

Fiscal Year (FY) 2005 Budget Estimates

Defense Security Service (DSS)



February 2004

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 Operation and Maintenance, Defense-Wide
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 Appropriation Highlights

(Dollars in Millions)

	<u>FY 2003</u>	<u>Price</u>	<u>Program</u>	<u>FY 2004</u>	<u>Price</u>	<u>Program</u>	<u>FY 2005</u>
	<u>Actuals</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>	<u>Change</u>	<u>Change</u>	<u>Estimate</u>
Operations & Maintenance, Defense-Wide							
DSS Total	199.429*	2.646	16.873	218.948**	3.568	61.927	284.443
BA 3: Training and Recruiting							
	6.991	0.091	0.091	7.173	0.143	0.027	7.343
BA 4: Administration and Service-wide Activities							
	192.438*	2.555	16.782	211.775**	3.425	61.900	277.100

* Actual funding includes \$12.2 million of FY 2003 supplemental funds.

** Estimated funding excludes \$39.9 million of FY 2004 supplemental funds.

Summary:

The Defense Security Service (DSS) provides security services to the Department of Defense (DoD) through the integration of personnel security policy, industrial security, security training and education, information systems security and counterintelligence. Due to the integration of security services, combined with intelligence threat data, the DSS is uniquely positioned to facilitate the application of threat-appropriate security countermeasures. Under existing executive agreements, the DSS is responsible for the National Industrial Security Program for 24 federal agencies and the financing and

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adjudication of all personnel security investigations for contractors utilized by those agencies. The DSS operates under the direction, authority and control of the Under Secretary of Defense (Intelligence). The majority of the DSS workload is driven by executive order requirements to ensure that appropriate security measures are taken when safeguarding classified material, either by the DoD or contractor personnel.

The four primary business areas that comprise the DSS mission in FY 2005 are: (1) National Industrial Security Program (NISP), which primarily ensures that private industry, colleges, and universities that perform government contracts or perform research activities safeguard the classified information in their possession; (2) the Executive Agency for financing and management of Personnel Security Investigations for Industry (contractor personnel in DoD and multiple other federal agencies); (3) the Collaborative Adjudication Services (CAS) that provides adjudication for clearances of contractor personnel and supports the development of CAS practices for all of the DoD, and (4) the Security Training and Education Program (SETA). The DSS executes the SETA program through the DSS Academy (DSSA). The Academy provides security education and training programs that support the DSS components, DOD agencies, military departments and contractors.

1) National Industrial Security Program (NISP)

The primary focus of the DSS' industrial security efforts is to support the DoD implementation of the NISP. In this regard, the DSS works to advance and communicate the DoD's directives to protect classified information. The NISP ensures that private industry, while performing on classified government contracts, properly secures/safeguards the related classified and sensitive information in its possession and controls employee access to the information. Industrial security is the integration of

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information, personnel, and physical security principles applied to the protection of classified information entrusted to industry.

The DSS administers the NISP on behalf of the DoD and 24 other Federal Government departments and agencies, to include the Departments of Homeland Security, State and Justice. The objective of industrial security is to ensure that security systems are established and maintained to: (1) deter and detect acts of espionage; and (2) counter the threat posed by traditional and nontraditional adversaries who target the classified information in the hands of industry. The DSS provides proactive, full-service industrial security countermeasure support to more than 12,000 cleared contractor facilities.

2) Personnel Security Investigations (PSI) for Industry

As a part of the overall NISP program, DSS finances the costs of personnel security investigations for all industry personnel in support of DoD and multiple other federal agencies. Since contractor personnel often are employed on projects in support of many agencies, this centralized financing program provides an economy of scale for federal requirements and dramatically reduces the overhead management requirements in the federal sector. The funding will be provided to the Office of Personnel Management that will accomplish the personnel security investigations. In FY 2003, supported with \$12.2 million of supplemental funding, the DSS financed 148,998 contractor PSIs. As a result of the global war on terror and the outsourcing of federal workload, the number of clearances required has increased annually since 2001. In addition, the mix of clearances has changed since 2001 with more comprehensive clearances required at a greater cost per clearance. In FY 2004, funded contractor PSI requirements will grow to over 165 thousand. A portion of the surge in workload is attributed to the war effort and financed with \$33.9 million of supplemental funding. In FY 2005, continued growth in the number of contractor clearances may be required to support continued government wide

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requirements in support of the global war on terror. The current request supports an industry PSI caseload of approximately 130,000 cases.

3) Collaborative Adjudication Services (CAS)

The CAS supports the adjudication of the industrial personnel clearances as well as the operation of the Defense Industrial Security Clearance Office (DISCO). The DISCO, located in Columbus, Ohio, processes and grants facility security clearances to industrial facilities sponsored for clearance by the DoD for the 24 federal agencies supported by DSS under the NISP. In addition, the DISCO adjudicates and issues personnel security clearances for the cleared industrial community. The DISCO operates a customer service activity that provides information and assistance to industrial facilities, DoD activities, other agencies and the general public.

4) Defense Security Service Academy (DSSA)

The Joint Security Commission (JSC) recognizes that Security Education, Training and Awareness (SETA) are at the core of the government's security mission. The DSS mission is to provide a standardized system of resident, on-site, distance learning, on-line and customized security training in the varied and interdependent security disciplines to support a sound information assurance program throughout the Department of Defense (DoD), other federal agencies and Defense Industry. DSS executes this mission through the DSSA. This organization is the primary DoD resource for security program training, education, awareness, and program development support. Its students are U.S. Government military personnel, designated civilian employees, and representatives of U.S. industry. The DSSA provides technical assistance to DoD components and other federal entities in the development and improvement of their security programs.

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5) The DSS budget includes funds for counterintelligence activities in support of the national industrial security mission, essential headquarters activities in support of the Agency and its transition to a new business environment, and support to the implementation of the DoD Information System for Security that is being developed under U.S. Air Force program management and investment funding.

6) This budget request includes \$50 million in FY 2005 funds to support the transfer of the Personnel Security Investigation (PSI) mission to the Office of Personnel and Management (OPM), the concurrent decommissioning of the Case Control Management System (CCMS), and closure of the DSS Defense Working Capital Fund. When the DSS accounts were transferred from appropriated funds to the working capital funds, essential corpus was not provided to support such items as accrued annual leave of the employees transferred to the fund and the Federal Employees Compensation Act (FECA) payments to the Department of Labor. As a result of the decision¹ to transfer the Department's PSI mission to the OPM in 2004, the existing DSS Working Capital Fund is to be closed as soon as possible. In order to close the fund: all obligations must be liquidated; capital assets transferred/disposed; and transfer cash to the OPM to support the long term liabilities for accrued annual leave (for the 1,855 employees who will functionally transfer with the PSI mission) and the FECA payments that are made to the Department of Labor (DOL) after a two year's time lag. The DSS Working Capital Fund account generated negative accumulated operating results. This cash deficit will be offset from the Defense Logistics Agency (DLA) working capital fund cash balance. The funding in the 2005 request will provide resources needed to support the transfer to OPM and reduce the demand for cash from the DLA.

¹The National Defense Authorization Act for Fiscal Year 2004 provided OPM the option to accept a transfer of functions and personnel from the Department of Defense, Defense Security Service (DSS). The director of OPM has statutory discretion to accept or decline full transfer of functions and personnel from DSS. No decision has been made at this time for a full transfer of functions in either FY 2004 or FY 2005.

