

INFORMATION SECURITY OVERSIGHT OFFICE

# 2011 COST REPORT

NATIONAL ARCHIVES *and* RECORDS ADMINISTRATION

INFORMATION SECURITY OVERSIGHT OFFICE

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June 20, 2012

The President  
The White House  
Washington, DC 20500

Dear Mr. President:

I am pleased to submit the Information Security Oversight Office's (ISOO) Report on Cost Estimates for Security Classification Activities for Fiscal Year 2011.

This report provides information on the cost estimates of the security classification program as required by Executive Order 13526, "Classified National Security Information." It provides information concerning key components of the classification system from 41 executive branch agencies. It also contains cost estimates with respect to industrial security in the private sector as required by Executive Order 12829, as amended, "National Industrial Security Program." The cost estimates from the Central Intelligence Agency, the Defense Intelligence Agency, the Office of the Director of National Intelligence, the National Geospatial-Intelligence Agency, the National Reconnaissance Office, and the National Security Agency are compiled in a classified addendum to this report that is being transmitted separately.

Sustaining and increasing investment in classification and security measures is both necessary to maintaining the classification system and fundamental to the principles of transparency, participation, and collaboration. As ISOO oversees the trends in executive branch operations, we will continue to focus on enhancing the policy and guidance directed towards maintaining an efficient and effective classification management program.

Respectfully,



JOHN P. FITZPATRICK  
Director

Enclosure

cc: Thomas Donilon  
Assistant to the President for National Security Affairs

# 2011 REPORT TO THE PRESIDENT

## Cost Estimates for Security Classification Activities

### Background and Methodology

The Information Security Oversight Office (ISOO) reports annually to the President on the estimated costs associated with agencies' implementation of Executive Order (E.O.) 13526, "Classified National Security Information," and E.O. 12829, as amended, "National Industrial Security Program."

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 a good indication of the trends in total cost. It is important to note that even if reporting agencies had no security classification activity, many of their reported expenditures would continue in order to address other, overlapping security requirements, such as work force and facility protection, mission assurance operations and similar needs.

The Government data 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.

**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 review programs established by E.O. 13526, as well as discretionary declassification activities and declassification activities required by statute.

**Protection and Maintenance for Classified Information Systems:** 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 computer hardware and software for protection of classified information, material, or processes in automated systems.

### **Operations Security (OPSEC) and Technical Surveillance Countermeasures (TSCM)**

**OPSEC:** Systematic and proven process by which potential adversaries can be denied information about capabilities and intentions by identifying, controlling, and protecting generally unclassified evidence of the planning and execution of sensitive activities. The process involves five steps: identification of critical information, analysis of threats, analysis of vulnerabilities, assessment of risks, and application of appropriate countermeasures.

**TSCM:** Personnel and operating expenses associated with the development, training

and application of technical security countermeasures such as non-destructive and destructive searches, electromagnetic energy searches, and telephone system searches.

**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, Oversight, 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 specific 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 Fiscal Year (FY) 2011 is \$11.36 billion, an increase of \$1.2 billion, or 12% from FY 2010. This figure represents estimates provided by 41 executive branch agencies, including the Department of Defense (DoD). It does not include the cost estimates of the Central Intelligence Agency, the Defense Intelligence Agency, the Office of the Director of National Intelligence, the National Geospatial-Intelligence Agency, the National Reconnaissance Office, and the National Security Agency. The cost estimates of these agencies are classified in accordance with Intelligence Community classification guidance and are included in a classified addendum to this report.

For FY 2011, agencies reported \$1.4 billion in estimated costs associated with Personnel Security, a decrease of \$154.47 million, or 10 percent.

Estimated costs associated with Physical Security were \$1.74 billion, an increase of \$305 million, or 21 percent.

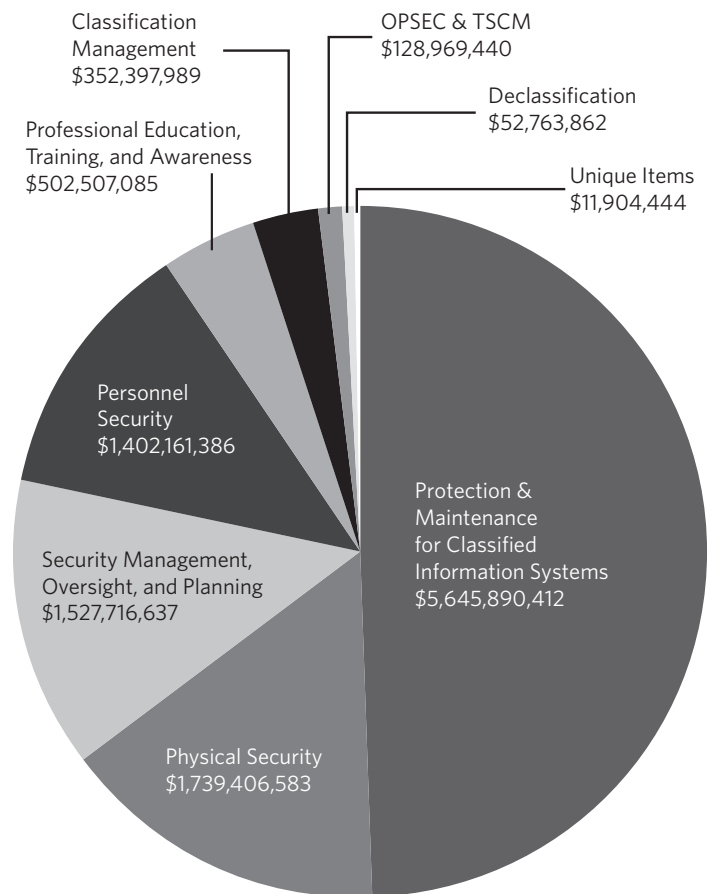
Estimated costs associated with Classification Management were \$352.4 million, a decrease of \$11.8 million, or 3 percent.

