

UNCLASSIFIED

DIRECTOR OF NATIONAL INTELLIGENCE
WASHINGTON, DC 20511

APR 27 2007

The Honorable John D. Rockefeller IV
Chairman
Select Committee on Intelligence
United States Senate
Washington, D.C. 20510

The Honorable Christopher S. Bond
Vice Chairman
Select Committee on Intelligence
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman and Vice Chairman Bond:

I am pleased to provide you with the Administration's proposed fiscal year 2008 Intelligence Authorization Act. Since the creation of the Office of the Director of National Intelligence (ODNI), the Intelligence Community (IC) has embraced and is implementing many reforms, resulting in improvements to important aspects of the IC. The IC has identified additional legislation required to support continuing improvements to intelligence operations. Titles I, II, and III of this proposal are aimed at taking the next steps forward by increasing efficiency and improving the management of the IC. Title IV of our proposed legislation, which I transmitted to you by letter dated April 12, 2007, seeks to address issues with respect to the Foreign Intelligence Surveillance Act (FISA).

The provisions contained in Titles I, II, and III encourage IC integration and promote management best practices. For example, we are requesting the removal of civilian end-strength ceilings. This measure is not aimed at increasing bureaucracy. Instead, the removal of end-strength ceilings is intended to provide the IC with needed flexibility to facilitate implementation of a broad joint duty program. We are seeking to create a new "culture of collaboration" in the IC by integrating the workforce through the use of these joint duty assignments. End strength ceilings place limits on this program. Moreover, the change will permit IC management to ensure that there is an appropriate mix of government employees and contractors. Congressional oversight of the IC workforce is assured by a requirement for an annual projection of employment levels based on mission requirements. The proposal also contains additional human capital provisions to enable implementation of reforms mandated by the Intelligence Reform and Terrorism Prevention Act of 2004.

Similarly, the IC must continue to improve information sharing and move from a "need to know" to a "responsibility to provide" culture. Our proposal, therefore, seeks to adjust the terms of the Program Manager for the Information Sharing Environment (ISE) and the

UNCLASSIFIED

UNCLASSIFIED

Information Sharing Council to reflect the requirement for continued and effective management and implementation of the ISE beyond the initial two-year period. We are also requesting authority to use National Intelligence Program (NIP) funds to quickly address deficiencies and immediate requirements that arise throughout the course of intelligence production and information sharing.

To protect against the threats facing this country, the American people deserve the most effective intelligence apparatus possible. Over the past two years, the IC has achieved positive results through a concerted effort to integrate itself more tightly, manage its resources more strategically, and share information more freely. However, there is more left to do and I urge you to enact these important proposals.

The Office of Management and Budget advises that there is no objection, from the standpoint of the Administration's program, to the presenting of these legislative proposals for your consideration and the consideration of Congress at this time. As I continue to work to transform the IC, I may transmit additional proposals for your review. My staff and I look forward to working with the Congress to continue the process of reform and ensure the enactment of this important legislation. If you have additional questions, please contact me or my Director of Legislative Affairs, Kathleen Turner, on (202) 201-1698.

Sincerely,

A handwritten signature in black ink, appearing to read "J M C McConnell". The signature is written in a cursive, slightly slanted style.

J. M. McConnell

Enclosure

A Bill

To authorize appropriations for fiscal year 2008 for intelligence and intelligence-related activities of the United States Government and the Office of the Director of National Intelligence, the Central Intelligence Agency Retirement and Disability System, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SEC. 1. SHORT TITLE; TABLE OF CONTENTS.

(a) SHORT TITLE.—This Act may be cited as the “Intelligence Authorization Act for Fiscal Year 2008”.

(b) TABLE OF CONTENTS.—The table of contents for this Act is as follows:

Sec. 1. Short title; table of contents.

TITLE I - INTELLIGENCE ACTIVITIES.

Subtitle A. General Provisions.

- Sec. 101. Authorization of appropriations.
- Sec. 102. Classified schedule of authorizations.
- Sec. 103. Personnel ceiling adjustments.
- Sec. 104. Restriction on conduct of intelligence activities.
- Sec. 105. Definition of Intelligence Community.
- Sec. 106. Additional administration authorities for the Office of the Director of National Intelligence.
- Sec. 108. Extension to the Intelligence Community of authority to delete information about receipt and disposition of foreign gifts.
- Sec. 109. Cancellation of certain reporting requirements.

Subtitle B. Efficient Management of Budget Authorities.

- Sec. 110. Intelligence Community Management Account.
- Sec. 111. Authorization of appropriations.
- Sec. 112. Modification of availability of funds for different intelligence activities.

- Sec. 113. Increase in employee compensation and benefits authorized by law.
- Sec. 114. Reserve for contingencies of the Director of National Intelligence.
- Sec. 117. Multiyear national intelligence program.
- Sec. 118. References to Military Intelligence Program and related activities.
- Sec. 120. Conferences conducted by elements of the Intelligence community.

Subtitle C. Modernizing Civilian Personnel Systems within the
Intelligence Community.

- Sec. 121. Enhancing Personnel Flexibilities Throughout the Intelligence Community.
- Sec. 125. Intelligence Community members contributions to Thrift Savings Plan.
- Sec. 126. Repeal of Restriction on the Use of Non-reimbursable Detailees.

TITLE II - THE OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE AND
INTELLIGENCE COMMUNITY MATTERS.

- Sec. 201. Federal Advisory Committee Act.
- Sec. 202. Clarification of restriction against co-location of Office of the Director of National Intelligence Headquarters.
- Sec. 203. Application of Privacy Act to Director of National Intelligence and the Office of the Director of National Intelligence.
- Sec. 205. Exemption of certain operational files of the Office of the Director of National Intelligence from search, review, publication, or disclosure.
- Sec. 206. Strengthening access to information.
- Sec. 207. Application of certain reporting requirements to the Director of National Intelligence.
- Sec. 208. Protection of intelligence sources and methods from unauthorized disclosure.
- Sec. 209. Program Manager for the Information Sharing Environment.
- Sec. 214. Membership of the Director of National Intelligence on the Transportation Security Oversight Board.
- Sec. 215. Technical corrections to the National Security Act.
- Sec. 216. Technical corrections to the Intelligence Reform and Terrorism Prevention Act of 2004.
- Sec. 218. Repeal of certain authorities relating to the Office of the National Counterintelligence Executive.
- Sec. 219. Technical corrections to the Executive Schedule.

TITLE III - MATTERS RELATING TO ELEMENTS OF THE INTELLIGENCE COMMUNITY.

Subtitle A. Central Intelligence Agency.

- Sec. 301. Report on audited financial statements progress.
- Sec. 302. Additional functions and authorities for protective personnel at the Central Intelligence Agency.
- Sec. 303. Deputy Director of the Central Intelligence Agency.
- Sec. 304. Technical amendments relating to titles of Central Intelligence Agency positions.
- Sec. 305. General Counsel of the Central Intelligence Agency.
- Sec. 306. Section 5(a)(1) of the Central Intelligence Agency Act of 1949.
- Sec. 308. Travel on any common carrier for certain intelligence collection personnel.
- Sec. 313. Exclusion of gain from sale of a principal residence by certain employees of the Intelligence Community.
- Sec. 317. Technical modifications to mandatory retirement provision of Central Intelligence Agency Retirement Act.

