

**Conference Call with Dr. Ronald Sanders
Associate Director of National Intelligence for Human Capital**

**Results of the Fiscal Year 2007 U.S. Intelligence Community
Inventory of Core Contractor Personnel**

August 27, 2008

DR. RONALD SANDERS: Good afternoon, everybody. And I'll look forward to hearing from you when we get to the question and answer part of the discussion. Let me tell you first why we're here and why we care about this topic, secondly who and what we're talking about, third a very brief historical context. Some of you were part of this press briefing last year, so that would be a bit repetitive. And then lastly, I'm prepared to give you some figures. Then we'll open it up for questions and see where that takes us.

First, we are here to talk about the fiscal 2007 results of the intelligence community's inventory of core contract personnel. And let me emphasize here, these are core contract personnel funded by the national intelligence program. As you may know, this is the second year of that inventory. We began this effort in fiscal 2006 for a variety of reasons: congressional concern, ODNI concern, a desire to get a handle on the role of contractors, and the extent of contracting in the intelligence community.

Contractors are an important part of the intelligence community. They are a key component of our total force. We define that total force as military, civilian, and core contract personnel. Those core contract personnel are a subset of the larger body of contractors that do various things for the intelligence community – everything from serving food in our cafeterias to building satellites and computers. These are a subset. And I'll talk a little bit more about that in a second.

The reason they're so important to us is because they provide flexibility, responsiveness, and in many cases very unique expertise in support of the intelligence mission. But, they do need to be subject to appropriate accountability and oversight. And we'll talk about what the Office of the Director of National Intelligence has done in that regard as we go through the session this afternoon.

Let me now talk about the definition. It is probably easier to define what these people are not. And one of our difficulties even in our second year is getting clarity around this definition. There is no single contract vehicle that characterizes core contract personnel. They come in a variety of flavors, literally, from indefinite quantity contracts to other things. And so we've literally had to back into this definition.

As I suggested earlier, these are not what we've called commodity contractors. They do not build things and deliver them to the IC – satellites, computers, other things that are simply represented by our requirement for a particular product and their delivery of that product. Secondly, they don't provide what are commonly called commercial services – anything ranging from food services, guard services, and the like. These are contract personnel that actually

augment our intelligence staffs – the military and civilian members of the intelligence community.

One of the myths we hope to dispel in this afternoon's conversation is that these core contract personnel, as I suggested, are a subset of the larger expenditures that the IC makes that don't go to the direct labor – our workforce in the intelligence community. We buy power. We buy heat. We pay rent. All of those things go into – there are things other than direct labor. And for example, the figure of 70 percent has been tossed about that the intelligence community is 70 percent outsourced. I'm here to tell you that that 70 percent includes some of those things that I've just described – heat, power, when you are buying computers, et cetera. And we are talking about a subset of that 70 percent that perform various core functions for the intelligence community.

As I suggested earlier, these contract personnel in this capacity have been critical to our mission. The intelligence community went through a period of fairly substantial downsizing in the '90s. We bottomed out on September 11th or thereabouts. And on September 12th, as our operating tempo increased dramatically and demands on our personnel increased dramatically, contractors in this capacity operated more or less like the intelligence community's reserves. We were able to expand very, very quickly by using contract personnel. In many cases, these personnel were former intelligence community employees. They were able to come in quickly and perform the mission even as we were busy recovering the IC's military and civilian workforce.

As you may know, we have been hiring a great deal since September 11, 2001, in part to fill in some of the gaps that were created during the downsizing of the '90s. We've just about recovered. But as many of you may know, it takes a fair amount of time to take a raw recruit off the street and develop him or her into a seasoned intelligence professional – an analyst, a case officer, et cetera. And in the meantime, we've had to use contract personnel to augment our U.S. government military and civilian personnel in order to perform the mission.

At the end of the day, we consider these contract personnel part of our total force; and one of the reasons we're looking at them so closely is to get a handle on our total capabilities to deal with any particular intelligence issue or challenge. If we're faced with a particular challenge, it doesn't matter to us whether we address that challenge with military personnel, civilian personnel, or contract personnel. The important part is to address the challenge. But in order to do that, we need to understand what our core capabilities are among those three components of our total force. So that's one of the purposes of this inventory.