Estimated costs associated with Declassification were \$52.76 million, an increase of \$2.3 million, or 5 percent.

Estimated costs associated with Protection and Maintenance for Classified Information Systems were \$5.65 billion, an increase of \$953 million, or 20 percent.

Estimated costs associated with OPSEC and TSCM were \$128.97 million, an increase of \$22.3 million, or 21 percent.

Government Security Classification Costs  
FY2011





## Government Security Classification Costs FY 1995 - FY 2011\*

	Personnel Security	Physical Security	Classification Management	Declassification*	Protection & Maintenance for Classified Information Systems	OPSEC & TSCM+	Professional Education, Training, & Awareness	Security Management, Oversight, & Planning	Unique Items	TOTAL
1995	\$633 million	\$175 million	\$312 million	—	\$1.2 billion	—	\$67 million	\$257 million	\$6.4 million	\$2.7 billion
1996	\$479 million	\$308 million	\$325 million	—	\$1.2 billion	—	\$72 million	\$343 million	\$5.6 million	\$2.7 billion
1997	\$390 million	\$345 million	\$429 million	—	\$1.79 billion	—	\$78 million	\$399 million	\$4.2 million	\$3.4 billion
1998	\$398 million	\$386 million	\$212.96 million	\$199.65 million	\$1.82 billion	—	\$93 million	\$487 million	\$5.7 million	\$3.6 billion
1999	\$426 million	\$410 million	\$219 million	\$233.18 million	\$1.91 billion	—	\$97 million	\$480 million	\$0.8 million	\$3.77 billion
2000	\$426 million	\$272 million	\$212.75 million	\$230.90 million	\$2.55 billion	—	\$112 million	\$439 million	\$25 million	\$4.27 billion
2001	\$859 million	\$217 million	\$221.30 million	\$231.88 million	\$2.50 billion	—	\$106 million	\$539 million	\$25 million	\$4.7 billion
2002	\$941 million	\$367 million	\$236.97 million	\$112.96 million	\$3.12 billion	—	\$134 million	\$742 million	\$26 million	\$5.68 billion
2003	\$950 million	\$536 million	\$264.66 million	\$53.77 million	\$3.66 billion	\$15.01 million	\$158 million	\$858 million	\$27.7 million	\$6.52 billion
2004	\$941 million	\$691 million	\$323.87 million	\$48.26 million	\$3.90 billion	\$12.22 million	\$178 million	\$1.15 billion	\$6.4 million	\$7.25 billion
2005	\$1.15 billion	\$1.04 billion	\$309.93 million	\$56.83 million	\$3.64 billion	\$33.64 million	\$219 million	\$1.21 billion	\$6.6 million	\$7.66 billion
2006	\$1.11 billion	\$1.06 billion	\$312.90 million	\$43.99 million	\$4.02 billion	\$88.42 million	\$237 million	\$1.36 billion	\$7.3 million	\$8.24 billion
2007	\$1.10 billion	\$1.37 billion	\$323.50 million	\$44.59 million	\$4.18 billion	\$85.57 million	\$211 million	\$1.33 billion	\$7.9 million	\$8.65 billion
2008	\$1.10 billion	\$1.29 billion	\$333.71 million	\$42.73 million	\$4.34 billion	\$90.15 million	\$243 million	\$1.20 billion	\$8.8 million	\$8.65 billion
2009	\$1.21 billion	\$1.28 billion	\$361.17 million	\$44.65 million	\$4.26 billion	\$106.14 million	\$226 million	\$1.30 billion	\$15.7 million	\$8.80 billion
2010	\$1.56 billion	\$1.43 billion	\$364.22 million	\$50.44 million	\$4.69 billion	\$106.65 million	\$400 million	\$1.54 billion	\$21.9 million	\$10.16 billion
2011	\$1.40 billion	\$1.74 billion	\$352.40 million	\$52.76 million	\$5.65 billion	\$128.97 million	\$502.51 million	\$1.53 billion	\$11.9 million	\$11.36 billion

\*Prior to 1998, Declassification costs were included in Classification Management costs.

+Prior to 2003, OPSEC and TSCM costs were not reported.

Together, costs for Classification Management, Declassification, Protection and Maintenance for Classified Information Systems, and OPSEC and TSCM, make up the total cost for Information Security which is \$6.18 billion, an increase of \$965.85 million, or 19%.

The FY 2011 estimated costs for Professional Education, Training, and Awareness were \$502.51 million, an increase of \$102.1 million, or 25 percent.

Estimated costs associated with Security Management, Oversight, and Planning were \$1.53 billion, a decrease of \$13.98 million, or 1 percent.

Estimated costs associated with Unique Items were \$11.9 million, a decrease of \$10 million, or 46 percent.

To fulfill the cost reporting requirements, 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. For FY 2011, the Defense Security Service collected industry cost data and provided the estimate to ISOO.

Cost estimate data are not provided by category because industry accounts for its costs differently than Government. 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 and perform under a classified contract with a Government agency.

The FY 2011 cost estimate totals for industry pertain to the twelve-month accounting period for the most recently completed fiscal year of the companies that were part of the industry sample under the National Industrial Security Program. The estimate of total security classification costs for FY 2011 within industry is \$1.26 billion; an increase of \$11.35 million, or 1 percent.

This year's combined estimate for Government and industry was \$12.62 billion, an increase of \$1.2 billion, or 11 percent.

Total Costs for Government and Industry FY 1995 - FY 2011