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Personnel Summary:

	<u>FY 2003*</u>	Change <u>FY 2004</u>	<u>FY 2005</u>	Change <u>FY 2003/FY 2004</u>	<u>FY 2004/FY 2005</u>
<u>Civilian End Strength (Total)</u>	22	568	568	546	0
U.S. Direct Hire	22	568	568	546	0
 <u>Civilian FTEs (Total)</u>	 22	 546	 568	 524	 22
U.S. Direct Hire	22	546	568	524	22

A total of 506 positions funded by DSS Operations and Maintenance, Defense Wide accounts in FY 2004 were financed in DSS DWCF in FY 2003 and prior. The goods/services that these DSS employees created were financed by reimbursable orders from DSS O&M activities including the NISP, CAS and DSSA. The only growth in manning from the true previous levels is in the addition of 40 adjudicators to the CAS activity to assure timely adjudication of the increased case load of PSI for Industry.

Narrative Explanation of Changes:

FY 2004 President's Budget to FY 2004 Current Estimate:

The FY 2004 revised estimates are primarily attributable to the urgent need to increase the funding available to support Personnel Security Investigations (PSI) for industry personnel. The Department allocated an additional \$29 million in recognition of the escalating number of required contractor clearances (\$26 million), and to hire the adjudicators for the increase in workload (\$3 million). Funds provided for the personnel

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security contractor investigations support the Military Department outsourcing and program acquisitions (based on a peacetime workload estimate). It is estimated that 27,800 personnel security investigations (PSI) cases will be financed using these funds. In addition, funds provided from the FY 2004 supplemental will allow the DSS to finance an additional 41,125 PSI for industry cases in 2004 (and to fund counterintelligence support). Since 2001, DSS has experienced a significant increase in requirements for PSI clearances from DoD and the 24 federal agencies supported under the NISP. A major jump in requirements after September 11, 2001 has been followed by continual growth in demand. Growth percentages of cases have been between FY 2001 and FY 2002 34%, FY 2002 to FY 2003 10% and from FY 2003 to FY 2004 12%. Caseload has been increasing because of the Executive Branch shift toward purchasing temporary contract labor to accomplish specific and sometimes endemic tasks quickly and efficiently. A major and significant factor in the increase of cost for the industrial personnel security PSIs is the change in the mix of cases. For example, in FY 2001 the program included 28,000 SSBI (Top Secret)/Top Secret Periodic Review (TSPR) investigations but in FY 2004 the number has increased to an estimate of over 50,000. There has been a corresponding reduction in the number of National Agency Check/Local Agency Check (NACLAC) investigations. The mix is changing as the Department and other Federal agencies serviced by the NISP program tighten their security requirements and more closely monitor those who have access to secure, classified, information. In FY 2003, the published cost of an SSBI was \$2,640; the cost of a TSPR was \$1,598 and the cost of a NACLAC was \$328. Estimated cost per case of SSBI and TSPR continue to increase in FY 2004 and FY 2005 while NACLAC costs decline through use of automated checks as opposed to investigator visits. The \$3 million for adjudicators will purchase 40 adjudicators for the increased workload. In conclusion, not only has the program experienced an increase in contractor clearances required but also the type of clearance has changed. Both elements increase the cost of this program.

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Current FY 2004 Estimate to FY 2005 Estimate:

The most significant program change is \$50 million to support the final actions relating to the transfer of the personnel security investigations function to the Office of Personnel Management (OPM) and closure of the DSS Defense Working Capital Fund (DWCF) in FY 2005. (Further discussion provided in paragraph 6 of this document).

An additional \$1.4 million growth supports the annualization of finding required for full support of the 40 additional adjudicators who entered service at DSS during FY 2004.

The workload requirements for the National Industrial Security Program (NISP) personnel security investigations (PSI) require an additional \$5.37 million. These funds are provided to meet demands for peacetime PSIs of contractor personnel in DoD and for the 24 agencies supported by the DSS as the Executive Agent for the NISP under existing executive orders. Continued growth in investigation requirements is the result of increased outsourcing of governmental functions, expanded defense procurements, and growth in contractor support within supported federal clients. The increase will support 5,750 PSI cases.

Enhanced National Industrial Security Program (NISP) initiatives account for \$6.2 million of additional requirements. Historically DSS has dealt only with the protection of classified facilities and programs as the Executive Agent for the NISP. A recent expansion of the DSS mission includes focusing on facilities and assets that are not necessarily classified. These funds support the expanded NISP information assurance mission (assuring security of government information developed, maintained, stored at contractor facilities) as well as other assigned programs. The Arms, Ammunition and Explosives Program provides protection of sensitive conventional arms, ammunition and explosives in the custody of, or produced by, contractors associated with the DoD. The Critical Infrastructure Protection Program promotes the security of facilities that

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provide critical industrial production and services, thereby, ensuring emergency mobilization preparedness capability. The Research and Technology Protection (RTP) addresses special security issues associated with research and technology development within the cleared defense industrial base. The requested increase funds vulnerability assessments, oversight and analysis of select industrial assets, technology and information. These assets correlate directly to the U.S. capability to conduct current and imminent military operations and other impending actions.

The FY 2005 program increases are the first increment of a multi-year planned improvement of security coverage in these areas. Corresponding improvements in Collaborative Adjudication Services require an additional \$1.5 million. These funds support the growth in the Defense Industrial Security Clearance Office (DISCO) workload associated with the management of the department's Trustworthiness Program. There are certain categories of positions or duties, which, although not requiring access to classified information, if performed by untrustworthy persons, could enable them to jeopardize the security of a command or otherwise endanger the national security. These positions include, among others, access to automated systems, healthcare, unescorted access, unclassified computer access and access to closed areas. A conservative estimate of the first year number of trustworthiness determinations is 150,000. Implementation of the Automated Continuing Evaluation System (ACES) will allow data mining through random checks of National and Local Agencies which will reveal any adverse information on an individual that may result in the need to open an investigation ahead of the scheduled time of 5 or 10 years. As the ACES system matures with capabilities to provide adjudicative data, the number of reinvestigations may be reduced.

Completion of the DSS transition team activities associated with the strategic redesign of the agency to meet its new mission challenges allows a program decrease of \$2.6 million in the Agency management accounts.

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Outyear Summary:

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
O&M (Dollars in Thousands)	194,608	200,283	205,598	210,912
Civilian FTEs	568	568	568	568

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 Summary of Increases and Decreases
 (Dollars in Thousands)

	<u>BA 3</u>	<u>BA 4</u>	<u>Total</u>
FY 2004 President's Budget Request	7,173	200,054	207,227
1. Congressional Adjustments			
a. Distributed Adjustments			
Lack of Program Justification Management Headquarters	0	-12,500	-12,500
b. Undistributed Adjustments	0	0	0
c. General Provisions			
1) Section 8094-Professional Support Services	0	-1,092	-1,092
2) Section 8101-Cost Growth Information Technology	0	-2,637	-2,637
3) Section 8126-Management Efficiencies	0	-930	-930
d. Congressional Earmark Section 8044-Indian Lands	0	-120	-120
Total Congressional Adjustments	0	-17,279	-17,279
FY 2004 Appropriated Amount	7,173	182,775	189,948
2. Emergency Supplemental			
Emergency Supplemental Appropriations Act (P.L. 108-106)	0	39,919	39,919
3. Price Change	32	609	641

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	<u>BA 3</u>	<u>BA 4</u>	<u>Total</u>
4. Fact-of-Life Changes			
A) Emergent Requirements:			
1) Program Increases			
a) One-Time Costs			
b) Program Growth			
1. Increased PSI for Industry adjudication (40 new employees) (FY 2004 Base: \$0)	0	3,000	3,000
Total Program Increases	0	3,000	3,000
2) Program Reductions			
a) Program Decreases			
1. Reduce Planned Growth In Student Outputs to finance Increased Civilian Pay raise costs	-32	0	-32
2. Reduce DSS transition costs to finance increased Civilian pay raise costs	0	-609	-609
Total Program Decreases	-32	-609	-641

