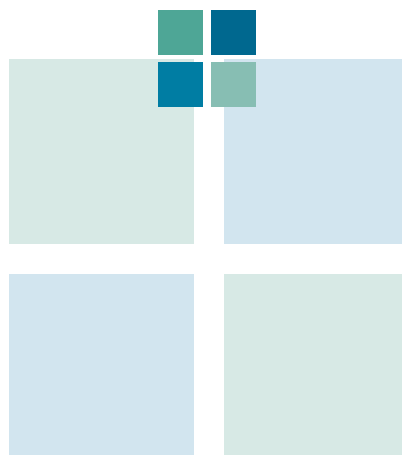
**MANDATORY REVIEW
APPEALS DISPOSITION**
Fiscal Year 2001



During FY 2001, agencies processed 3,798 cases totaling 148,648 pages. The number of pages processed increased by 57 percent from the previous year. The number of pages declassi-

fied in whole or in part increased, from 90,485 in FY 2000 to 132,397. The percentage of pages declassified in whole or in part decreased from 93 percent to 89 percent; nevertheless, the percentage continues to remain high under Executive Order 12958. While outside factors, such as 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 for declassifying information.

During FY 2001, agencies processed 62 appeals that comprised 2,987 pages. Of these, 49 percent of the pages were granted in whole or in part. The rate is 4 percent lower than last year. 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, thus the higher sensitivity; and (3) agencies are retaining the classification because the sensitivity of the information continues to meet the criteria under the Order. The lower rate further suggests that the ISCAP may expect to see an increase in appeals from denied requesters.



AGENCY ACRONYMS OR ABBREVIATIONS

AID:	Agency for International Development	MSPB:	Merit Systems Protection Board
Air Force:	Department of the Air Force	NARA:	National Archives and Records Administration
Army:	Department of the Army	NASA:	National Aeronautics and Space Administration
BMDO:	Ballistic Missile Defense Organization	Navy:	Department of the Navy
CEA:	Council of Economic Advisers	NISPPAC:	National Industrial Security Program Policy Advisory Committee
CIA:	Central Intelligence Agency	NIMA:	National Imagery and Mapping Agency
Commerce:	Department of Commerce	NRC:	Nuclear Regulatory Commission
DARPA:	Defense Advanced Research Projects Agency	NRO:	National Reconnaissance Office
DCAA:	Defense Contract Audit Agency	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
EXIMBANK:	Export-Import Bank	OVP:	Office of the Vice President
FBI:	Federal Bureau of Investigation	PC:	Peace Corps
FCC:	Federal Communications Commission	PFIAB:	President's Foreign Intelligence Advisory Board
FEMA:	Federal Emergency Management Agency	SBA:	Small Business Administration
FMC:	Federal Maritime Commission	SEC:	Securities and Exchange Commission
FRS:	Federal Reserve System	SSS:	Selective Service System
GSA:	General Services Administration	State:	Department of State
HHS:	Department of Health and Human Services	Treasury:	Department of the Treasury
HUD:	Department of Housing and Urban Development	TVA:	Tennessee Valley Authority
Interior:	Department of the Interior	USDA:	Department of Agriculture
ISCAP:	Interagency Security Classification Appeals Panel	USMC:	United States Marine Corps
ISOO:	Information Security Oversight Office	USPS:	United States Postal Service
ITC:	International Trade Commission	USTR:	Office of the United States Trade Representative
JCS:	Joint Chiefs of Staff	VA:	Department of Veterans Affairs
Justice:	Department of Justice		
Labor:	Department of Labor		
MMC:	Marine Mammal Commission		





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