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Defense Primer: Department of Defense Classified Funding

Introduction

The U.S. Department of Defense (DOD) annual budget submission includes requests for classified funding. In authorizing and appropriating funding for DOD in fiscal year (FY) 2024, Congress generally supported the department's request—in terms of amounts, locations, and purposes—to fund classified programs, including intelligence activities. Most DOD classified funding is requested within the Department of the Air Force budget. Some Members have raised concerns that such classification may hinder congressional oversight of, and transparency into, the DOD budget. For example, some Members have stated that funding requested by one entity and primarily used by another (typically described as *pass-through* funding) could misrepresent the allocation of funding for DOD. Such allocation may involve funding for DOD and agencies in the broader intelligence community (IC), as well as funding within DOD for military departments and defense agencies. This product provides background information and issues facing Congress concerning classified funding in the DOD budget.

Background

Amounts of Classified Funding

According to a CRS analysis of publicly available DOD budget information, DOD requested for FY2025 a total of \$89.9 billion in multiple types of appropriations accounts for line items supporting “classified programs,” accounting for 10.6% of its total discretionary funding request of \$849.8 billion (see **Figure 1**). This figure may not include additional amounts for classified programs that are not identified as such in DOD budget documentation.

Locations in Budget

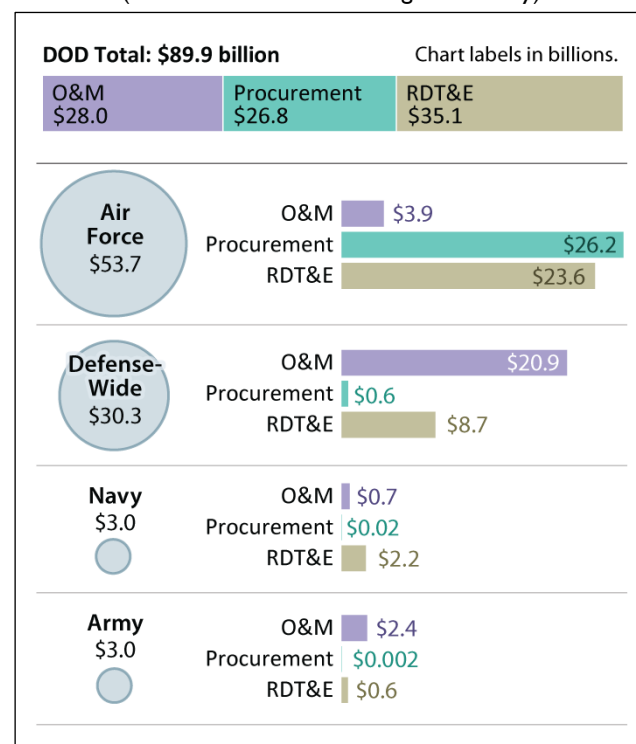
DOD classified funding is requested for line items in accounts managed by the military departments (i.e., the Departments of the Army, Air Force, and Navy) and by certain defense agencies (e.g., National Reconnaissance Office and the National Geospatial-Intelligence Agency, which are *defense-wide* organizations reporting directly to the Office of the Secretary of Defense). Classified funding in the DOD budget funds, among other things, tactical defense intelligence activities in the Military Intelligence Program (MIP) and certain strategic intelligence activities in the National Intelligence Program (NIP), including the Central Intelligence Agency. (Government-wide funding requested for these intelligence programs, including both unclassified and classified amounts, totaled \$101.6 billion for FY2025. For more information, see CRS In Focus IF10524, *Defense Primer: Budgeting for National and Defense Intelligence*, by Michael E. DeVine.)

Categories of Funding

DOD components request classified funding for three major types of budget accounts (or titles): operation and maintenance (O&M) to cover the operating costs of the armed forces; procurement to buy weapons and equipment; and research, development, test, and evaluation (RDT&E) to fund next-generation technology.

Figure 1. FY2025 DOD Funding Requested for “Classified Programs,” by Appropriation Title and Military Department

(in billions of dollars of budget authority)



Source: CRS analysis of Under Secretary of Defense (Comptroller) FY2025 budget materials.

Notes: O&M is operation and maintenance; RDT&E is research, development, test, and evaluation. Figure may not include additional amounts for classified programs that are not identified as such in budget documentation. Totals may not sum due to rounding.

Pass-Through Funding

Pass-through funding is a term sometimes used to generally describe funding that is requested by one government entity but used by another. (DOD financial managers sometimes use a similar term, *pass-throughs*, to refer to something else entirely, namely, revolving fund revenues in certain fiscal years.) An unspecified portion of DOD's total classified funding is pass-through funding used by IC agencies. DOD requests most of its classified funding in the Department of the Air Force budget, which includes the Air Force and

Space Force. For FY2025, the Department of the Air Force requested \$45.1 billion in “pass-through funding,” which is also generally referred to as *non-blue funding* in the context of the Department of the Air Force. The FY2025 DOD budget briefing stated that “non-blue” funding in the budget request included approximately \$44.9 billion for the Air Force and approximately \$0.3 billion for the Space Force. Other DOD components did not specify “pass-through” funding amounts for FY2025.