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	<u>BA 3</u>	<u>BA 4</u>	<u>Total</u>
5. Reprogrammings (Requiring 1415 Actions)	0	26,000	26,000
This action transfers \$26 million from the Military Departments to finance baseline requirements for Personnel Security Investigations for Industry funded by DSS as the Executive Agent			
Revised FY 2004 Estimate	7,173	251,694	258,867
6. Less Emergency Supplemental Funding	0	-39,919	-39,919
Normalized Current Estimate for FY 2004	7,173	211,775	218,948
7. Functional Transfers			
8. Price Change	143	3,425	3,568
9. Program Increases			
a) Program Growth			
1. Provide Full Year Funding for Adjudicators brought on Board in FY 2004 (FY 2004 Base: \$3,000)	0	1,400	1,400
2. One-time Support for Closing DSS Defense Working Capital Fund (FY 2004 Base: 0)	0	50,000	50,000
3. Resource Peacetime Baseline for PSI for Industry where DSS is executive agent financing mission for 24 Executive Branch agencies (FY 2004 Base: \$110,900)	0	5,370	5,370

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(Dollars in Thousands)

4. Collaborative Adjudication Services (FY 2004 Base: \$17,720)	0	1,540	1,540
5. National Industrial Security Program (FY 2004 Base: \$41,485)	0	6,257	6,257
6. DoD Security Education (FY 2004 Base: \$7,173)	27	0	27
Total Program Increases	27	64,567	64,594
10. Program Reductions			
a) One-Time Costs			
b) Program Decreases			
1. Reduce DSS Transition Requirements	0	-2,666	-2,666
Total Program Decreases	-0	-2,666	-2,666
FY 2005 Budget Request	7,343	277,100	284,443

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 Manpower Changes In Full-Time Equivalent
 FY 2003 through FY 2005

	<u>US Direct Hire</u>	<u>Foreign National</u>		<u>Total</u>
		<u>Direct Hire</u>	<u>Indirect Hire</u>	
1. FY 2003 FTEs	2250	0	0	2250
	-1014			-1014
2. FY 2004 FTEs	1536	0	0	1536
	-950			-950
3. FY 2005 FTEs	586	0	0	586
4. SUMMARY				
FY 2003				
O&M	22	0	0	22
Direct Funded	22			22
Reimbursable Funded	0			0
DWCF	2528	0	0	2528
Direct Funded	2528			2528
Reimbursable Funded	0			0
DSS Total	2550	0	0	2550
Direct Funded	2550			2550
Reimbursable Funded	0			0

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 FY 2003 through FY 2005

	<u>US Direct Hire</u>	<u>Foreign National</u>		<u>Total</u>
		<u>Direct Hire</u>	<u>Indirect Hire</u>	
FY 2004				
O&M Total	546	0	0	546
Direct Funded	546			546
Reimbursable Funded	0			0
DWCF Total	990	0	0	990
Direct Funded	990			990
Reimbursable Funded	0			0
Total DSS	1536	0	0	1536
Direct Funded	1538			1536
Reimbursable Funded	0			10
FY 2005				
O&M Total	568	0	0	568
Direct Funded	568			568
Reimbursable Funded	0			0
DWCF	18	0	0	18
Direct Funded	18			18
Reimbursable Funded	0			0
Total DSS	586	0	0	586
Direct Funded	586			586
Reimbursable Funded	0			0

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Manpower Changes In Full-Time Equivalent
FY 2003 through FY 2005

Changes between FY 2003 and 2004 are associated with the implementation of a congressionally approved plan to transfer the 1855 DSS personnel who execute the Personnel Security Investigation business area to the Office of Personnel Management during FY 2004 and to transfer simultaneously the execution of the residual DSS missions into the Operations and Maintenance, Defense Wide appropriation. In the past, the National Industrial Security Program, Collaborative Adjudication Services and Defense Security Service Academy financed their workforce through a reimbursable agreement with the DSS Defense Working Capital Fund. As part of the restructure of the Agency, a reduced headquarters operation was included in the O&M,DW account. The residual DWCF personnel are required to support the close-out of the DWCF itself during FY 2005. The only growth/modification of the DSS general fund manpower program is the addition of 40 newly authorized adjudicator positions that will be brought on board during FY 2004 and fully supported in FY 2005.

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	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>Change FY 2003/FY2004</u>	<u>Change FY 2004/FY 2005</u>
<u>Active Military End Strength (E/S) (Total)</u>	0	0	0	0	0
Officer	0	0	0	0	0
Enlisted	0	0	0	0	0
<u>Reserve Drill Strength (E/S) (Total)</u>	0	0	0	0	0
Officer	0	0	0	0	0
Enlisted	0	0	0	0	0
<u>Reservists on Full Time Active Duty (E/S) (Total)</u>	0	0	0	0	0
Officer	0	0	0	0	0
Enlisted	0	0	0	0	0
 <u>Civilian End Strength (Total)</u>	 2492	 608	 578	 -1884	 -30
U.S. Direct Hire	2492	608	578	-1884	-30
Foreign National Direct Hire	0	0	0	0	0
Total Direct Hire	2492	608	578	-1884	-30
Foreign National Indirect Hire	0	0	0	0	0
(Reimbursable Civilians Included Above (Memo))	0	0	0	0	0
 <u>Active Military Average Strength (A/S) (Total)</u>	 0	 0	 0	 0	 0
Officer	0	0	0	0	0
Enlisted	0	0	0	0	0
<u>Reserve Drill Strength (A/S) (Total)</u>	0	0	0	0	0
Officer	0	0	0	0	0
Enlisted	0	0	0	0	0
<u>Reservists on Full Time Active Duty (A/S) (Total)</u>	0	0	0	0	0
Officer	0	0	0	0	0
Enlisted	0	0	0	0	0
 <u>Civilian FTEs (Total)</u>	 2550	 1536	 586	 -1014	 -950
U.S. Direct Hire	2550	1536	586	-1014	-950
Foreign National Direct Hire	0	0	0	0	0
Total Direct Hire	2550	1536	586	-1014	-950
Foreign National Indirect Hire	0	0	0	0	0
(Reimbursable Civilians Included Above (Memo))	0	0	0	0	0

Explanation of Changes Between Years: Changes between FY 2003 and 2004 are associated with the implementation of a congressionally approved plan to consolidate the Personnel Security Investigation mission in the Office of Personnel Management (OPM) and to transfer 1855 positions functionally to OPM in FY 2004. In addition, all appropriate overhead functions have been outsourced thus reducing the DSS in-house manpower program

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to the essential levels needed to support the transformed missions in the general fund and a small residual force (10 positions in FY 2005) in the DWCF to close the fund itself. The only program growth in DSS manpower is the addition of 40 adjudicator positions added in 2004 to support the requirements for adjudication associated with the PSI for Industry program for which DSS serves as executive agent support the requirements of DoD and 24 Executive Branch agencies. Changes between 2004 and 2005: End strength changes reflect the continued elimination of the DWCF personnel as the fund is closed. There are no end strength changes in the direct appropriated activities.