Subtitle B. Department of Defense.

- Sec. 321. National Security Agency training program.
- Sec. 322. Additional functions and authorities for protective personnel at the National Security Agency.
- Sec. 323. Technical amendments for the National Geospatial-Intelligence Agency.

Subtitle C. Department of State; Federal Bureau of Investigation;
Department of Treasury; Department of Homeland Security.

- Sec. 354. Elimination of reporting requirement for the Department of Treasury.
- Sec. 355. Clarifying amendments relating to section 105 of the Intelligence Authorization Act for Fiscal Year 2004.
- Sec. 360. Department of Homeland Security Information.
- Sec. 361. Technical Amendment Relating to the Coast Guard Intelligence Element.

TITLE IV - MATTERS RELATING TO THE FOREIGN INTELLIGENCE SURVEILLANCE
ACT.

- Sec. 400. Short Title.
- Sec. 401. Definitions.
- Sec. 402. Attorney General Authorization for Electronic Surveillance.

- Sec. 403. Jurisdiction of FISA Court.
- Sec. 404. Applications for Court Orders.
- Sec. 405. Issuance of an Order.
- Sec. 406. Use of Information.
- Sec. 407. Weapons of Mass Destruction.
- Sec. 408. Liability Defense.
- Sec. 409. Amendments for Physical Searches.
- Sec. 410. Amendments for Emergency Pen Registers and Trap and Trace Devices.
- Sec. 411. Mandatory Transfer for Review
- Sec. 412. Technical and Conforming Amendments.
- Sec. 413. Effective Date.
- Sec. 414. Construction; Severability.

TITLE I - INTELLIGENCE ACTIVITIES.

Subtitle A. General Provisions.

SEC. 101. AUTHORIZATION OF APPROPRIATIONS.

Funds are hereby authorized to be appropriated for fiscal year 2008 for the conduct of the intelligence and intelligence-related activities of the following elements of the United States Government:

- (1) The Office of the Director of National Intelligence.
- (2) The Central Intelligence Agency.
- (3) The Department of Defense.
- (4) The Defense Intelligence Agency.
- (5) The National Security Agency.
- (6) The Department of the Army, the Department of the Navy, and the Department of the Air Force.
- (7) The Coast Guard.
- (8) The Department of State.
- (9) The Department of the Treasury.
- (10) The Department of Energy.
- (11) The Federal Bureau of Investigation.
- (12) The Drug Enforcement Administration.
- (13) The National Reconnaissance Office.
- (14) The National Geospatial-Intelligence Agency.
- (15) The Department of Justice.

(16) The Department of Homeland Security.

SEC. 102. CLASSIFIED SCHEDULE OF AUTHORIZATIONS.

(a) SPECIFICATIONS OF AMOUNTS AND PERSONNEL CEILINGS.—The amounts authorized to be appropriated under section 101 for the conduct of the intelligence and intelligence-related activities of the elements listed in such section are those specified in the classified Schedule of Authorizations prepared to accompany the conference report on the bill _____ of the One Hundred Tenth Congress.

(b) AVAILABILITY OF CLASSIFIED SCHEDULE OF AUTHORIZATIONS.—The Schedule of Authorizations shall be made available to the Committees on Appropriations of the Senate and House of Representatives and to the President. The President shall provide for suitable distribution of the Schedule, or of appropriate portions of the Schedule, within the Executive Branch.

SEC. 103. ELIMINATION OF CERTAIN PERSONNEL MANAGEMENT CONSTRAINTS.

The National Security Act of 1947 is amended by adding a new paragraph (s) to Section 102A:

(s) RELIEF FROM CIVILIAN END STRENGTH CEILINGS. (1) The personnel of elements of the Intelligence Community, as defined by section 3(4) of the National Security Act of 1947 (50 U.S.C. 401a(4)), as amended, shall be managed each fiscal year solely on the basis of and consistent with -

(A) the workload required to carry out authorized functions and activities, and

(B) the funds made available to elements of the Intelligence Community for such fiscal year.

(2) The management of such personnel in any fiscal year shall not be subject to any constraint or limitation in terms of man years, end strength, full-time equivalent positions, or maximum number of employees. The Director of National Intelligence, the Director of the Central Intelligence Agency, and the head of the department or agency containing elements of the Intelligence Community may not be required to make a reduction in the number of full-time equivalent positions in an element of the Intelligence Community unless such reduction is necessary due to a reduction in funds available to that element of

the Intelligence Community, or is required under a law, that is enacted after the date of enactment of this Act, and that refers specifically to this subsection.

(3) In order to ensure appropriate oversight, the Director of National Intelligence, in consultation with the head of each department or agency which contains an element of the Intelligence Community, shall submit, as part of the President's annual budget, a projection of employment levels based on mission requirements, workload, and other considerations.

SEC. 104. RESTRICTION ON CONDUCT OF INTELLIGENCE ACTIVITIES.

The authorization of appropriations by this Act shall not be deemed to constitute authority for the conduct of any intelligence activity which is not otherwise authorized by the Constitution or the laws of the United States.

SEC. 105. DEFINITION OF INTELLIGENCE COMMUNITY.

Section 3(4)(L) of the National Security Act of 1947 (50 U.S.C. 401a(4)(L)), as amended by section 1073 of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458), is further amended by striking "other" the second time it appears.

**SEC. 106. ADDITIONAL ADMINISTRATIVE AUTHORITY OF THE
DIRECTOR OF NATIONAL INTELLIGENCE.**

Section 102A of the National Security Act of 1947 (50 U.S.C. 403-1) is amended by adding at the end the following new subsections:

“(s) ADDITIONAL ADMINISTRATIVE AUTHORITIES.—

(1) Notwithstanding section 1346 of title 31, United States Code, or any other provision of law prohibiting the interagency financing of activities described in subparagraphs (A) or (B), upon the request of the Director of National Intelligence, elements of the Intelligence Community are authorized to use appropriated funds to support or participate in the following interagency activities of the Intelligence Community:

“(A) national intelligence centers established by the Director under section 119B; and

“(B) boards, commissions, councils, committees, and similar groups established by the Director for a period not to exceed two years.

“(2) No provision of law enacted after the date of the enactment of this subsection shall be deemed to limit or supersede the authority in paragraph (1) unless such provision makes specific reference to the authority in that paragraph.

“(t) DISCRETION.— The provisions of the Administrative Procedures Act shall not apply to the Director of National Intelligence in the performance of the functions, powers, duties, and actions vested by law in the Director of National Intelligence or the Office of the Director of National Intelligence.”.

**SEC. 108. EXTENSION TO THE INTELLIGENCE COMMUNITY OF
AUTHORITY TO DELETE INFORMATION ABOUT RECEIPT AND
DISPOSITION OF FOREIGN GIFTS.**

Section 7342(f)(4) of Title 5, United States Code, is amended—

(1) by striking all that follows “(4)”;

(2) inserting the following new paragraph:

“(4)(A) In transmitting such listings for an element of the Intelligence Community, as defined in section 3(4) of the National Security Act of 1947, as amended (50 U.S.C. 401a(4)), the head of an Intelligence Community element may delete the information described in subparagraphs (A) and (C) of paragraphs (2) and (3) if the head of that Intelligence Community element certifies in writing to the Secretary of State that the publication of such information could adversely affect United States intelligence sources or methods.