Congressional Committees with Jurisdiction

Congressional committees with jurisdiction over programs, projects, and activities funded in classified line items in the DOD budget include the House and Senate Armed Services Committees, the House and Senate Appropriations Committees, the Senate Select Committee on Intelligence, and the House Permanent Select Committee on Intelligence.

Selected Reform Proposals

Congress has established various committees and commissions to study issues related to the inclusion of classified funding in the DOD budget. The Senate Select Committee to Study Governmental Operations with Respect to Intelligence Activities, established in 1975 (i.e., the Church Committee) identified various apportionment and execution issues, including those related to the transfer of DOD funds to the CIA. The committee recommended that Congress annually authorize a national intelligence budget and make public the total amount, consider publishing more detailed intelligence budgets, monitor certain accounts and activities, and request that the precursor to the Government Accountability Office (GAO) conduct full audits of the IC. The Commission on the Roles and Capabilities of the U.S. Intelligence Community, established in 1996 (i.e., the Aspin-Brown Commission), noted that DOD “owns’ the preponderance of national intelligence capabilities” and that CIA spending “is also funded in the Defense budget for secrecy reasons.” The commission recommended reorganizing the intelligence program’s budget structure. The National Commission on Terrorist Attacks Upon the United States, established in 2002 (i.e., the 9/11 Commission) recommended that “the overall amounts of money being appropriated for national intelligence and to its component agencies should no longer be kept secret.” The commission also recommended that Congress consider establishing a single committee in each chamber with authorization and appropriating authorities for intelligence activities. The Commission on Planning, Programming, Budgeting and Execution (PPBE) Reform recommended establishing classified enclaves to facilitate the sharing of information at all classification levels, including budget submission materials, reprogramming actions, financial execution data, congressional reporting requirements, and other material. Congress adopted certain reforms recommended by these and other reviews.

Selected Legislative Proposals

The Senate Armed Services Committee, in its version of a National Defense Authorization Act (NDAA) for FY2019 (S. 2987), recommended a provision (§1002) that would have required DOD, beginning with its FY2020 budget request, to move requested pass-through funding from Department of the Air Force accounts to defense-wide accounts. The first Trump Administration issued a

statement on the act that “such a requirement requires further study of the national security-related implications of the shift,” and pledged to work with the committee on the matter. Neither the House version of an FY2019 NDAA (H.R. 5515) nor the enacted FY2019 NDAA (P.L. 115-232) contained a similar provision. Previous legislative proposals related to DOD and/or Air Force classified funding include the Air Force Budget Transparency Act of 2020 (H.R. 6229); Defense Budget Transparency Act of 2022 (H.R. 7574); and amendments (amendment no. 49 and amendment no. 861) drafted for the House Armed Services Committee-reported version of an FY2023 NDAA (H.R. 7900). More broadly, previous legislative proposals to provide greater transparency into intelligence funding at an organizational level include the Intelligence Budget Transparency Act of 2018 (S. 2631); and the Intelligence Budget Transparency Act of 2019 (H.R. 2735).

Potential Issues for Congress

Oversight of DOD Classified Funding

A potential issue for Congress is the time and access that would be required for Members and staff to review classified funding in DOD’s budget to assess its intended purposes, monitor its expenditure for effectiveness and efficiency, and balance security and transparency concerns. Congress could also assess the effectiveness of its oversight of classified funding within the existing committee structure, and whether or not to consider adjustments to committee structure and/or jurisdictions. Congress could consider whether or not to establish additional classified enclaves. Congress could also assess other options for overseeing classified funding, including, for example, considering additional briefings, reporting requirements, DOD Inspector General evaluations, and GAO audits.

Understanding DOD’s Classified Funding and Military Department Budget Shares

Another potential issue facing Congress is to assess whether or not the structure of the DOD classified budget may limit the ability of Members and staff to understand the scope of department funding that supports intelligence-, rather than defense-, related programs and whether or not such allocations may affect the balance of funding for military departments and defense-wide agencies. Some Members of Congress have proposed moving pass-through funding from Department of the Air Force accounts to defense-wide accounts. Some observers have questioned the ability or incentives of the armed services to independently propose such DOD-wide programmatic and budgetary changes. Such proposals may also raise questions about their potential budgetary and organizational effects. Options that Congress could consider include, but are not limited to, continuing the current arrangement for situating classified funding within DOD’s budget, establishing new or modified DOD or non-DOD budget accounts for classified funding, and authorizing and/or appropriating classified funding through legislation separate from annual NDAs and DOD appropriations acts.

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