Let me give you some figures and then we'll open it up for questions. The fiscal 2007 results – again to underscore, these are for the national intelligence program only. There is a military intelligence program, an appropriation that funds contract personnel as well. We've only begun to look at those. This is the national intelligence program. And that is the appropriation controlled by the director of national intelligence.

Let me first give you figures by function. And these are percentages. As I suggested last year, I can't give you exact figures. I can give you percentages, so that you can get a sense of the relative contribution of contractors. In terms of the functions they support, 27 percent of those

contract personnel support collection and operations; 22 percent support enterprise information and technology, literally helping us run our computer systems, keeping them up to date, information security, et cetera; 19 percent support analysis and production; 19 percent support what we call enterprise management and support – those are basically the administrative functions, processing travel vouchers, processing personnel actions, those support functions, backroom functions that enable the IC's mission; 4 percent support something called mission management, basically a coordinating function; and the rest support processing, exploitation, and research and development activities. If you'd like, I can go into some of the specific things they do for some of our agencies – again, not exact figures, but more some of the functions they perform.

One of the things we asked our agencies to support is the reason they use contractors in a particular case. We established a taxonomy and we asked them to report that. Here again, I'll share percentages with you.

Our agencies reported that of the total number of contract personnel, core contract personnel supporting the intelligence community, 56 percent of that total provided unique expertise, whether it was scientific and engineering expertise, foreign language, regional and cultural expertise, et cetera. This is expertise that we did not have resident within the intelligence community amongst our military and civilian personnel, or it's so scarce or rare that we literally had to go out and find it and use and acquire it through contracts. In some cases, these are individual contracts. In other cases, these are contracts with companies. But again, in order – 56 percent, far and away, the most reported use of contract personnel is to provide unique expertise to IC missions and functions.

Eleven percent of that total involved work that had we had additional budget, we would have hired U.S. government civilians to perform that work. I'd like to point out here that Congress has been very helpful in this regard. Of course, they've seen this report. They've also seen the classified parts of this report. And one of the things we were able to demonstrate to them is that there is work being done by contract personnel in the IC today that we would prefer be done by U.S. government civilians, but for limitations on the number of civilians we can employ or our payroll budgets, et cetera.

Congress in the fiscal '08 authorization bill – (phone rings) – even though that bill has been vetoed – somebody going to get that; I apologize for the interruption – even though that bill was vetoed, Congress in that bill provided flexibility to exceed our employment ceilings in order to convert contract positions to civilian positions. Now, as I said, that bill never become law. But we have been exercising that flexibility.

Let me just note here that the figures I'm sharing with you and some that we'll get into later don't really reflect that change. Again, that was a change in the fiscal '08 authorization. The figures I've given you are for fiscal 2007. So there is a lag here from a change in law or a change in policy to its actual effects in our agencies and elements. But I want to publicly express our appreciation to Congress to giving us that flexibility. This will allow us now to optimize the balance between military and civilian personnel on one hand and contract personnel on the other.

About 10 percent of the contract personnel are engaged in IC work because it's simply more cost-effective to use them. About 8 percent are engaged in IC work because of funding uncertainties. For example, year-to-year emergency supplementals that fund, among other things, the global war on terror, those funds are from year to year. And so, we are reluctant to begin hiring permanent civilian employees against those supplemental funds literally for fear that they go away and we have to lay off those civilians. So because of funding uncertainties, 8 percent of our contract personnel are brought on board in order to – as a result.

About 5 percent of our contract personnel are on board because of surge requirements, another 3 percent because of non-recurring projects. Let me distinguish between the two. What we did after 9/11, we'd characterize as our surge, with contract personnel serving as our reserves. We had to ramp up very quickly. And while we were busy hiring civilians and training them and developing them and eventually deploying them, we needed contract personnel to fill in the gaps.

Only 5 percent of our contract personnel are characterized as surge, in part because we have now begun to completely recover our workforce. We have begun to replenish our ranks. And so the contractors that we brought on board in 2001 and 2002 are being shifted to more support operations or in some cases let go altogether, which is again one of the advantages of using contract personnel in circumstances like this. So 5 percent for surge; 3 percent for non-recurring projects. And that's work that we know up front has a very specific and definite duration.