SEC. 109. CANCELLATION OF CERTAIN REPORTING REQUIREMENTS

CANCELLATION OF STATUTORY REPORTING REQUIREMENTS. - The requirements for the following reports are hereby cancelled:

(a) Unclassified Annual Report of the Intelligence Community as required by the National Security Act of 1947, as amended (50 U.S.C. 404d).

(b) Attorney General Annual Report on the Use of Appropriated Funds by the Office of Intelligence Policy and Review, section 606(b)(2)(A), Intelligence Authorization Act for FY2001, P.L. 106-567, 114 Stat. 2854.

(c) Annual Presidential Report Relating to Official Immunity in Interdiction of Aircraft Engaged in Illicit Drug Trafficking, section 503, Intelligence Authorization Act for FY2002, P.L. 107-108, 115 Stat. 1405.

(d) Annual Director of Central Intelligence Report on the Status of the Terrorist Identification Classification System, section 343(g), Intelligence Authorization Act for FY2003, P.L. 107-306, 116 Stat. 2400.

(e) Annual Reports by the Director of Central Intelligence [now DCIA], Director of NSA, Director of DIA, and Director of NIMA on Improvements of Financial Statements of Certain Elements of the Intelligence Community, section 823, Intelligence Authorization Act for FY2003, P.L. 107-306, 116 Stat. 2427.

(f) Annual Report by the Counterdrug Intelligence Coordinating Group on Current Counterdrug Intelligence Matters, section 826, Intelligence Authorization Act for FY2003, P.L. 107-306, 116 Stat. 2429.

(g) Annual Report by the Director, FBI on the exercise of FBI's authority to enter into personal services contracts to support the intelligence or counterintelligence missions of the FBI, section 311, Intelligence Authorization Act for FY2004, P.L. 108-177, 117 Stat. 2605.

(h) Annual Report to Congress by the President on Actions Taken in Response to Espionage by the People's Republic of China (National Defense Authorization Act for Fiscal Year 2000, Section 3151 (42 U.S.C. § 7383e).

(i) Annual Review of Individuals Included on Dissemination Lists for Access to Classified Information (Intelligence Authorization Act for Fiscal Year 2004, Section 341(a) (50 U.S.C. § 442a).

(j) FY 1998 House Permanent Select Committee on Intelligence Unclassified Report, Intelligence Sharing with the United Nations, FY 1997 Intelligence Authorization Act, P.L. 104-293, Section 308(a) (50 U.S.C. 404g).

(k) Annual Report on Safety and Security of Russian Nuclear Facilities and Nuclear Military forces, National Security Act of 1947, as amended, section 114(b) (50 U.S.C. 404i(b).

(l) Annual Report Concerning Dismantling of Russian Strategic Nuclear Warheads - Moscow Treaty, FY 2004 Defense Authorization Conference Report, HR 108-354.

(m) Threat Reduction Interaction Between the Intelligence Community, the Department of Defense and the Department of Energy, FY 2001 Intelligence Authorization Classified Annex, pp. 11-12.

(n) Coastal State Territorial Claims and U.S. Reconnaissance Activity, FY 2005 Senate Select Committee on Intelligence Report 108-258, pp. 6-7.

(o) External Competitive Analysis on China-Taiwan, FY2000 House Permanent Select Committee on Intelligence Report, Classified Annex, pp. 93-94.

Subtitle B. Efficient Management of Budget Authorities.

SEC. 110. INTELLIGENCE COMMUNITY MANAGEMENT ACCOUNT.

(a) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated for the Intelligence Community Management Account of the Director of National Intelligence for fiscal year 2008 the sum of \$705,376,000. Within such amount, funds identified in the classified Schedule of Authorizations referred to in section 102(a) for advanced research and development shall remain available until September 30, 2009.

(b) CLASSIFIED AUTHORIZATIONS.— In addition to amounts authorized to be appropriated for the Intelligence Community Management Account by subsection (a), there is also authorized to be appropriated for the Intelligence Community Management Account for fiscal year 2008 such additional amounts as are specified in the classified Schedule of Authorizations referred to in section 102(a). Such additional amounts shall remain available until September 30, 2008, except for amounts authorized to be appropriated for research and development, which shall remain available until September 30, 2009.

SEC. 111. AUTHORIZATION OF APPROPRIATIONS.

There is authorized to be appropriated for the Central Intelligence Agency Retirement and Disability Fund for fiscal year 2008 the sum of \$262,500,000.

**SEC. 112. MODIFICATION OF AVAILABILITY OF FUNDS FOR
DIFFERENT INTELLIGENCE ACTIVITIES.**

Subparagraph (B) of section 504(a)(3) of the National Security Act of 1947 (50 U.S.C. 414(a)(3)) is amended to read as follows:

“(B) the use of such funds for such activity supports an emergent need, improves program effectiveness, or increases efficiency; and”.

**SEC. 113. INCREASE IN EMPLOYEE COMPENSATION AND BENEFITS
AUTHORIZED BY LAW.**

The authorization of appropriations for salary, pay, retirement, and other benefits for Federal employees pursuant to this Act may be increased by such additional or supplemental amounts as may be necessary for increases in such compensation or benefits authorized by law.

SEC. 114. RESERVE FOR CONTINGENCIES OF THE DIRECTOR OF NATIONAL INTELLIGENCE.

(a) ESTABLISHMENT. - Title I of the National Security Act of 1947 (50 U.S.C. 402 et seq.) as amended, is further amended by inserting after section 103G the following new section:

"RESERVE FOR CONTINGENCIES OF THE DIRECTOR OF NATIONAL INTELLIGENCE

"(a) IN GENERAL. - There is hereby authorized a Reserve for Contingencies Fund of the OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE".

"(b) ELEMENTS. -- The Reserve for Contingencies of the Director National Intelligence shall consist of the following elements:

"(1) Amounts authorized to be appropriated to the Reserve on an annual basis.

"(2) Amounts authorized to be transferred to or deposited in the Reserve by law.

"(c) AMOUNTS DEPOSITED. -- Amounts deposited into the Reserve for Contingencies of the Director of National Intelligence must be amounts appropriated to the National Intelligence Program, and may include an amount of appropriated funds subject to cancellation in accordance with 31 U.S.C. 1552.

"(d) LIMITATIONS ON AVAILABILITY OF FUNDS. - Amounts in the Reserve for Contingencies of the Director of National Intelligence -

"(1) shall be available for such purposes as are provided by law for the Office of the Director of National Intelligence or the separate elements of the intelligence community, including for a program or activity not previously authorized by Congress when the Director of National Intelligence has, consistent with the provisions of 50 U.S.C. sections 502 and 503, notified the congressional intelligence committees of the intention to utilize such amounts for such a purpose and 15 calendar days have elapsed from such notification and with the approval of the Director of the Office of Management and Budget; funds in the reserve can be used to support an emergent need, improvements to program effectiveness, or increased efficiency;"

"(2) shall be used subject to the direction and approval of the Director of National Intelligence or the Director's designee and in accordance with procedures issued by the Director;

"(3) the annual appropriation shall not exceed \$50,000,000 for any given fiscal year and the period of availability will be two years."

