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*III Action Memo*

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**OFFICE OF THE DIRECTOR**

DD/ST# *419-65*

Action Memorandum No. A-436

Date 23 JAN 1965

TO

- Deputy Director (Plans)
- Deputy Director (Intelligence)
- ✓ Deputy Director (Science and Technology)
- Deputy Director (Support)
- Inspector General
- General Counsel

SUBJECT : FY 1966 Budget Developments

REFERENCE:

1. The Fiscal Year 1966 budget proposal of the Agency has been reviewed by the Bureau of the Budget and, after adjustments, the President has now approved the Agency's request for presentation to the Congress. In addition to the usual limitations on total dollar level for new obligational authority and on total number of positions, the Bureau has this year applied two new restrictions:

- a. A "maximum allowable" number of positions GS-14 through GS-18 and a specific limitation on the overall total of supergrade and scientific pay schedule employees authorized.
- b. A set level, which cannot be exceeded, for the average salary paid on an Agency-wide basis.

2. Both of these new limitations have been established for all agencies of the Government. The first one, restricting the number of grades 14 through 18 and setting the ceiling on supergrades, has been given wide publicity in the press, is easily understood, and poses no great problem for CIA. The second new control factor, the average salary stipulation, is more complex and requires both elaboration and action ... the purpose of this memorandum.

3. Obviously, the change in ground rules reflects the Presidential determination to stop escalation in the size and in the dollar costs of Government agencies. These measures have been taken against a backdrop

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of two recent pay raises for Federal employees and the abundantly clear policies of this Administration with respect to increased productivity and economy in Government operations. Each agency is charged with keeping within the limits established and with taking steps now to assure that controls are developed to meet these objectives.

4. The Bureau of the Budget contends that, even after allowances have been made for pay raises and the usual periodic step increases, the Agency average salary over the past year has shown a sharp rise. The Bureau feels that our promotion rate may be unduly high, that there has been too great a margin between position grade and the actual grade of the incumbent, and that grade structure within organizational components may be richer than actual responsibilities justify. The Bureau has also suggested that Agency retirement rates, under both the new legislation and existing Civil Service arrangements, should start to accelerate, with a concomitant lowering of average salary needs.

5. Based on the foregoing considerations the Bureau of the Budget has assigned an Agency average salary for FY 1966 which is exceedingly austere. A careful examination of Agency experience in this area is being made in preparation for further negotiations with the Bureau, but even if some relief is obtained from the assigned figure, the problem of adhering to a set average salary is a substantial task for Agency management.

6. There are mitigating factors, believed to be unique to CIA, which have contributed to the trend toward higher average salaries. First is the legitimate and anticipated result of the Agency's deliberate policy of recruiting below the grade of the position and then promoting to the grade. In other words, people brought aboard in the lower grades are now growing into their full responsibilities and this is being recognized by promotion. This policy of EODing substantially below grade differs from the practice elsewhere in Government. Second, the Agency skills mix has also changed materially over the past year with many lower grade personnel dropped from Tables of Organization and their numbers reduced through attrition (one of the manifestations of an organization coming down in over-all personnel strength). Finally, new positions at higher grade levels have been created to accommodate an increasing requirement in the scientific and technical fields.

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7. The Bureau has taken note of these factors and recognizes that they play a role in the upward trend of average salary. Accordingly, when FY 1966 funds are apportioned next July, the issue can be opened again. In the interim, the Agency's Congressional budget request complies with the assigned level and will be defended on that basis.

8. Admittedly, "average salary" in itself can be a very fluid control device, responding to the mix of personnel at any given time and susceptible to artificial rigging. Despite these possible shortcomings, Agency management must propose to meet this new requirement. This task involves the full scope of personnel management from job creation and position grading through recruitment, pay, promotion and separation.

9. The Office of Budget, Program Analysis and Manpower and the Office of Personnel are currently developing proposals which will assure appropriate monetary and personnel controls while maintaining the integrity of the Agency Career Service concept. The results of these efforts will be discussed at a forthcoming meeting of the Financial Policy and Budget Committee.

10. Three steps are immediately obvious. First, as a temporary measure, there will be no upgrading of positions until an appropriate monetary and grade control system has been approved. Second, promotion actions must be held to those which you feel are absolutely essential. Third, all Directorates must institute an aggressive program to initiate retirement of those personnel who qualify under the law at this time. This is vital to provide essential headroom and flexibility for personnel management throughout the Agency. The Office of Personnel will provide each Directorate with the names of personnel under their jurisdiction who qualify for retirement over the next 18 months. Each Directorate will report to me by March 1, 1965 the actions taken to effect retirement of these personnel.

(signed) Lyman B. Kirkpatrick

Lyman B. Kirkpatrick  
Executive Director-Comptroller

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