So these are projects that may be the design and development of a building before we occupy it or something else. But very clear – we know when the beginning is; we know when the end is. In those circumstances, again, you don't want to hire U.S. government civilian employees for that temporary work. You bring in a contractor. And when the work is done, you let the contractor go. So surge is probably more long-term. And even there, I think we're reaching the end of our surge. Temporary and non-recurring projects, we'll always have a certain amount of that in the intelligence community. And the remainder go to such things as knowledge transfer, et cetera.

So those are – let me also give you a sense of where the contractors are located. These particular contract personnel, 73 percent, are literally on our premises; 27 percent are off-premises. That means they're working in a building owned and operated by their contract employer. But the vast majority are literally in our midst. They are in buildings collocated with U.S. government military and civilian personnel. Ninety-five percent of them are in the continental United States. And of that, 81 percent are in the greater Washington-Baltimore metropolitan area, so mostly a local phenomenon if you define local as that greater Washington-Baltimore metropolitan area.

That concludes my remarks and I would be happy to take questions from the folks on the line.

Q: Hi, I am Pam Hess with the AP. I've got actually a bunch of questions that have to do with the data. Can you tell us what percentage of your total workforce, which you all have publicly estimated at around 100,000 is contractors? I understand the numbers that you've given us are how that pool of contractors breaks down between function. But I don't have a sense of how large the contracting pool is versus the civilian IC personnel.

DR. SANDERS: I'm sorry. I was interrupted there for a second. I'm going to have to break in about 20 minutes. But I'll come back on the line. I've got to take an important call. But I'll come back if you all don't mind holding and we're still talking. I can this year give you a sense of the percentage of contract personnel as part of our total workforce. You've given the figure that's been quoted around 100,000. Let me make sure you understand that's around 100,000 U.S. government military and civilian personnel, funded by the national intelligence program.

When you consider our total workforce – military, civilian, and contract – contract personnel represent 27 percent of that total workforce.

Q: And that's – is that 27 percent above the 100,000 or 27 percent of the 100,000?

DR. SANDERS: No, it's above 100,000, so don't get –

Q: I'm trying – is it 27 – so if I were to back of the envelope, are there roughly 27,000 contractors, or is this above – roughly 27,000 contractors versus 73,000 military, civilian –

DR. SANDERS: Let me walk you through this. And you've reached the limits of my mathematical expertise, so bear with me. Again, I'm not going to give you raw numbers. You've got the around 100,000 figure. That's the best you're going to get from me this afternoon. That 100,000 is military and civilian U.S. government personnel. So the figure that we arrived at the 27 percent by adding together military personnel, U.S. government civilian personnel, and contract personnel – full-time equivalents. That's the denominator of this equation. The numerator is the number of contract full-time equivalents.

Q: Okay, you just confused me more.

DR. SANDERS: So if you divide the number of contract personnel full-time equivalents by the total military, civilian, and contract personnel, you get 27 percent.

Q: Okay. Here's what I'm still unclear on: When you're talking about around a hundred thousand, I just need to explain this very simply to readers. Is 27 percent of that around a hundred thousand contractors or is the 27 percent on top of that around a hundred thousand?

DR. SANDERS: It is not 27 percent of the hundred thousand.

Q: It's on top of.

DR. SANDERS: It's on top of. It's 27 percent of the combined total of military and civilian, which is around a hundred thousand and the contract personnel added in. That's the size of our total workforce and the 27 percent represents the contract personnel contribution to that.

Q: Okay, do you have a breakdown of this – the contracting pool, how many of them are individual contractors and how many of them are working for a company?

DR. SANDERS: No, I don't. One of the methodological challenges here has been to figure out how we actually count this. And we're trying to get as close to an apples-to-apples comparison between our military and civilian personnel on the one hand and our contract personnel on the other. I can tell you that of – there are several thousand, literally, individual contractors. I don't have an exact figure and that number does vary a great deal. It's probably worth addressing that for a moment.

We do bring on board, particularly for unique expertise, individuals who are former intelligence community employees. In most cases, we would prefer to bring them back as U.S. government employees, but there are a couple of constraints to that that we hope will eventually be eliminated. As you may know, if you bring back a retired civil servant, that civil servant has to give up some of his or her salary, an amount equivalent to his or her pension.

So, in many cases, if you brought them back as a government employee, they'd be working for free. As patriotic as our folks are, they're not likely willing to come back to work for free. Now, Congress in the Intelligence Reform Act gave us, gave the Director of National Intelligence, the authority to wave that offset so that we can bring them back, let them collect their full pension, and pay them a salary.