(b) CLERICAL AMENDMENT. - The table of contents in the first section of the National Security Act of 1947, as amended, is further amended by inserting after the item relating to section 103G the following new item:

"Sec. 103H. RESERVE FOR CONTINGENCIES OF THE DIRECTOR OF NATIONAL INTELLIGENCE."

SEC. 117. MULTIYEAR NATIONAL INTELLIGENCE PROGRAM.

Section 1403 of the National Defense Authorization Act for Fiscal Year 1991, as amended, (50 U.S.C. 404b) is amended—

(1) in the headings for the section and for subsection (a), and in subsection (a), by striking "foreign";

(2) in subsections (a) and (c), by striking "Director of Central Intelligence" and inserting "Director of National Intelligence"; and

(3) in subsection (b), by inserting "of National Intelligence" after "Director".

SEC. 118. REFERENCES TO MILITARY INTELLIGENCE PROGRAM AND RELATED ACTIVITIES.

Section 102A of the National Security Act of 1947 (50 U.S.C. 403-1), as amended by section 1011(a) of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458), is further amended--

(1) in subsection (c)(3)(A),

(i) by striking the word "budgets" and inserting "budget", and

(ii) by striking "Joint Military Intelligence Program and for Tactical Intelligence and Related Activities," and inserting "Military Intelligence Program or for any successor program or programs"; and

(2) in subsection (d)(1)(B), by striking "Joint Military Intelligence Program," and inserting "Military Intelligence Program or any successor program or programs.".

SEC. 120. CONFERENCES CONDUCTED BY ELEMENTS OF THE INTELLIGENCE COMMUNITY: COLLECTION OF FEES TO COVER COSTS.

The National Security Act of 1947 is amended by adding the following new section at the end of Title I:

``ADDITIONAL INTELLIGENCE COMMUNITY AUTHORITIES

``Sec. 120. (a) Definitions-

(1) For purposes of this section, the terms 'agency' and 'element' refer to agencies and elements that are members of the Intelligence Community, as that term is defined in section 3(4) of the National Security Act of 1947 (50 U.S.C. 401a-4).

(2) For purposes of this section, the term ``conference'' includes, but is not limited to, events such as seminars, exhibitions, symposia, or similar meetings conducted by an agency or element.

(b) Authority to Collect Fees-

(1) An agency or element may collect fees from any individual or commercial participant in a conference.

(2) An agency or element may provide for the collection of fees under this section directly or through contract.

(3) Such fees may be collected in advance of a conference.

(c) Use of Collected Fees - Amounts collected under subsection (b) with respect to a conference -

(1) shall be credited to the appropriation or account from which the costs of the conference are paid; and

(2) shall be available to pay the costs and necessary expenses of the agency or element with respect to the conference; or

(3) shall be available to reimburse the agency or element for costs and necessary expenses incurred with respect to the conference.

(d) Treatment of Excess Amounts - In the event the total amount of fees collected under subsection (b) with respect to a conference exceeds the actual costs of the agency or element with respect to the conference, the amount of such excess shall be deposited into the Treasury as miscellaneous receipts."

**Subtitle C. Modernizing Civilian Personnel Systems within
the Intelligence Community.**

**SEC. 121. AUTHORITY TO ESTABLISH POSITIONS IN THE EXCEPTED
SERVICE AND CRITICAL PAY AUTHORITY.**

The National Security Act of 1947 is amended by adding new paragraphs (v) and (w) to section 102A as follows:

"(v) AUTHORITY TO ESTABLISH POSITIONS IN THE EXCEPTED SERVICE.

(1) The Director of National Intelligence, with the concurrence of the head of the department or agency concerned, in coordination with the Director of the Office of Personnel Management, may—

"(A) establish, as positions in the excepted service, such competitive service positions in the elements of the Intelligence Community as the Director determines necessary to carry out the intelligence functions of such elements of the Intelligence Community;

"(B) establish such new positions in the excepted service in the elements of the Intelligence Community as the Director of National Intelligence determines are necessary to carry out the intelligence functions of such elements of the Intelligence Community;
and

"(C) establish the classification and ranges of rates of basic pay for such positions, notwithstanding

otherwise applicable laws governing the classification and rates of basic pay for such positions.

"(2) The heads of the departments or agencies concerned are authorized to appoint individuals for service in such positions in the excepted service, and to fix the compensation of such individuals within the applicable ranges of rates of basic pay established by the Director of National Intelligence.

"(3) The maximum rate of basic pay allowed under authority of this subsection is the rate for level III of the Executive Schedule.

"(w) PAY AUTHORITY FOR CRITICAL POSITIONS.

"(1) Notwithstanding any pay limitation established under any other provision of law applicable to employees in elements of the Intelligence Community, the Director of National Intelligence may grant authority to fix the rate of basic pay for 1 or more positions within the Intelligence Community at a rate in excess of any applicable limitation, subject to the conditions set forth in this subsection. Exercise of a granted authority is at the discretion of the head of the agency employing the individual in a position covered by the authority, subject to the conditions set forth in this subsection

and any conditions established by the Director of National Intelligence when granting the authority.

"(2) Authority under this subsection may be granted or exercised—

"(A) only with respect to a position which requires an extremely high level of expertise and is critical to successful accomplishment of an important mission; and

"(B) only to the extent necessary to recruit or retain an individual exceptionally well qualified for the position.

"(3) The rate of basic pay may not be fixed under this subsection at a rate greater than the rate payable for level II of the Executive Schedule, except upon written approval of the Director of National Intelligence or as otherwise authorized by law.

"(4) The rate of basic pay may not be fixed under this subsection at a rate greater than the rate payable for level I of the Executive Schedule, except upon written approval of the President and the Director of National Intelligence or as otherwise authorized by law.

"(5) The authority granted under this subsection for a position shall terminate at the discretion of the Director of National Intelligence."

SEC. 125. CONTRIBUTIONS TO THRIFT SAVINGS PLAN.

(a) Section 8351 of Title 5, United States Code, is amended-

(1) by adding a new subsection (f) to read as follows:

"(f)(1) Under regulations prescribed by the Executive Director in consultation with the Director of the Office of Personnel Management, an employee making contributions to the Thrift Savings Fund out of basic pay may also make an advance election to contribute by direct transfer to the Thrift Savings Fund all or any part of any payment, other than basic pay, as may be prescribed by regulation.

"(2) For purposes of subsection (b)(2)(C), an amount transferred to the Thrift Savings Fund under paragraph (a) shall constitute basic pay."; and

(2) in subsection (d) by-

(A) striking "(d)(1)" and inserting "(d)"; and

(B) repealing paragraph (2).