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OP 32 Line Items as Applicable (Dollars in Thousands):

Line		FY 2003	FY 2004	FY 2004	FY 2004	FY 2004	FY 2005	FY 2005	FY 2005	FY 2005
Item	DESCRIPTION	PROGRAM	PRICE	PRICE	PROGRAM	PROGRAM	PRICE	PRICE	PROGRAM	PROGRAM
			GROWTH %	GROWTH AMT	GROWTH*		GROWTH %	GROWTH AMT	GROWTH	
101	Executive, General and Special Schedules	1,909	4.1%	78	53,017	55,004	2.2%	1,210	1,840	58,055
199	Total Civilian Personnel Compensation	1,909		78	53,017	55,004		1,210	1,840	58,055
308	Travel of Persons	147	1.3%	2	1,462	1,611	1.4%	22	220	1,853
399	Total Travel	147		2	1,462	1,611		22	220	1,853
401	Service Fuel	0	8.3%	0	439	439	3.3%	15	-15	439
417	Locally Procured DoD Centrally Managed Supplies	0	1.3%	0	580	580	1.4%	8	22	610
499	Total Fund Supplies & Materials Purchases	0		0	1,019	1,019		12	17	1,048
508	Furniture and Office Equipment	0	1.3%	0	65	65	1.4%	1	-66	0
599	Total Fund Equipment Purchases	0		0	65	65		1	-66	0
649	Air Force Information Services	0	8.7%	0	5,470	5,470	2.8%	152	-152	5,470
671	Communications Services (DISA) Tier 2	0	0.0%	0	517	517	-1.0%	-5	5	517
673	Defense Financing and Accounting Service	0	14.2%	0	351	351	-0.6%	-2	52	401
699	Total Purchases	0		0	6,338	6,338		150	-100	6,388
771	Commercial Transportation	0	1.3%	0	1	1	1.4%	0	0	1
799	Total Transportation	0		0	1	1		0	0	1
912	Rental Payments to GSA Leases (SLUC)	0	1.7%	0	1,041	1,041	1.4%	15	6	1,062
914	Purchased Communications	0	1.3%	0	1,270	1,270	1.4%	18	16	1,304
915	Rents (Non-GSA)	0	1.3%	0	2,707	2,707	1.4%	37	40	2,784
917	Postal Services (U.S.P.S.)	0	0.0%	0	153	153	0.0%	0	0	153
920	Supplies & Materials (Non-centrally managed)	0	1.3%	0	110	110	1.4%	1	18	129
921	Printing & Reproduction	0	1.3%	0	493	493	1.4%	7	-7	493
922	Equipment Maintenance by Contract	0	1.3%	0	1,288	1,288	1.4%	18	-1,306	0
925	Equipment Purchases (Non-centrally managed)	160	1.3%	2	-12	150	1.4%	2	98	250
931	Contract Consultants	0	1.3%	0	23	23	1.4%	0	0	23
989	Other Contracts	196,411	1.3%	2,553	-51,995	146,969	1.4%	2,058	61,131	210,165
998	Other Costs	802	1.3%	10	-107	705	1.4%	10	19	734
999	Total Other Purchases	197,373		2,566	-45,029	154,910		2,167	60,020	217,097
9999	TOTAL DSS O&M DW	199,429		2,646	16,873	218,948		3,568	61,927	284,443

* Real growth from FY 2003 to FY 2003 is associated with reprogramming of \$26 million from Military Departments to support essential peacetime baseline for Personnel Security Investigations for

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Industry. These funds are reflected in the other contracts line. The other transactions reflected in the Program Growth line are the redistribution of program costs to program lines for the National Industrial Security Program, the Collaborative Adjudication Services, the Defense Security Service Academy and their supporting headquarters activities. Prior to FY 2004, these activities were executed in the Defense Working Capital Fund financed by financial reimbursement from the O&M, DW accounts.

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I. Description of Operations Financed:

Defense Security Service Academy:

(Dollars in Thousands)		
<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
6,991	7,173	7,343

The Joint Security Commission (JSC) recognizes that Security Education, Training and Awareness (SETA) are at the essence of the government's security mission. Within this context, the DSS mission is to provide a standardized system of resident, on-site, distance learning, on-line and customized security training in the varied and interdependent security disciplines to support a sound information assurance program throughout the Department of Defense (DoD), other federal agencies and Defense Industry.

DSS executes this mission through the Defense Security Service Academy (DSSA). This organization is the primary DoD resource for security program training, education, awareness, and program development support. Its students are U.S. Government military personnel, and designated civilian employees and representatives of U.S. industry. The DSSA provides technical assistance to DoD components and other federal entities in the development and improvement of their security programs.

The DSSA offers worldwide security education, training, and awareness for DoD civilian and contractor personnel, non-DoD federal government personnel, and a selected group of security professionals from other foreign governments. This target audience is engaged in the protection of critical infrastructure assets, involved in antiterrorism efforts, and is involved in the development or execution of security countermeasures. Committed to the professional development of the DoD Security Community, the DSSA has taken on an expanded role in developing quality assurance metrics for its courseware and

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products, in addition to measuring the relevancy of its instruction and customer responsiveness. Institutional effectiveness research provides a linkage between the DSSA curriculum and career mapping for DoD and DoD-related security professionals.

The DSSA focuses on improving the performance of security programs and related security professionals. This is accomplished by developing and producing courses, providing quality continuing education opportunities and performance improvement tools, creating training publications, providing consulting services, and promoting security awareness through both seminars and electronic information sharing, as well as maintaining communication with customers. The DSSA presents more than 62 security courses annually presented in approximately 162 iterations. Courses are presented in a variety of formats including resident, field extension, distance learning, Computer Based Training (CBT), and Video Tele-Conferencing (VTC). Customized courses are also provided. Additionally, the DSSA selects and authorizes other organizations to conduct some of the courses. The DSSA also produces a series of select security modules and materials for organizations to utilize for training their personnel. The DSSA publishes, collects, evaluates, and distributes security awareness materials for the DoD and its cleared contractors. The program produces security awareness periodicals and videos as well as a wide range of training and program support materials. DSSA creates and distributes products and training material utilizing a variety of media, to include hard copy, magnetic and on-line. The principal customers of the DSSA are DoD military, civilian and contractor activities, and their personnel. The DSSA offers support to foreign government representatives and supports the broader federal sector in several key areas on behalf of the DoD.

The Defense Security Service Academy (DSSA) is the sole training source in several security areas within the federal government and is an integral part of mandatory training required for security professionals in many agencies. DSSA provides the DoD a

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common unifying means to prepare individuals for their security program roles and assists with the development of effective security programs. DSSA currently concentrates its support on security management, risk management, information security, special programs security, personnel security investigation and adjudication, management and investigations, technical security, industrial security management and contractor security, acquisition systems security, systems security engineering, technology control, international program security, foreign disclosure, and automated information systems security.

II. Financial Summary (O&M: Dollars in Thousands):

A. Subactivity Group BA 3:

	FY 2003	Budget	FY 2004		FY 2005
	<u>Actuals</u>	<u>Request</u>	<u>Appropriation</u>	<u>Current</u>	<u>Estimate</u>
				<u>Estimate</u>	
DSS Academy	6,991	7,173	7,173	7,173	7,343
Total, BA 3	6,991	7,173	7,173	7,173	7,343

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B. <u>Reconciliation Summary (\$000):</u>	Change	Change
	<u>FY 2004/2004</u>	<u>FY 2004/2005</u>
1. Baseline Funding	7,173	7,173
Congressional Adjustments (Distributed)	-	-
Congressional Adjustments (Undistributed)	-	-
Congressional Adjustments (General Provisions)	-	-
Congressional Earmark Billpayer	-	-
2. Appropriated Amount (Subtotal)	7,173	-
Adjustments to Meet Congressional Intent	-	-
Across-the-board Reduction (Rescission)	-	-
Approved Reprogrammings/Transfers	-	-
3. Emergency Supplemental (P.L. 108-106)	-	-
4. Less Emergency Supplemental (P.L. 108-106)	-	-
5. Price Change	32	143
6. Program Changes	-32	27
7. Current Estimate	7,173	7,343

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C. <u>Reconciliation of Increases and Decreases:</u>	Amount	Total
FY 2004 Budget Request		7,173
1. Price Change	32	32
2. Program Change: Reduce Planned Growth in Student Outputs in order to Finance Price Growth (32)	(32)	
FY 2004 Current Estimate		7,173
3. Price Change	143	143
4. Program Change: Increase Student Output in Support of DoD Security Education	27	27
FY 2005 Budget Request		7,343

IV. Performance Criteria and Evaluation Summary:

Performance Metrics and Workload

	FY 2003	FY 2004	FY 2005
A. <u>Defense Security Service Academy</u>			
1) Courses (Instructor led)	37	28	28
2) Student Output (Course Completions (\$K))	7,364	5,017	5,017
3) Courses/Products (Distance Learning)	21	24	24
4) Student Output (Registrations) (K)	14,957	15,399	17,709
5) Cost per student training day (actual \$)	261	269	277
6) Cost per student (Distance Learning) (\$)	33	34	35

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DSS is using the performance metrics included in the FY 2003 Defense Resources Board Performance Contract as the basis for reporting performance metrics in this budget submission.