So that's in place. That's something called the National Intelligence Reserve Corps. We established that in the summer of 2006. That does allow us to bring back retirees without any financial penalty to them. There is another constraint – and, here again, I want to publicly express our appreciation to Congress for this – even if we brought them back as government employees, without that penalty, they would still count against our employment ceilings. Bringing them back as an independent contractor, they do not count against our employment ceiling.

Q: Isn't the employment ceiling only at DNI?

DR. SANDERS: No. Let me get a bit technical here: Our employment ceilings are established in our authorization bills. We've not had an authorization bill for now three years, but we've respected the limits that Congress has put on us and those limits have cut across the entire intelligence community, the entire national intelligence program.

Now, one of the things Congress did in the '08 authorization bill – again, it didn't become law, but we're still going to exercise the flexibility they provided for us – they have accepted – they no longer will require us to count re-employed retirees against our employment ceilings.

Q: Okay. And I have –

DR. SANDERS: So where before we had every – there were just a lot of incentives to bring back people as independent contractors: they didn't suffer a penalty; they didn't count against our employment ceilings. Now they don't suffer a penalty; and with the '08 authorization, vetoed, but still, with the '08 authorization, they won't count against our employment ceilings. So my bet is that that number of independent individual contractors will begin to go down as we can now exercise that full flexibility.

Q: In the human capital report in 2006, DNI mentioned that the intel community workforce had expanded by about 20 percent since 9/11; it had recovered. I guess that was the goal. Does that 20 percent include the additional contractors that you talked about at the beginning of this or is that 20 percent within that denominator?

DR. SANDERS: It is only the U.S. government civilian component. I'm not sure where the 20 percent comes from, but I believe, in that context, it's only the U.S. government's civilian component.

Q: Okay, I think I have one more – (chuckles) – and then I'll let my colleagues get a word in edgewise: Do you have a goal set to reduce the reliance on intelligence contracting or increase it or –

DR. SANDERS: No, I think our goal is to first understand it and then, second, to manage it, to optimize it. And that will vary by agency and it will vary by function; and, frankly, it will vary over time. Let me sort of reverse that equation. We do want to understand what our core military and civilian employment requirements are. We call that our base workforce. The nature of contractors is such that you do have a great deal more flexibility. You can expand and contract far more readily using contract personnel. So in any given day, week, month, or year, that number may go up or down. Our objective is to stabilize our military and civilian workforce and then use contractors as appropriate to deal with temporary work surge, unique expertise, et cetera.

I will tell you that one of the things that we've led in the Office of the Director of National Intelligence is far more disciplined and sophisticated workforce planning. Our agencies now all have very rigorous, extensive civilian workforce plans. We are incorporating military personnel requirements into those plans and, eventually, we'll do more than just report contract personnel; we'll establish a doctrine for their use and then we'll ask our agencies to begin managing them in a more deliberate – (inaudible) – as you've suggested.

Q: And I lied; I have one more question. Have you tabulated – one of the limits that Congress is seeking to put on you is a limitation on using contractors in interrogations and in some detention operations. How crippling will that be to those operations? How much do you depend on them for that work?

DR. SANDERS: I'm not going to get into particular pieces of legislation, especially while it's pending. I can tell you that we have various policies and laws governing the involvement of contract personnel in the interrogation process and they vary literally by agency. So I would refer you to our individual agencies for that specific question. They're in a far better position than I am to respond.

Q: And I lied again: Congress said 125,000 per government employee is the average cost; 250,000 is the average cost of the contractor. How do those numbers track with yours?

DR. SANDERS: We've actually gotten a little more precise in that regard and, again, one of our challenges is to try to make an apples-to-apples comparison. On the civilian side, the 125,000 is consistent with our best guess. That's salary, benefits, as well as full lifecycle costs; it is pension costs and health benefits into retirement, et cetera. So 125,000 is a good figure.

This year, as a result of the second iteration of our contractor report, we've been able to I think become more precise in our per-capita cost per contractor, contract personnel FTE. And we're now estimating it's about 207,000. So it's still higher than a U.S. government civilian. And as best we can calculate it, that 207,000 is direct labor, does not include overhead. When you start trying to figure where overhead plays on the contract side as well as on the U.S. government side, it gets really, really fuzzy.