(b) Sections 8432(k) of Title 5, United States Code, is amended to read as follows-

"(k)(1) Under regulations prescribed by the Executive Director in consultation with the Director of the Office of Personnel Management, an employee making contributions to

the Thrift Savings Fund out of basic pay may also make an advance election to contribute by direct transfer to the Thrift Savings Fund all or any part of any payment, other than basic pay, as may be prescribed by regulation.

"(2) For purposes of subsection (c), basic pay of an employee shall not include an amount transferred to the Thrift Savings Fund under paragraph (1).

"(3) For purposes of subsection (a)(3), an amount transferred to the Thrift Savings Fund under paragraph (1) shall constitute basic pay."

(c) The amendments made by this section shall take effect at the time prescribed in regulations issued by the Executive Director.

SEC. 126. REPEAL OF RESTRICTION ON THE USE OF NON-REIMBURSABLE DETAILEES.

REIMBURSEMENT. - Except as provided in section 113 of the National Security Act of 1947 (50 U.S.C. 404h) and section 904(g)(2) of the Counterintelligence Enhancement Act of 2002 (title IX of Public Law 107-306)(50 U.S.C. 402c(g)(2)), and notwithstanding any other provision of law, during fiscal year 2008, or any fiscal year thereafter, any officer or employee of the United States or a member of the Armed Forces, who is detailed to the staff of an element of the Intelligence Community funded through the Community Management Account from another element of the United States Government, may be detailed on a reimbursable or non-reimbursable basis, as agreed to by the Director of National Intelligence and the head of the sending department or agency, or their respective designees for a period not to exceed three years.

**TITLE II - THE OFFICE OF THE DIRECTOR OF NATIONAL
INTELLIGENCE AND INTELLIGENCE COMMUNITY MATTERS.**

SEC. 201. FEDERAL ADVISORY COMMITTEE ACT.

Section 4(b) of the Federal Advisory Committee Act (5
U.S.C. App. 2) is amended—

(1) in paragraph (1), by striking "or";

(2) in paragraph (2), by striking the period and
inserting "; or"; and

(3) by inserting at the end the following new
paragraph:

``(3) the Office of the Director of National
Intelligence.''.

**SEC. 202. CLARIFICATION OF THE RESTRICTION AGAINST CO-
LOCATION OF OFFICE OF DIRECTOR OF NATIONAL INTELLIGENCE
HEADQUARTERS.**

Section 103(e) of the National Security Act of 1947,
as amended (50 U.S.C. 403-3(e)), is further amended—

- (1) by striking "Commencing" and inserting "(1)
Commencing";
- (2) by striking "the Office" and inserting "the
headquarters of the Office";
- (3) by striking "any other element" and inserting "the
headquarters of any other element";
- (4) by inserting before the period at the end thereof
"as defined in section 3(4) of the National Security
Act of 1947, as amended"; and
- (5) by adding the following new paragraph:

“(2) The President may waive the limitation in
paragraph (1) of this subsection if the President
determines

(A) that waiver would be in the interest of
national security; or,

(B) that the additional cost of separate
headquarters outweighs the potential benefits of
the limitation.”

SEC. 203. APPLICATION OF THE PRIVACY ACT TO THE DIRECTOR OF NATIONAL INTELLIGENCE AND THE OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE.

Section 552a(j) of Title 5 is amended by:

(1) striking the word "or" at the end of subparagraph (j)(1);

(2) redesignating subparagraph (j)(2) as (j)(3),

(3) and by inserting after subparagraph (j)(1) the following new subparagraph (j)(2):

"(2) maintained by the Office of the Director of National Intelligence; or".

SEC. 205. PROTECTION OF CERTAIN FILES OF THE OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE.

Title VII of the National Security Act of 1947 (50 U.S.C. 431 et seq.) is amended by adding at the end the following new section:

“PROTECTION OF CERTAIN FILES OF THE OFFICE OF THE
DIRECTOR OF NATIONAL INTELLIGENCE.

“Sec. 706. (a) RECORDS FROM EXEMPTED OPERATIONAL FILES.--(1) Records disseminated or otherwise provided to an element of the Office of the Director of National Intelligence from the exempted operational files of elements of the intelligence community designated in accordance with Title VII of this Act, and any operational files created by the Office of the Director of National Intelligence that incorporate such records in accordance with paragraph (A)(ii) below, shall be exempted from the provisions of section 552 of Title 5, United States Code that require search, review, publication or disclosure in connection therewith, in any instance where:

(A)(i) such record is shared within the Office of the Director of National Intelligence and not disseminated by that Office beyond that Office; or

(ii) such record is incorporated into new records created by personnel of the Office of the Director of

National Intelligence and maintained in operational files of the Office of the Director of National Intelligence and the records are not disseminated by that Office beyond that Office; and

(B) the operational files from which such records have been obtained continue to remain designated as operational files exempted from section 552 of Title 5, United States Code.

"(2) The operational files of the Office of the Director of National Intelligence referenced in paragraph (A)(ii) shall be similar in nature to the originating operational files from which the record was disseminated or provided, as such files are defined in Title VII of this Act."

"(3) Records disseminated or otherwise provided to the Office of the Director of National Intelligence from other elements of the intelligence community that are not protected by subsection (a)(1), and that are authorized to be disseminated beyond the Office of the Director of National Intelligence, will remain subject to search and review under section 552 of title 5, United States Code, but may continue to be exempted from the publication and disclosure provisions of that

section by the originating agency to the extent that the Act permits."

"(4) Notwithstanding the provisions of sections 701-705 of the National Security Act, records in the exempted operational files of the Central Intelligence Agency, the National Geospatial-Intelligence Agency, the National Reconnaissance Office, the National Security Agency or the Defense Intelligence Agency shall not be subject to the search and review provisions of section 552 of title 5 solely because they have been disseminated to an element or elements of the Office of the Director of National Intelligence, or referenced in operational files of the Office of the Director of National Intelligence and that are not disseminated beyond the Office of the Director of National Intelligence."

"(5)(A)Notwithstanding the provisions of sections 701-705 of the National Security Act, the incorporation of records from the operational files of the Central Intelligence Agency, the National Geospatial-Intelligence Agency, the National Reconnaissance Office, the National Security Agency or the Defense Intelligence Agency, into operational files of the Office of the Director of National

Intelligence shall not subject that record or the operational files of the Central Intelligence Agency, the National Geospatial-Intelligence Agency, the National Reconnaissance Office, the National Security Agency or the Defense Intelligence Agency to the search and review provisions of section 552 of title 5."

"(b) (1) Files in the Office of the Director of National Intelligence that are not exempted under subsection (a) of this section which contain information derived or disseminated from exempted operational files shall be subject to search and review."

"(2) The inclusion of information from exempted operational files in files of the Office of the Director of National Intelligence that are not exempted under subsection (a) of this section shall not affect the exemption of the originating operational files from search, review, publication, or disclosure."

"(3) Records from exempted operational files of the Office of the Director of National Intelligence which have been disseminated to and referenced in files that are not exempted under subsection (a) of this section and which have been returned to exempted

operational files of the Office of the Director of National Intelligence for sole retention shall be subject to search and review."

"(c) SUPERSEEDURE OF OTHER LAWS. The provisions of this section may not be superseded except by a provision of law that is enacted after the date of the enactment of this section and that specifically cites and repeals or modifies such provisions.