Summation of FY 2003: FY 2003 was an exemplary year for the DSSA. During that year, DSSA exceeded each of its performance metrics as published in the Defense Resources Board Performance Contract in addition to achieving substantial production growth as compared to FY 2002. With the understanding that maintaining high quality of instruction, courseware, and other products is of paramount importance, the Academy measures its production in terms of the number of instructor led courses produced and the number of distance learning courses and performance improvement products distributed (i.e., provided to customers). In both instances, FY 2003 was a very successful year for the Academy.

In FY 2003, DSSA exceeded its goals for both instructor-led and distance learning course completions; the goals were 4,480 and 8,050, respectively. FY 2003 performance metrics were developed prior to the end of FY 2002 and are reflected above. The FY 2004 goal for instructor-led course completions is 5,017, a 12 percent increase over the FY 2003 goal. The FY 2004 distance-learning course enrollment goal is a 15 percent increase over the FY 2003 actual. Since the distance-learning program is currently being established and developed as a transformation initiative at the DSSA, a goal of 15% growth in this category of production has been projected over the out-years. Changes in this projection will be made over time as actual year-end trend data becomes available for analysis.

The average cost per student training day is a Defense Resources Board Performance Contract Performance Metric for the DSSA. The goal for FY 2003 was established not to exceed an average of \$300 per student training day. As shown above, the FY 2003 actual average cost per training day was \$269; a number significantly under the established goal of \$300. The cost per student for Distance Learning Courses is a new metric and is estimated to be \$34 in FY 2004.

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V. Personnel Summary:

	<u>FY 2004</u>	<u>FY 2005</u>	<u>Change*</u> <u>FY 2003/FY 2004</u>	<u>Change</u> <u>FY 2004/FY 2005</u>
<u>Civilian End Strength (Total)</u>	45	45	45	(0)
U.S. Direct Hire	45	45	45	(0)
<u>Civilian FTEs (Total)</u>	45	45	45	(0)
U.S. Direct Hire	45	45	45	(0)

* The apparent growth is the result of the transfer of the 45 DSSA personnel to the O&M, DW account from the DWCF account in which they were carried in FY 2003 and prior years. This allows O&M, DW direct financing of these personnel. There is no change to the DSSA staffing level.

VI. Outyear Summary:

	<u>FY 2006</u>	<u>FY2007</u>	<u>FY2008</u>	<u>FY2009</u>
O&M (Dollars in Thousands)	7,543	7,751	7,965	8,185
Civilian FTEs	45	45	45	45

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VII. OP 32 Line Items as Applicable (Dollars in Thousands):

Line		FY 2003	FY 2004	FY 2004	FY 2004	FY 2004	FY 2005	FY 2005	FY 2005	FY 2005
Item	DESCRIPTION	PROGRAM	PRICE GROWTH %	PRICE GROWTH AMT	PROGRAM	GROWTH	PRICE GROWTH %	PRICE GROWTH AMT	PROGRAM	GROWTH
101	Executive, General and Special Schedules	0	4.1%	0	4,667	4,667	2.2%	103	37	4,807
	Total Civilian Personnel									
199	Compensation	0		0	4,667	4,667		103	37	4,807
308	Travel of Persons	0	1.3%	0	169	169	1.4%	2	-2	169
399	Total Travel	0		0	169	169		2	-2	169
401	Service Fuel	0	8.3%	0	47	47	3.3%	2	-2	47
417	Locally Procured DoD Centrally Managed Supplies	0	1.3%	0	59	59	1.4%	1	-1	59
	Total Fund Supplies & Materials									
499	Purchases	0		0	106	106		2	-2.377	106
508	Furniture and Office Equipment	0	1.3%	0	0	0	1.4%	0	0	0
599	Total Fund Equipment Purchases	0		0	0	0		0	0	0
649	Air Force Information Services Communications Services (DISA)	0	8.7%	0	338	338	2.8%	9	-9	338
671	Tier 2	0	0.0%	0	21	21	-1.0%	0	0	21
673	Defense Financing and Accounting Service	0	14.2%	0	0	0	-0.6%	0	0	0
699	Total Purchases	0		0	359	359		9	-9	359
771	Commercial Transportation	0	1.3%	0	1	1	1.4%	0	0	1
799	Total Transportation	0		0	1	1		0	0	1
912	Rental Payments to GSA Leases (SLUC)	0	1.7%	0	0	0	1.4%	0	0	0
914	Purchased Communications	0	1.3%	0	59	59	1.4%	1	-1	59
915	Rents (Non-GSA)	0	1.3%	0	817	817	1.4%	11	-11	817
917	Postal Services (U.S.P.S.)	0	0.0%	0	7	7	0.0%	0	0	7
920	Supplies & Materials (Non-centrally managed)	0	1.3%	0	9	9	1.4%	0	0	9
921	Printing & Reproduction	0	1.3%	0	240	240	1.4%	3	-3	240
922	Equipment Maintenance by Contract	0	1.3%	0	0	0	1.4%	0	0	0
925	Equipment Purchases (Non-centrally managed)	0	1.3%	0	0	0	1.4%	0	0	0
931	Contract Consultants	0	1.3%	0	23	23	1.4%	0	0	23
989	Other Contracts	6,991	1.3%	91	-6,367	715	1.4%	10	20	745
998	Other Costs	0	1.3%	0	1	1	1.4%	0	0	1
999	Total Other Purchases	6,991		91	-5,211	1,871		26	4	1,901
9999	TOTAL BA 3	6,991		91	91	7,173		143	27	7,343

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* In FY 2003, the DSSA program was executed in DSS DWCF and is reflected as a purchase from the DWCF. In FY 2004 and 2005, the program executes directly in the O&M, DW account. Actual program growth from FY 2003 to FY 2004 is \$91,000 in other contracts that directly support increased student output from the DSSA.

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I. Description of Operations Financed:

The DSS serves as the Department of Defense (DoD) cognizant security authority for the National Industrial Security Program (NISP). Under the auspices of the NISP, the DSS works in partnership with industry performing on classified government contracts or engaging in classified research and development to assist them in establishing and maintaining threat-appropriate security countermeasure systems. Under assigned executive agency, DSS provides oversight, adjudication and funding for the Personnel Security Investigations (PSIs) required for contractor personnel in DoD and numerous other federal Agencies. DSS has several mission areas and programs:

(1) National Industrial Security Program (NISP)

(Dollars in Thousands)

<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
40,400	41,485	48,709

The primary focus of the DSS' industrial security efforts is to support the DoD implementation of the NISP. In this regard, the DSS works to advance and communicate the DoD's directives to protect classified information. The NISP ensures that private industry, while performing on classified government contracts, properly secures/safeguards the related classified and sensitive information in its possession and controls employee access to the information. Industrial security is the integration of information, personnel, and physical security principles applied to the protection of classified information entrusted to industry.

The DSS administers the NISP on behalf of the DoD and 24 other Federal Government departments and agencies, to include the Departments of Homeland Security, State and Justice. The objective of industrial security is to ensure that security systems are established and maintained to: (1) deter and detect acts of espionage; and (2) counter

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the threat posed by traditional and nontraditional adversaries who target the classified information in the hands of industry. The DSS provides proactive, full-service industrial security countermeasure support to more than 12,000 cleared contractor facilities.