So we've tried to narrow this down so that it's a – the direct labor, salary, and benefit costs of U.S. government civilian versus those as best we can calculate them for a contract personnel, contract person, at least the full-time equivalent. We've literally had to do the latter contract by contract; but the overall aggregate average is now about 207,000. And we have provided that figure to Congress.

OPERATOR: Thank you, sir. Our next question comes from Siobhan Gorman.

Q: Hi, thank you. Just a couple of questions to get at the trends here: The 27-percent number that you were talking about before, I assume that that is for the core contractors that you were talking about because you also suggested in your opening comments that the 70-percent number is accurate, but very broad, including things like electricity and food services and things like that.

DR. SANDERS: That's right. That 70 percent, for example, if you use the analogy of your household budget, I doubt whether you consider, whether you think you're outsourcing electric power when you pay your electric bill. But when we pay our electric bill, it's in that 70 percent. So the 27 percent is a subset of that. Is that clear?

Q: Yeah. And that's the core contractors that you're talking about in the report. In terms of the numbers, are you seeing a trend of increasing or decreasing use of contractors when you look at the total numbers?

DR. SANDERS: From 2006 to 2007, that number was virtually unchanged. We declined a little bit, but in the middle-double digits. And that's probably within the margin of error. So it's essentially a flat line from '06 to '07. But I will tell you that some of the flexibility the Congress has given us and some of the specific initiatives that some of our agencies have undertaken – and in this case, I'll point as a potential benchmark, the Central Intelligence Agency – General Hayden has specifically said it is now time, since we have replenished our core workforce, to begin shifting contract support out of intelligence analysis and collection and either into back-room support functions or out all together.

Those aren't reflected in the '07 figures because most of this has been occurring in calendar, in fiscal 2008. And the flexibilities that we got to literally civilian-ize those contract positions are in the '08 authorization. So I would expect a re-balancing. I can't promise that they'll decline

because something may happen tomorrow that will require a surge or a unique set of skills. But I can tell you that now that we have the tools, we have the inventory, we have the oversight in place and the planning process in place, we're going to be able to optimize and strike the right balance on a forward-going basis.

Q: And are you – are you also looking at how many contractors are doing what is known as inherently governmental functions? I assume that's something a little bit different from these core contractors.

DR. SANDERS: That's an easy question to answer. There are no contract personnel doing inherently governmental functions, but there's a technical nuance here. The definition of "inherently governmental," the very precise, technical definition, is in the Office of Management and Budget circular number A-76 876. It is not the layperson's definition. Most people, if you ask them what they believe is inherently governmental, they would tick off functions that are far broader than that very narrow definition. So we are in strict compliance with that definition but, again, I want to emphasize, it's very narrow. It basically says the only things that are inherently governmental are some of the key decisions that are made with regard to resources and contracts and personnel.

But some of the other things we've talked about, like core mission functions – analysis and collection – the layperson may say those are inherently governmental; but by the strict reading of the A-76 876 definition, they are not.

Q: Is there an effort to reduce the number of people who are performing the types of functions that other wise you would have government employees doing if, for example, the budget were to allow it? I mean, it's just – it's come up. Congressional officials have said that oftentimes they've expressed a concern that they're sort of – I think in the broader sense of inherently governmental functions, they feel that there are contractors doing that kind of work. So I just didn't know if you were categorizing that or examining that as a broader issue as opposed to the OMB definition, which I understand as you're describing.

DR. SANDERS: Let me characterize that so I don't get in trouble with my lawyers. Again, we don't do any – we don't contract out any inherently governmental work. We do have contract personnel doing core mission functions, that literally an agency's configuration in that regard varies agency by agency. It depends on the stability of their budget and mission demands, et cetera, where they are in their workforce recovery, all sorts of variables. I think our objective is not necessarily to reduce the number in core mission functions, but, at the very least, we need to be able to explain that number.

We ought to be able to go to Congress and say, here's how many U.S. government military and civilian personnel we need in analysis or collection or research and development. And we'll meet our surge temporary unique-expertise requirement with contract personnel. So I think – I hope that that will begin to satisfy Congress, that at least we can explain the rationale behind the mix without necessarily setting predetermined targets or quotas to have so many of this or so many of that.

Q: Thank you.

DR. SANDERS: And let me apologize. Let me go make my call. If you all don't mind holding, I'll come back in about five minutes. Is that okay? I'm going to assume okay.