"(d) APPLICABILITY. The Director of National Intelligence will publish a regulation listing the specific elements within the Office of the Director of National Intelligence whose records can be exempted under this provision.

"(e) ALLEGATION; IMPROPER WITHHOLDING OF RECORDS; JUDICIAL REVIEW.—(1) Except as provided in paragraph (2), whenever any person who has requested agency records under section 552 of Title 5, United States Code, alleges that the Office of the Director of National Intelligence has withheld records improperly because of failure to comply with any provision of this section, judicial review shall be available under the terms set forth in section 552(a)(4)(B) of Title 5, United States Code.

"(2) Judicial review shall not be available in the manner provided for under paragraph (1) as follows:

"(A) In any case in which information specifically authorized under criteria established by an Executive order to be kept secret in the interests of national defense or foreign relations is filed with, or produced for, the court by the Office of the Director of National Intelligence, such information shall be examined ex parte, in camera by the court.

"(B) The court shall determine, to the fullest extent practicable, the issues of fact based on sworn written submissions of the parties.

"(C) When a complainant alleges that requested records are improperly withheld because of improper placement solely in exempted operational files, the complainant shall support such allegation with a sworn written submission based upon personal knowledge or otherwise admissible evidence.

"(D)(i) when a complainant alleges that requested records were improperly withheld because of improper exemption of operational files, the Office of the Director of National Intelligence shall meet its burden under section 552(a)(4)(B) of Title 5, United States Code, by demonstrating to the court by sworn written submission that exempted operational files likely to contain responsive

records currently meet the criteria set forth in subsection (a) of this section.

"(ii) The court may not order the Office of the Director of National Intelligence to review the content of any exempted operational file or files in order to make the demonstration required under clause (i), unless the complainant disputes the Office's showing with a sworn written submission based on personal knowledge or otherwise admissible evidence.

"(E) In proceedings under subparagraphs (C) and (D), the parties may not obtain discovery pursuant to rules 26 through 36 of the Federal Rules of Civil Procedure, except that requests for admissions may be made pursuant to rules 26 and 36.

"(F) If the court finds under this subsection that the Office of the Director of National Intelligence has improperly withheld requested records because of failure to comply with any provision of this section, the court shall order the Office to search and review the appropriate exempted operational file or files for the requested records and make such records, or portions thereof, available in accordance with the provisions of section 552 of Title 5, United States Code, and such order shall be the exclusive remedy for failure to comply with this section .

"(G) If at any time following the filing of a complaint pursuant to this paragraph the Office of the Director of National Intelligence agrees to search the appropriate exempted operational file or files for the requested records, the court shall dismiss the claim based upon such complaint."

(f) CLERICAL AMENDMENT.—The table of contents in the first section of the National Security Act of 1947 is amended by inserting the following new item: "Sec. 706. Protection of Certain Files of the Office of the Director of National Intelligence.".

SEC. 206. STRENGTHENING ACCESS TO INFORMATION.

Section 102A(g)(1) of the National Security Act of 1947, as amended (50 U.S.C. 403-1(g)(1)), is further amended--

(1) in subparagraph (E), by striking "and" after the semicolon;

(2) in subparagraph (F), by striking the period and inserting "; and"; and

(3) by adding at the end the following:

"(G) in the implementation of this subsection and without regard to any other provision of law other than this Act and Title I of the Intelligence Reform and Terrorism Prevention Act of 2004, expend funds for and direct the development and fielding of systems of common concern related to the collection, processing, analysis, exploitation, and dissemination of intelligence information, and any department or agency is authorized to receive and utilize such funds or systems; and

"(H) for the purpose of addressing critical gaps in intelligence information sharing capabilities, have the authority to transfer funds appropriated for a program within the National Intelligence Program to a program funded by appropriations not within the

National Intelligence Program, subject to the same terms and conditions as apply to a transfer of funds appropriated for a program within the National Intelligence Program to another such program under subsections (d)(3) through (d)(7) of this section, and under the National Security Intelligence Reform Act of 2004 (title I of the Intelligence Reform and Terrorism Prevention Act of 2004).".

SEC. 207. APPLICATION OF CERTAIN FINANCIAL REPORTING REQUIREMENTS TO DIRECTOR OF NATIONAL INTELLIGENCE.

The Director of National Intelligence shall not be required to submit audited financial statements under section 3515 of title 31, United States Code for the Office of the Director of National Intelligence with respect to fiscal years 2008, and 2009.

**SEC. 208. PROTECTION OF INTELLIGENCE SOURCES AND METHODS
FROM UNAUTHORIZED DISCLOSURE.**

Section 102A(i) of the National Security Act of 1947
(50 U.S.C. 403-1(i)) is further amended by striking
paragraph (3).

SEC. 209. PROGRAM MANAGER FOR THE INFORMATION SHARING ENVIRONMENT AND THE INFORMATION SHARING COUNCIL.

(a) Subsection 1016(f)(1) of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458) is amended by striking the phrase from the second sentence, ``during the two-year period beginning on the date of designation under this paragraph unless sooner'' and replacing it with "for the duration of the actions covered in the Information Sharing Environment Implementation Plan; however, the decision to continue the Program Manager shall be reviewed annually by the President until".

(b) The second sentence of Subsection 1016(g)(1) of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458) is amended by - (1) striking the phrase ``two-year''.

(2) striking the phrase "unless sooner" and replacing it with "until".

SEC. 214. MEMBERSHIP OF THE DIRECTOR OF NATIONAL INTELLIGENCE ON THE TRANSPORTATION SECURITY OVERSIGHT BOARD.

Section 115(b)(1)(F) of title 49, United States Code, is amended by striking "The Director of the Central Intelligence Agency" and inserting "The Director of National Intelligence, or the Director's designee.".

SEC. 215. TECHNICAL CORRECTIONS TO THE NATIONAL SECURITY ACT.

Title I of the National Security Act of 1947, as amended by Title I of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458), is further amended—

(1) in section 102A (50 U.S.C. 403-1)--

(i) in subsection (d)(3), by striking

“subparagraph (A)” and inserting

“paragraph (1)(A)”;

(ii) in subsection (d)(5)(A), by

striking “or personnel”;

(iii) in subsection (1)(2)(B), by

striking “section” and inserting

“paragraph”; and

(2) in section 119(c)(2)(B) (50 U.S.C. 404o(c)(2)(B)), by striking “(h)” and inserting “(i)”.

SEC. 216. TECHNICAL CORRECTIONS TO INTELLIGENCE REFORM AND TERRORISM PREVENTION ACT OF 2004.

The Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458) is amended—

(1) in section 1011(n) (50 U.S.C. 403-1(n)), by striking "Acquisition Authorities" in the paragraph heading and inserting "Acquisition and Other Authorities";

(2) in section 1016(e)(10)(B) (6 U.S.C. 485), by striking "Attorney General" the second time it appears and inserting "Department of Justice";

(3) in section 1061(d)(4)(A) (5 U.S.C. 601 note), by striking "National Intelligence Director" and inserting "Director of National Intelligence";

(4) in section 1071(e), by striking "(1)";

(5) in the heading of section 1072(b), by inserting "Agency" after "Intelligence";

(6) in section 2001 (28 U.S.C. 532 note)—

(i) in subsection (c)(1), by inserting "of" between "Investigation" and "an institutional culture";

(ii) in subsection (e)(2), by striking "National Intelligence Director in a manner consistent with section 112(e)" and inserting "Director of National

Intelligence in a manner consistent with applicable law”;

(iii) in subsection (f), by striking the comma after “shall”; and

(7) in section 2006 (28 U.S.C. 509 note)–

(i) in subsection (2), by striking “the”;

(ii) in subsection (3), by striking “the specific” and inserting “specific”.

SEC. 218. REPEAL OF CERTAIN AUTHORITIES RELATING TO THE OFFICE OF THE NATIONAL COUNTER-INTELLIGENCE EXECUTIVE.

(a) REPEAL OF CERTAIN AUTHORITIES.—Section 904 of the Counterintelligence Enhancement Act of 2002 (title IX of Public Law 107-306; 50 U.S.C. 402c) is amended—

(1) by striking subsections (d), (g)(3), (g)(4), (h), (i), and (j); and

(2) by redesignating subsections (e), (f), (g), (k), (l), and (m) as subsections (d), (e), (f), (g), (h), and (i) respectively.

(b) CONFORMING AMENDMENTS.—That section is further amended—

(1) in subsection (d), as redesignated by subsection (a)(2) of this section, by striking “subsection (f)” each place it appears in paragraphs (1) and (2) and inserting “subsection (e)”;

(2) in subsection (e)(1), as so redesignated, by striking “subsection(e)(1)” and inserting “subsection (d)(1)”; and

(3) in subsection (e)(2), as so redesignated, by striking “subsection (e)(2)” and inserting “subsection (d)(2)”.

SEC. 219. TECHNICAL CORRECTIONS TO EXECUTIVE SCHEDULE.

(a) Section 5313 of title 5, United States Code, is amended by striking "Director of Central Intelligence" and inserting in lieu thereof "Director of the Central Intelligence Agency".

(b) Section 5314 of title 5, United States Code, is amended by striking "Deputy Directors of Central Intelligence (2).".

(c) Section 5315 of title 5, United States Code, is amended by striking "General Counsel to the National Intelligence Director" and inserting in lieu thereof "General Counsel of the Office of the Director of National Intelligence".

**TITLE III - MATTERS RELATING TO ELEMENTS OF THE
INTELLIGENCE COMMUNITY.**

Subtitle A. Central Intelligence Agency

SEC. 301. REPORT ON AUDITED FINANCIAL STATEMENTS PROGRESS.

Section 114A of the National Security Act of 1947 (50 U.S.C. §404i-1), as amended by section 1071(a)(4) of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458), is further amended by striking "the Director of the Central Intelligence Agency,".

**SEC. 302. ADDITIONAL FUNCTIONS AND AUTHORITIES FOR
PROTECTIVE PERSONNEL OF THE CENTRAL INTELLIGENCE AGENCY.**

Section 5(a)(4) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403f(a)(4)) is amended—

(1) by inserting `` (A) `` after `` (4) ``;

(2) in subparagraph (A), as so designated—

(A) by striking ``and the protection`` and inserting ``the protection``; and

(B) by striking the semicolon and inserting `` , and the protection of the Director of National Intelligence; and ``; and

(3) by adding at the end the following new subparagraph:

`` (B) Authorize personnel engaged in the performance of protective functions authorized pursuant to subparagraph (A), when engaged in the performance of such functions, to make arrests without warrant for any offense against the United States committed in the presence of such personnel, or for any felony cognizable under the laws of the United States, if such personnel have reasonable grounds to believe that the person to be arrested has committed or is committing such felony, except that any authority pursuant to this subparagraph may be exercised only in accordance with guidelines approved by the Director and the Attorney General. Such personnel may not exercise any authority for the service of civil process or the investigation of criminal offenses; ``.

SEC. 303. DEPUTY DIRECTOR OF THE CENTRAL INTELLIGENCE AGENCY.

(a) ESTABLISHMENT AND DUTIES OF THE POSITION OF DEPUTY DIRECTOR OF CENTRAL INTELLIGENCE AGENCY.-- Title I of the National Security Act of 1947 (50 U.S.C. 402 et seq.), as amended by section 1011(a) of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458), is further amended by adding after section 104A the following:

"DEPUTY DIRECTOR OF THE CENTRAL INTELLIGENCE AGENCY"

"SEC. 104B. (a) DEPUTY DIRECTOR OF THE CENTRAL INTELLIGENCE AGENCY.--There is a Deputy Director of the Central Intelligence Agency who shall be appointed by the President.

"(b) DUTIES OF DEPUTY DIRECTOR OF THE CENTRAL INTELLIGENCE AGENCY.--(1) The Deputy Director of the Central Intelligence Agency shall assist the Director of the Central Intelligence Agency in carrying out the duties and responsibilities of the Director.

"(2) The Deputy Director of the Central Intelligence Agency shall act for, and exercise the powers of, the Director of the Central Intelligence Agency during the absence or disability of the Director of the Central Intelligence Agency, or during a vacancy in the

position of Director of the Central Intelligence Agency.".

(b) EXECUTIVE SCHEDULE LEVEL III.—Section 5314 of title 5, United States Code, is amended by adding at the end the following new item:

"Deputy Director of the Central Intelligence Agency.".

(c) EFFECTIVE DATE AND APPLICABILITY.—The amendments made by this section shall take effect on the date of the enactment of this Act and shall apply upon the earlier of--

(1) the date of the appointment by the President of an individual to serve as Deputy Director of the Central Intelligence Agency, except that the individual administratively performing the duties of the Deputy Director of the Central Intelligence Agency as of the date of the enactment of this Act may continue to perform such duties until the individual appointed to the position of Deputy Director of the Central Intelligence Agency assumes the duties of such position; or

(2) the date of the cessation of the performance of the duties of Deputy Director of the Central Intelligence Agency by the individual administratively performing such duties as of the date of the enactment of this Act.

**SEC. 304. TECHNICAL AMENDMENTS RELATING TO TITLES OF
CENTRAL INTELLIGENCE AGENCY POSITIONS.**

Section 17(d)(3)(B)(ii) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403q(d)(3)(B)(ii)) is amended—

(1) in subclause (I), by striking ``Executive Director'' and inserting ``Associate Deputy Director'';

(2) in subclause (II), by striking ``Deputy Director for Operations'' and inserting ``Director of the National Clandestine Service''; and

(3) in subclause (IV), by striking ``Deputy Director for Administration'' and inserting ``Director for Support''.

SEC. 305. GENERAL COUNSEL OF THE CENTRAL INTELLIGENCE AGENCY.

Section 20(a) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403t(a)) is amended by striking ", by and with the advice and consent of the Senate" and replacing it with a ".".

SEC. 306. SECTION 5(a)(1) OF THE CENTRAL INTELLIGENCE AGENCY ACT OF 1949.