DSS Industrial Security Representatives (ISRs) work with their government contractors to (1) provide threat information for the early detection and referral of cases of potential espionage and (2) to assist industry in the recognition and reporting of foreign intelligence collection attempts. DSS IRs and the DSS Counter-Intelligence Office work closely with other federal agencies to protect classified information. DSS utilizes its information system security professionals (ISSPs) to educate cleared government contractors and develop countermeasures to unauthorized access to information systems that process classified information. The NISP also processes international visit requests, maintains oversight for certain Special Access Programs in industry and provides support to the Defense Threat Reduction Agency in connection with Arms Control Treaties.

In addition to the NISP, the DSS also has involvement or responsibility with aspects of the following three other industrially oriented security programs. The Arms, Ammunition and Explosives Program provides protection of sensitive conventional arms, ammunition and explosives in the custody of, or produced by, contractors associated with the DoD. The Critical Infrastructure Protection Program promotes the security of facilities that provide critical industrial production and services, thereby, ensuring emergency mobilization preparedness capability. The DSS executes its responsibility for Research and Technology Protection (RTP) within the cleared defense industrial base.

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(2) Personnel Security Investigations for Industry

(Dollars in Thousands)

<u>FY 2003*</u>	<u>FY 2004**</u>	<u>FY 2005</u>
129,854	110,900	117,800

* Includes FY 2003 emergency supplemental funding.

** Excludes FY 2004 emergency supplemental funding (\$38,461 million).

As part of its role as executive agent for the NISP program, DSS centrally programs for and manages the costs of personnel security investigations for all industry personnel in support of DoD and multiple other federal agencies. Since contractor personnel often are employed on projects in support of many agencies, this centralized financing program provides an economy of scale for federal requirements and dramatically reduces the overhead management requirements in the federal sector. The funding will be provided to the Office of Personnel Management that will accomplish the personnel security investigations. In FY 2003, supported with \$12.2 million of supplemental funding, the DSS financed 148,998 contractor PSIs. As a result of the global war on terror and the outsourcing of federal workload, the number of clearances required has increased annually since 2001. In addition, the mix of clearances has changed since 2001 with more comprehensive clearances required at a greater cost per clearance. In FY 2004, funded contractor PSI requirements will grow to over 165 thousand. A portion of the surge in workload is attributed to the war effort and financed with \$33.9 million of supplemental funding. In FY 2005, continued growth in the number of contractor clearances may be required to support continued government wide requirements in support of the global war on terror. The current request supports an industry PSI caseload of approximately 130,000 cases.

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(3) Foreign Counterintelligence Program (FCIP)

(Dollars in Thousands)		
<u>FY 2003*</u>	<u>FY 2004**</u>	<u>FY 2005</u>
3,017	1,735	1,798

* Includes FY 2003 supplemental funding.

** Excludes FY 2004 emergency supplemental funding (\$1.458 million).

The DSS budget includes funds for counterintelligence activities in support of the national industrial security mission, essential headquarters activities in support of the Agency and its transition to a new business environment, and support to the implementation of the DoD Information System for Security that is being developed under U.S. Air Force program management and investment funding.

(4) Defense Joint Counterintelligence Program (DJCIP)

(Dollars in Thousands)		
<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
667	667	679

The program includes the costs of personnel, hardware, software, and data correlation tools.

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(5) Collaborative Adjudication Services (CAS)

(Dollars in Thousands)		
<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
18,500	20,720	24,164

The CAS supports the adjudication of the industrial personnel clearances as well as the operation of the Defense Industrial Security Clearance Office (DISCO). The DISCO, located in Columbus, Ohio, processes and grants facility security clearances to industrial facilities sponsored for clearance by the DoD for the 24 federal agencies supported by DSS under the NISP. In addition, the DISCO adjudicates and issues personnel security clearances for the cleared industrial community. The DISCO operates a customer service activity that provides information and assistance to industrial facilities, DoD activities, other agencies and the general public.

(6) Support of the DoD Information System for Security

(Dollars in Thousands)		
<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
0	15,000	15,000

In FY 2004, activities will include development of the requirements and architecture to support the implementation of an integrated solution for a DoD Information System for Security. This effort will ensure that the development of the future system is compliant with the Clinger-Cohen processes as well as the personnel, facilities and information management segments of the DoD architecture that embodied in the Business Management Modernization Program (BMMP). Information requirements will include support to the DoD total security infrastructure, specifically, information; industrial; personnel; education/training, and awareness. These efforts will feed the actual development of the system under the USAF Program Manager. Technically, the system requirements will comply with DoD standards for e-commerce and will be web-based and web-enabled using web portals as the gateway and supportable via multiple network classifications. Additionally, it

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will be the DoD gateway to the various e-Gov initiatives mandated by the President's Management Agenda for Internal efficiency and effectiveness. The DoD Information System for Security is being developed under U.S. Air Force program management. Development funding is included in the Air Force investment budget. The FY 2005 DSS request includes funds that will be used to sustain the system as fielded.

(7) Support for Closure of the DSS Defense Working Capital Fund

(Dollars in Thousands)		
<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
0	0	50,000

This budget request includes \$50 million in FY 2005 funds needed to support the transfer of the Personnel Security Investigation (PSI) mission to the Office of Personnel and Management (OPM), the concurrent decommissioning of the Case Control Management System (CCMS), and closure of the DSS Defense Working Capital Fund. When the DSS accounts were transferred from appropriated funds to the working capital funds, essential corpus was not provided to support such items as accrued annual leave of the employees transferred to the fund and the Federal Employees Compensation Act (FECA) payments to the Department of Labor. As a result of the decision to transfer the Department's PSI mission to the OPM in 2004, the existing DSS Working Capital Fund is to be closed as soon as possible. In order to close the fund: all obligations must be liquidated; capital assets transferred/disposed; and transfer cash to the OPM to support the long term liabilities for accrued annual leave (for the 1,855 employees who will functionally transfer with the PSI mission) and the FECA payments that are made to the Department of Labor (DOL) after a two year's time lag. The DSS Working Capital Fund account generated negative accumulated operating results. This cash deficit will be offset from the Defense Logistics Agency (DLA) working capital fund cash balance. The funding in the 2005 request will provide resources needed to support the transfer to OPM and reduce the demand for cash from the DLA.

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(8) Management Headquarters Activities

(Dollars in Thousands)

<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
0	21,268	18,950

The DSS management headquarters elements include the Offices of the Director, Chief Information Officer, Administrative/Procurement Services, Personnel Management, Financial Management, Strategic Planning, General Counsel, Inspector General, Freedom of Information activities and Equal Employment Opportunity Office. These functions provide agency wide direction and support. In FY 2003, the functions were financed in the DSS Defense Working Capital Fund. A significantly reduced activity was transferred to the Operation and Maintenance accounts in 2004 as part of the overall transformation of the DSS and the divestiture of the Personnel Security Investigation (PSI) mission to the Office of Personnel Management. As part of the transfer, the DSS established a formal transition team to clarify the operational practices for the DSS after the transfer of PSI. The Transition Team mission has continued into FY 2004 within management headquarters activities essential to establishing DSS operations in support of its strategic vision of being "recognized and respected as a unique contributor to the security of the nation." DSS supports its vision as it performs its mission to "oversee the protection of national security assets in the hands of industry and provide integrated security services to the DoD." The management headquarters request for FY 2005 is decreased due to normalization of the requirement (termination of transition team programs).