DR. SANDERS: All right, everybody, I'm back.

OPERATOR: Sir, you may proceed.

DR. SANDERS: Okay. I'm ready for the next question.

OPERATOR: Thank you. Our next question comes from Pam Benson.

Q: Hi.

DR. SANDERS: Hi, Pam.

Q: I was just wondering – this issue of hiring back people, people leaving and then, you know, returning as contractors, have you looked into that aspect and are you seeing any increase in that or how much of an issue that is then?

DR. SANDERS: In terms of competing with our contractors for our own personnel, I can tell you that we are not – repeat, not – hemorrhaging talent to our contractors, especially as we've been able to acquire some of the tools I've described to you. So, for example, if you're a retiring intelligence officer, you now have the option of coming back as a reemployed retiree where before you really – your only choice, unless you wanted to work for free, was to go to work for a contractor.

But we are not hemorrhaging talent either at the senior levels or in our mid-career levels. We are losing talent from time to time, individuals; and of course that happens. Frankly, we are becoming increasingly successful in hiring contract personnel to become U.S. government civilians. I can tell you I have hired two myself in the last six or eight months.

We want to just make sure that the playing field is level, and we want to get a handle on the extent of that movement, if there is any. And I do think now that we do have a handle on it. I will refer you to specific agencies for specific initiatives. Here again I'll point to the Central Intelligence Agency as a benchmark. General Hayden has specifically announced what he calls a quote, "Go Blue" program, which refers to bringing contract personnel into the intelligence community giving them the blue badge that signifies that they're a U.S. government civilian.

So again, we're not hemorrhaging talent. We lose people from time to time. We do gain people back from time to time, and I would not characterize this as a major concern at this point.

OPERATOR: Thank you. Our next question comes from Ben Bain.

Q: Yeah, hi. Thanks. I was wondering if you had any – you mentioned before the different percentages by functions of a 27 percent. I was wondering if you had any idea of the percentage of contractors who would be considered doing managerial roles versus those that might be doing non-managerial roles in those different functions. I wonder if you had broken it down like that?

DR. SANDERS: No, we haven't. I can tell you that it's a – that is one of the inherently governmental functions, to manage contract personnel. On the other hand, there's most assuredly units that are comprised entirely of contract personnel that have their own managers. So I'm sure there's some of that in there, but I just don't have a breakdown.

Q: Okay, and just one more question. In terms of getting these baselines – you know, mention – you can understand kind of where you're at and go from there – do you have any idea how many more years you might want to gather information to come up with that baseline? Are these two years sufficient or do you need to kind of do another one?

DR. SANDERS: No, in fact, we're going to make this a permanent reporting requirement. We have a directive in draft, and because it's in draft I can't share all of the details with you. But that directive will make this a permanent reporting requirement. We need to manage this year in and year out. We need to build it into our budget. We need to plan for it over the long term. Again, in part, this begins with identifying our military and civilian requirements with the notion that where necessary, we'd use contract personnel to augment them. But, no, this isn't going to go away. This is – while we have two data points, this is going to be a continuing requirement on into the future.

OPERATOR: Thank you. Our next question comes from Max Cacas. And as a reminder, anyone wishing to ask a question, it is *1.

Q: Hi. This is Max. Hi, Dr. Sanders. How are you?

DR. SANDERS: Good, how are you doing?

Q: Good, fine. I'm kind of wondering. I'm trying to put this report that you released today in some context. And I know that the Congressional Budget Office Study was recently done regarding the number of contractor personnel versus the number of military personnel in Iraq isn't on point with this. But if you were to make the same comparison – and I know you've probably touched on this already, but I'm kind of looking for a neat sort of succinct way to make the same comparison when it comes to the ratio of contractor personnel to staff within ODNI as the CBO did, if it's possible.

DR. SANDERS: I'm not sure it is. Let me try this, though. If you look at that report, I'll go back to one of the reasons contract personnel are so important to the intelligence community. They do allow us to expand to meet mission surge requirements, and then to literally draw down without any adverse impact to our core workforce. If you use the Iraq analogy with the military, if and/or when we begin to draw down our military forces, the contract personnel who are supporting them in various capacities will be drawn down as well.

Those military forces will not be laid off; they'll be redeployed stateside or somewhere else. They're part of the U.S. military core capability. Those contract personnel, though, that's the flexibility that contract personnel afford us. They do allow us to expand and contract as mission needs dictate. And while the mission needs in Iraq have been over the long term, half a decade or more, the fact is, as those requirements change, as they decline, we can adjust without adversely impacting our core workforce.

And I think the same thing holds true for the intelligence community. We too have to surge in part to deal with mission requirements in Iraq. And as those mission requirements change or stabilize, we'll be able to readjust the contract support we require in that regard. Does that help?

Q: Yes, sir. Just to kind of follow up a little bit, are you generally satisfied that the number of contractors you have within the intelligence community, is it a sufficient number? Do you see some needs, maybe agency by agency? Do you see this changing appreciably over the out years?

DR. SANDERS: I can't predict from here whether the percentage will change appreciably. This is literally an agency-by-agency determination. As I suggested earlier, rather than trying to predict, we just need to be able to know and explain. The inventory help us know, not only in the aggregate across the community but agency by agency. And then our agencies have to explain to us and we in turn have to explain to Congress and OMB whether we have the right mix in that total force, military, civilian, contract.

And, again, it will vary by agency, it will vary by mission. It will vary depending on the operating tempo of that mission and other demands on it. So, again, without trying to predict the future, what we're trying to do is make sure we have the data and the tools to be able to manage this in the right way. I will tell you that based on two data points, we do not – repeat, do not – believe we are over-reliant on contract personnel to accomplish our mission.

Q: Thank you, sir.

OPERATOR: Thank you. Our next question comes from Robert O'Harrow.

Q: Hi. Thanks for having us here. I'd like to know a little bit more about the basic number. I just need to be clear before I write my story. There's 100,000 that you mentioned that sounds like it's a number that excludes the contractor workforce. Is that correct?

DR. SANDERS: That's correct.

Q: On top of that, there is a proportion of contractor workers that represent 27,000 of the overall workforce that includes contractors. Is that correct?

DR. SANDERS: No. So let me try the algebra again. The 27 percent is the answer you get when you divide the raw number of contract personnel, expressed in full-time equivalents, by the raw number of military personnel, civilian personnel, and contract personnel. That denominator

represents our total force. You know approximately the value of two parts of that total force. You know that military – U.S. government, military, and civilian personnel comprise around 100,000.

There is a third raw number that I'm not going to give you that when you add that number with the 100,000, you get a total. That's a total IC workforce. When you divide that total IC workforce by the number, the raw number of contract personnel, you get 27 percent. Have I thoroughly confused you?

Q: Well, it seems a little bit – I don't – why couldn't we just simply derive the number? If 100,000 represents the workforce that doesn't involve the government – I mean, the contractor workforce, can't you just – can't we just derive the number of contractors with that? I mean, I don't understand why you're only giving us a percentage?

DR. SANDERS: I suppose you could. The reason I'm – well, first of all, the reason I'm only giving you a percentage is that the raw numbers, the breakdown of those three components remain classified. It remains classified the raw number of military versus the raw number of civilians. The only thing that has been de-classified here is the, quote, "around 100,000" figure.

Q: So bear with me a second – I just – again, just to get this right because this is going to be news for a lot of readers, and it's information and we want to get it right.

DR. SANDERS: Absolutely.

Q: We know that the intelligence community, including contractors is not 100,000 plus 27 percent of the total workforce. Is that correct?

DR. SANDERS: That's right, yes.

Q: And so that doesn't get us up close to 130,000 or 100 – the total workforce? I mean, if there is a way of thinking about a way of releasing that or giving us an "around" number without giving us a classified number, that would be helpful for clarity and precision. So think about that before the call is over. That would be great.

Secondly, that 27 percent of the total, how is that relative to 2001 and maybe a decade ago?

DR. SANDERS: The answer to your last question is easy: We don't know.

Q: Okay.

DR. SANDERS: This data wasn't collected before fiscal 2006. And I can tell you that one of the very first things we set out to do when the ODNI, when the office of the Director of National Intelligence was established, was to try to get a handle on this. So we – and it's not even clear to me whether our agencies collected that, some of them. I can tell you that all of them did not, or all of them in the aggregate did not. That began only in 2006. So I can't tell you what – quantitatively what the trend line looks like.

Q: We know there's been a sharp increase both in government employees and in contractor workforce, but we don't know the precise numbers.