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III. Financial Summary (O&M: \$ in Thousands):

	FY 2003 <u>Actuals*</u>	FY 2004			FY 2005 <u>Estimate</u>
		<u>Budget Request</u>	<u>Appropriation</u>	<u>Current Estimate</u>	
<u>BA 4: Administrative and Service Wide Activities</u>					
National Industrial Security	40,400	44,869	41,485	41,485	48,709
PSI for Industry	129,854	84,900	84,900	110,900	117,800
Foreign Counterintelligence	3,017	1,735	1,735	1,735	1,798
Defense Joint CI Program	667	667	667	667	679
Collaborative Adjudication	18,500	19,115	17,720	20,720	24,164
Information System for Security	0	15,000	15,000	15,000	15,000
Closure of DSS Working Capital Fund	0	0	0	0	50,000
Management Headquarters Activities	0	33,768	21,268	21,268	18,950
* includes supplemental funding (\$12.2 million)					
Total BA 4	192,438	200,054	182,775	211,775	277,100

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III. Financial Summary (O&M: \$ in Thousands) (continued):

B. <u>Reconciliation Summary:</u>	Change	Change
	<u>FY 2004/2004</u>	<u>FY 2004/2005</u>
1. Baseline Funding	200,054	211,775
Congressional Adjustments (Distributed)	-12,500	-
Congressional Adjustments (Undistributed)	-	-
Congressional Adjustments (General Provisions)	-4659	-
Congressional Earmark Billpayer	-120	-
2. Appropriated Amount (Subtotal)	182,775	-
Adjustments to Meet Congressional Intent	-	-
Across-the-board Reduction (Rescission)	-	-
Approved Reprogrammings/Transfers	26,000	-
3. Emergency Supplemental (P.L. 108-106)	39,919	-
4. Less Emergency Supplemental (P.L. 108-106)	-39,919	-
5. Price Change	609	3,425
6. Program Changes	2,391	61,900
7. Current Estimate	211,775	277,100

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C. <u>Reconciliation of Increases and Decreases:</u>	<u>Amount</u>	<u>Totals</u>
FY 2004 President's Budget Request		200,054
1. Congressional Adjustments		(17,279)
a) Distributed Adjustments		
Reduction to DSS Growth	(12,500)	
b) Undistributed Adjustments	0	
c) General Provisions		
Section 8094 - Professional Support Services	(1,092)	
Section 8101 - Cost Growth Information Technology	(2,637)	
Section 8126 - Management Efficiencies	(930)	
d) Congressional Earmark		
Section 8123 - Indian Lands Environmental Impact	(120)	
FY 2004 Appropriated Amount		182,775
1. Reprogramming	26,000	26,000

Funding provided by this reprogramming supports essential personnel security investigations (PSI) for contractors in support of Military Department outsourcing and program acquisitions based on a peacetime workload estimate. This funding will support essential baseline of PSI for industry personnel in support of approved core programs within the DoD. It is estimated that 27,800 PSI cases will be provided by these funds.

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2. Emergency Supplemental Appropriations Act:

- a) PSI for Industry Case Load and Counterintelligence Increase Associated with GWOT

39,919

Funding provides \$38.461 million for the support of additional PSI requirements above the peacetime level associated with the Global War on Terror (GWOT). Since 2001, DSS has experienced significantly increased requirements for PSI clearances from DoD and the 24 federal agencies supported under the NISP. Not only has the program experienced increase in contractor clearances required but the level of clearance needed has also increased. Both elements increase the cost of this program. It is estimated that these funds will provide 41,125 additional PSI cases in 2004. Funds in amount of \$1.458 million provided for increased workload of foreign counterintelligence efforts associated with increase in PSI caseload resulting from increased GWOT operations across the supported federal agencies. This is a memo entry only and is not included in the program base.

3. Price Change	609	609
4. Program Changes		2,391
a) Additional Adjudicators Needed to Support Growth in PSI for Industry Caseload	3,000	

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The DSS Collaborative Adjudication Service (CAS) adjudicates all PSI for Industry for DoD and 24 additional agencies. These funds allow DSS to bring 40 more adjudicators on board in 2004 to support the increased case adjudication workload. Funding provides support for three quarters of the fiscal year. The balance of the annual requirements will be reflected as program growth between FY 2004 and 2005.

b) Reduction in Transition Team Support (609)

In order to generate funding needed to support additional civilian pay raises in FY 2004, the DSS had to reduce the funds available to the transition team that is leading the conversion of DSS from a PSI centered organization to a 'new' organization focused on expanded NISP missions, collaborative adjudication, leadership in security information technology and security education and awareness.

Revised FY 2004 Current Estimate	251,694
Less: Emergency Supplemental	-39,919
Normalized Current Estimate for FY 2004	211,775

5. Price Change	3,425	3,425
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6. Program Decreases		(2,666)
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a) Completion of Transition Team Activities (2,666)

In FY 2004, the DSS transition team led the strategic planning for the transformed agency and directed other essential actions to establish an appropriate operational baseline for the agency. Many of the requirements were not recurring and therefore can be reduced in 2005. Included

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among these are the initial costs of support for establishment of the DSS Balanced Scorecard, improvements to the administrative information technology baseline to reach levels required for US Air Force reimbursable information technology operational support through the Air Force Pentagon Computer Agency (AFPCA), and other limited one time costs associated with relocation of staff elements.

7. Program Increases		64,567
a) Annualization of Adjudicator Support	1,400	

The DSS Collaborative Adjudication Services (CAS) adjudicates all PSI for Industry for DoD and 24 additional agencies. These funds allow DSS to bring 40 more adjudicators on board in 2004 to support the increased case adjudication workload. FY 2004 funding was provided for three quarters of the fiscal year. These funds provide the resources needed to support the 40 positions for the balance of the FY.

b) Support for Closing of DSS Working Capital Fund	50,000	
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The DSS Defense Working Capital Fund will be closed in FY 2005. In order to close the fund, all obligations must be liquidated, capital assets disposed of, and cash transferred to the OPM to support the long-term liabilities and the cash balance of the fund brought to zero balance. As a working capital fund, the DSS account generated negative accumulated operating results. This cash deficit will be supported from the Defense Logistics Agency (DLA) working capital fund cash balances. This funding will provide resources needed to

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support and limit DLA requirement.

c) Increase support to PSI for Industry 5,370

These funds are provided to meet demands for peacetime Personnel Security Investigations of Contractor personnel in DoD and 24 agencies supported by DSS as Executive Agent. Continued growth in clearance requirements is the result of increased outsourcing of governmental functions, expanded defense procurements, growth in contractor support within supported federal clients. These funds are estimated to support 5750 additional PSI cases.

d) Enhanced National Industrial Security Program 6,257

The NISP continues to adapt to meet continuing security challenges. These funds support the expanded NISP information assurance mission (assuring security of government information developed, maintained, and stored at contractor facilities) as well as other assigned programs. The Arms, Ammunition and Explosives Program provides protection of sensitive conventional arms, ammunition and explosives in the custody of, or produced by, contractors associated with the DoD. The Critical Infrastructure Protection Program promotes the security of facilities that provide critical industrial production and services, thereby, ensuring emergency mobilization preparedness capability. The Research and Technology Protection (RTP) addresses special security issues associated with research and technology development within the cleared defense industrial base. These programs were identified for increased funding in the strategic analysis of the DSS programs and program gaps accomplished by the DSS Transition Team. The FY 2005 program increases are the first increment of a multi-year planned improvement of security coverage in these areas.

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e) Collaborative Adjudication Services 1,540

These funds support the growth in the Defense Industrial Security Clearance Office (DISCO) workload associated with the growth in supported cleared industrial facilities, the management of the trustworthiness programs, and the expanded use of joint collaborative adjudication practices in the adjudication of clearances.

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277,100

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IV. Performance Criteria and Evaluation Summary:

A. Personnel Security Investigation (PSI)for Industry

The security product measurement shown finances the Industrial personnel security investigations according to the rates established in the Office of Personnel Management budget.

	FY 2003 <u>Actual*</u>	FY 2004 <u>Estimate*</u>	FY 2005 <u>Estimate</u>
Personnel Security Investigations	148,998	165,345	129,590

* These measures include performance supported by supplemental appropriations and reprogramming.

B. National Industrial Security Program (NISP)

Industrial Facility Actions (In Thousands)

	FY 2003 <u>Actual</u>	FY 2004 <u>Estimate</u>	FY 2005 <u>Estimate</u>
Facility Clearances Maintained	12.0	12.1	12.2
Initial Facility Clearances	1.7	1.8	2.0

C. Performance Metrics

	FY 2003 <u>Actual</u>	FY 2004 <u>Estimate</u>	FY 2005 <u>Estimate</u>
Required Facility reviews			
Possessing classified	95%	95%	95%
Non-possessing classified	90%	90%	90%
Special Access Program	95%	95%	95%

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	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>
Interim Secret/Confidential Facility Security Clearances Final timeliness goals	95%/60 days	95%/60 days	95%/60 days
Top Secret Facility Clearances Secret and Confidential Facility Clearances	90%/150 days	90%/150 days	90%/150 days
Interim Industrial Personnel Clearances	90%/135 days	90%/135 days	90%/135 days
	90%/3 days	90%/3 days	90%/3 days

DSS 2005 Strategic Direction

Beginning in FY2003 Defense Security Service (DSS) began a major initiative to transform the way it has done business. Responding to the 2001 Quadrennial Defense Review's (QDR) risk management framework, and current management and measurement initiatives such as the Government Performance and Results Act (GPRA) and the President's Management Agenda (PMA), DSS has developed the strategic vision of being "recognized and respected as a unique contributor to the security of the nation." DSS supports its vision as it performs its mission to "oversee the protection of national security assets in the hands of industry and provide integrated security services to the DoD."

The former mission of performing personnel security investigations (PSIs) along with the 1855 associated positions, are to be transferred to the Office of Personnel Management (OPM) during FY2004. Another 145 spaces have been eliminated and where work requirements remain, the work will be outsourced to commercial or other governmental activities.

DSS will retain 568 spaces to conduct its mission. The DSS mission, along with the integrated security services referred to above, includes the National Industrial Security

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Program (NISIP), funding of the industrial personnel security investigations; counter intelligence, collaborative adjudication, industrial security enhanced with critical infrastructure protection (CIP), technology protection (RTP), and security education, training, and awareness (ETA).

DSS has developed and is adapting its operations toward its strategic objectives for the period of Transformation and beyond. Key DSS' strategic objectives for the stakeholder and customer are to enable successful protection of national assets and interests on behalf of DoD, engage in new & expanding security missions, and provide and security education, training, and awareness (ETA). Key strategic objectives to support the customer and stakeholder include security and information sharing tools and services, building strategic and tactical partnerships with customers, and developing and implementing an effective and efficient information and technology architecture to support critical processes.

Additionally, DSS will continue to build its information enterprise architecture to support the key functional areas of the DoD (industrial, personnel, and information; data collection, management, and analysis). This architecture will be the basis for future IT initiatives in support of the DSS mission and will be compliant with DoD technical standards and the Business Modernization Master Plan.

V. Personnel Summary:

	<u>FY 2004*</u>	<u>FY 2005</u>	<u>Change</u> <u>FY 2003/FY 2004</u>	<u>Change</u> <u>FY 2004/FY 2005</u>
<u>Civilian End Strength (Total)</u>	523	523	501	0
<u>U.S. Direct Hire</u>	523	523	501	0
<u>Civilian FTEs (Total)</u>	501	523	479	22
<u>U.S. Direct Hire</u>	501	523	479	22

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* Prior to FY 2004, most of the DSS O&M program was executed through the DSS Defense Working Capital Fund (DWCF). All personnel not included in the counterintelligence programs were authorized in DWCF. As part of the transformation of the agency, positions for Management Headquarters, NISP and CAS were transferred to the BA 4 O&M account effective FY 2004.

VI. Outyear Summary:

	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>	<u>FY 2009</u>
O&M (Dollars in Thousands)	187,065	192,532	197,633	202,727
Civilian FTEs	523	523	523	523

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VII. OP 32 Line Items as Applicable (Dollars in Thousands):

Line		FY 2003	FY 2004 PRICE	FY 2004 PRICE	FY 2004 PROGRAM	FY 2004	FY 2005 PRICE	FY 2005 PRICE	FY 2005 PROGRAM	FY 2005
<u>Item</u>	<u>DESCRIPTION</u>	<u>PROGRAM</u>	<u>GROWTH %</u>	<u>AMT</u>	<u>GROWTH</u>	<u>PROGRAM</u>	<u>GROWTH %</u>	<u>AMT</u>	<u>GROWTH</u>	<u>PROGRAM</u>
101	Executive, General and Special Schedules	1,909	4.1%	78	48,350	50,337	2.2%	1,107	1,804	53,248
	Total Civilian Personnel									
199	Compensation	1,909		78	48,350	50,337		1,107	1,804	53,248
308	Travel of Persons	147	1.3%	2	1,293	1,442	1.4%	20	222	1,684
399	Total Travel	147		2	1,293	1,442		20	222	1,684
401	Service Fuel	0	8.3%	0	392	392	3.3%	13	-13	392
417	Locally Procured DoD Centrally Managed Supplies	0	1.3%	0	521	521	1.4%	7	23	551
499	Total Fund Supplies & Materials Purchases	0		0	913	913		20	10	943
508	Furniture and Office Equipment	0	1.3%	0	65	65	1.4%	1	-66	0
599	Total Fund Equipment Purchases	0		0	65	65		1	-66	0
649	Air Force Information Services Communications Services (DISA)	0	8.7%	0	5,132	5,132	2.8%	143	-143	5,132
671	Tier 2 Defense Financing and Accounting Service	0	0.0%	0	496	496	-1.0%	-5	5	496
673	Service	0	14.2%	0	351	351	-0.6%	-2	52	401
699	Total Purchases	0		0	5,979	5,979		136	-86	6,029
771	Commercial Transportation	0	1.3%	0	0	0	1.4%	0	0	0
799	Total Transportation	0		0	0	0		0	0	0
912	Rental Payments to GSA Leases (SLUC)	0	1.7%	0	1,041	1,041	1.4%	15	6	1,062
914	Purchased Communications	0	1.3%	0	1,211	1,211	1.4%	17	17	1,245
915	Rents (Non-GSA)	0	1.3%	0	1,890	1,890	1.4%	26	51	1,967
917	Postal Services (U.S.P.S.)	0	0.0%	0	146	146	0.0%	0	0	146
920	Supplies & Materials (Non-centrally managed)	0	1.3%	0	101	101	1.4%	1	18	120
921	Printing & Reproduction	0	1.3%	0	253	253	1.4%	4	-4	253
922	Equipment Maintenance by Contract	0	1.3%	0	1,288	1,288	1.4%	18	-1,306	0
925	Equipment Purchases (Non-centrally managed)	160	1.3%	2	-12	150	1.4%	2	98	250
931	Contract Consultants	0	1.3%	0	0	0	1.4%	0	0	0
989	Other Contracts	189,420	1.3%	2,462	-45,628	146,254	1.4%	2,048	61,119	209,420
998	Other Costs	802	1.3%	10	-108	704	1.4%	10	19	733
999	Total Other Purchases	190,382		2,475	-39,818	153,039		2,141	60,017	215,196
9999	TOTAL BA 4	192,438		2,555	16,782	211,775		3,425	61,901	277,100

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* Prior to FY 2004, all DSS BA4 activities other than counterintelligence executed their programs in the DSS Defense Working Capital Funds. In doing this they purchased 100% of their services as "other contracts." In FY 2004, these activities will execute directly from the O&M, DW appropriation - distribution of the costs to the correct OP-32 category appears in the display as program growth. True program growth from FY 2003 to FY 2004 was limited to new funding for the DoD Information System for Security, additional adjudicators provided to support PSI caseload and limited transition costs.