DR. SANDERS: Again, let me parse that. We know – you know there's been a sharp increase in the number of U.S. government civilian employees in the intelligence community.

Q: By about 20 percent.

DR. SANDERS: I'm not sure of that figure, but it has grown substantially. And I'm not being disingenuous; I'm just not sure where the 20 percent comes from.

Q: No sweat.

DR. SANDERS: But we do know that from '06 to '07, the number of contract personnel essentially flat-lined. There's a slight decline but within the margin of error. So I can't tell you whether the second part of your statement is true, whether there's been a sharp increase. I think – I'll speculate – and I think this is a fairly safe speculation – we know there is a sharp increase in contract support immediately after 9/11. Again, we just didn't have the civilian employees on board, trained, developed, ready to deploy in order to accomplish our mission. But that trend line is speculative. I don't have hard data. The only hard data I have is for '06 and '07, and there it's essentially flat.

Q: Do you know how many – last question here – do you know how many military, government, and civilian intelligence employees there were at the low point in the 1990s?

DR. SANDERS: I don't off the top of my head, and I don't know whether that's classified or not. If it's not classified, we'll provide it to you.

Q: Very good. And what about my – the very first question. Is there any way to give an “about” number that doesn't violate the classification rules and where you can tell us a rough kind of more-than number on the number of contractors that you found?

DR. SANDERS: I don't think there is anything classified about this. I think if I were smart enough and there was enough time, you can just do the algebra –

Q: Right. Okay, very good.

DR. SANDERS: And I just don't have the algebra in front of me.

Q: It's simply 27 percent of the total workforce, and that number is larger than 100,000.

DR. SANDERS: Yes.

Q: Okay. Thank you.

DR. SANDERS: And, you know, my son could probably do the algebra; but his dad can't.

Q: I'll give him a call on the hotline.

DR. SANDERS: Okay.

OPERATOR: Thank you. Our next question comes from Siobhan Gorman. Ms. Gorman, your line is open. Ms. Gorman, please check your mute button. Your line is open, ma'am.

DR. SANDERS: I'm not getting anything on this end.

OPERATOR: We are not either, sir. And that is our final question. We're showing no further questions.

DR. SANDERS: Okay, let me – if you'll permit me then, let me just summarize. As I said at the outset, this is – this is about our fiscal 2007 inventory of core contract personnel. These are personnel funded by the National Intelligence program – per pre the questioning, they comprise 27 percent of our total force; that is, 27 percent of our combined total of military, civilian, and contract personnel. These are core contract personnel. They support our core mission and administrative functions. They don't build satellites or computers. They don't serve food or guard buildings. These are in effect staff augmentees; they are embedded. And as I indicated, literally three-quarters of them are in government buildings working side by side with U.S. government military and civilian personnel.

They are critical – they are a critical component of that total force. We could not have accomplished our mission post-9/11 without them. As we surge to hire civilians, we had to at the same time perform our mission and we had to rely on contract support in order to do much of that. We are now in the process of optimizing the mix of military civilian and contract personnel. I think the Office of the Director of National Intelligence deserves some credit for conducting the inventory, working closely with the agencies to define terms, develop a methodology. And now as we begin to move forward, develop a doctrine for the use of managing these – for managing these core contract personnel, and then eventually incorporating them into the way we plan for our total workforce.

So I think we've passed the crawl stage. We're walking. Eventually we're going to be able to run on this, and I think it's something we do owe the American taxpayer. This is not – repeat not – an anti-contractor effort nor is a pro-contractor effort. It is simply a way of trying to make sure we have the requisite capabilities to accomplish our mission, whether those capabilities are brought to us by a uniformed member of the military, a government civilian, or a contract person. And it is – those contract people are a subset of that larger figure that's been bandied about, the figure that includes the amount of money we pay others for rent, for heat, for power, for appliances, like computers, et cetera. That 27 percent is a small subset of that larger figure.

So we'll be doing this every year. It is going to be a permanent reporting requirement. And as we do this from year to year, we can't predict whether the numbers will go up or down, but our

objective is to be able to know, understand, and be able to explain the mix the military, civilian, and government personnel to OMB, to Congress, and ultimately to the American people.

Well, I'm done.

OPERATOR: Thank you, sir. This concludes today's conference. Thank you so much for joining.