Section 5(a)(1) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403f(a)(1)) is amended--

(1) by striking "any Agency functions or activities" and inserting "any functions or activities"; and

(2) by striking "authorized under paragraphs (2) and (3) of section 102(a), subsections (c)(7) and (d) of section 103, subsections (a) and (g) of section 104, and section 303 of the National Security Act of 1947 (50 U.S.C. 403(a)(2), (3), 403-3(c)(7), (d), 403-4(a), (g), and 405)" and inserting "authorized by law".

SEC. 308. TRAVEL ON ANY COMMON CARRIER FOR CERTAIN INTELLIGENCE COLLECTION PERSONNEL.

Section 116(b) of the National Security Act of 1947 (50 U.S.C. 404k(b)), as amended by sections 1071(a)(1)(S), 1071(a)(3)(B), and 1072(a)(5) of the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458), is further amended by inserting before the period the following: `` , who may redelegate such functions.'`.

SEC. 313. EXCLUSION OF GAIN FROM SALE OF A PRINCIPAL RESIDENCE BY CERTAIN EMPLOYEES OF THE INTELLIGENCE COMMUNITY.

(a) SPECIAL RULE-Clause (vi) of subparagraph (C) of Section 121(d)(9) of the Internal Revenue Code of 1986 is amended by striking "such" and all that follows and inserting:

"(I) for purposes of such duty such employee has moved from one duty station to another, and

(II) at least one of such duty stations is located outside of the Washington, District of Columbia, and Baltimore metropolitan statistical areas (as defined by the Secretary of Commerce).".

SEC. 317. TECHNICAL MODIFICATION TO MANDATORY RETIREMENT PROVISION OF CENTRAL INTELLIGENCE AGENCY RETIREMENT ACT.

Section 235(b)(1)(A) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2055(b)(1)(A)) is amended to read as follows:

"(A) Upon reaching age 65, in the case of a participant in the system who is at the Senior Intelligence Service rank of level 4 or above;" .

Subtitle B. Department of Defense

SEC. 321. ENHANCEMENTS TO THE NATIONAL SECURITY AGENCY TRAINING PROGRAM.

(a) TERMINATION OF EMPLOYEES.—Subsection (d)(1)(C) of section 16 of the National Security Agency Act of 1959 (50 U.S.C. 402 note) is amended by striking ``terminated either by'' and all that follows and inserting ``terminated—

``(i) by the Agency due to misconduct by the employee;

``(ii) by the employee voluntarily; or

``(iii) by the Agency for the failure of the employee to maintain such level of academic standing in the educational course of training as the Director of the National Security Agency shall have specified in the agreement of the employee under this subsection; and''.

(b) AUTHORITY TO WITHHOLD DISCLOSURE OF AFFILIATION WITH NSA. — Subsection (e) of such section is amended by striking ``(1) When an employee'' and all that follows through ``(2) Agency efforts'' and inserting ``Agency efforts''.

**SEC. 322. ADDITIONAL FUNCTIONS AND AUTHORITIES FOR
PROTECTIVE PERSONNEL OF THE NATIONAL SECURITY AGENCY.**

The National Security Agency Act of 1959 (50 U.S.C. section 402 note) is amended by adding at the end the following new section:

``SEC. 20. (a)

(1) Personnel of the Agency designated to perform protective functions pursuant to Department of Defense regulation are authorized, when engaged in the performance of such functions, to make arrests without a warrant for-

``(A) any offense against the United States committed in the presence of such personnel; or

``(B) any felony cognizable under the laws of the United States if such personnel have reasonable grounds to believe that the person to be arrested has committed or is committing such felony.

``(2) The authority in paragraph (1) may be exercised only in accordance with guidelines approved by the Director and the Attorney General.

``(3) Personnel of the Agency designated to perform protective functions pursuant to subsection (a) shall not exercise any authority for the service of civil process or the investigation of criminal offenses.

“(b) Nothing in this section shall be construed to impair or otherwise affect any authority under any other provision of law relating to the performance of protective functions.”.

SEC. 323. TECHNICAL AMENDMENTS FOR THE NATIONAL GEOSPATIAL-INTELLIGENCE AGENCY.

(a) TECHNICAL CHANGES TO UNITED STATES CODE.- Titles 5 and 44 of the United States Code are amended by striking "National Imagery and Mapping Agency" each place it appears and inserting "National Geospatial-Intelligence Agency or any successor agency".

(b) TECHNICAL CHANGES TO OTHER ACTS.- (1) Section 8H of the Inspector General Act of 1978 (Pub. L. 95-452; 5 USC App.) is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency or any successor agency".

(2) Section 7(b)(2)(A)(i) of the Employee Polygraph Protection Act of 1988 (Pub. L. 100-347; 29 USC section 2006(b)(2)(A)(i)) is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency or any successor agency".

(3) Section 207(a)(2)(B) of the Legislative Branch Appropriations Act, 1993 (Pub. L. 102-392; 44 USC section 501 note), is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency or any successor agency".

(4) Section 201 of the Homeland Security Act of 2002 (Pub. L. 107-296; 6 USC section 121) is amended by striking "National Imagery and Mapping Agency" and inserting "National Geospatial-Intelligence Agency or any successor agency".

**Subtitle C. Department of State; Department of Treasury;
Federal Bureau of Investigation; Department of Homeland
Security.**

**SEC. 354. ELIMINATION OF REPORTING REQUIREMENT FOR THE
DEPARTMENT OF THE TREASURY.**

Section 342 of the Intelligence Authorization Act for
Fiscal Year 2003 (Pub. L. 107-306; 50 U.S.C. section 404m)
is amended-

(1) by striking ``SEMIANNUAL REPORT ON'' from the
title, and inserting ``EMERGENCY NOTIFICATION
REGARDING'';

(2) by striking paragraphs (a) and (c); and

(3) renumbering paragraphs (b) and (d) as (a) and (b)
respectively.

SEC. 355. CLARIFYING AMENDMENTS RELATING TO SECTION 105 OF THE INTELLIGENCE AUTHORIZATION ACT FOR FISCAL YEAR 2004.

(a) Section 105(b) of the Intelligence Authorization Act for Fiscal Year 2004 (Public Law 108-177; 117 Stat. 2603; 31 U.S.C. 311 note) is amended—

(1) by striking ``Director of Central Intelligence`` and inserting ``Director of National Intelligence``; and

(2) by inserting ``or in section 313 of such 10 title,`` after ``subsection (a)),``.

(b) Section 105(c) of the Intelligence Authorization Act for Fiscal Year 2004 (Public Law 108-177; 117 Stat. 2603; 31 U.S.C. 311 note) is amended by striking ``DCI`` and inserting ``DNI``.

SEC. 360. DEPARTMENT OF HOMELAND SECURITY INFORMATION.

(a) Section 1405 of the John Warner National Defense Authorization Act for Fiscal Year 2007 (Pub. L. 109-364) (10 U.S.C. section 130d) is amended as follows:

(1) in the section heading—

(A) by striking "certain";

(B) by inserting "business information and homeland security" after "confidential";

(2) in subsection (a), by striking "§ 130d." and all that follows and inserting the following:

"§ 130d. Treatment under the Freedom of Information Act of confidential business information and homeland security information shared with State and local personnel.

"The sharing of confidential business information or homeland security information, pursuant to section 892 of the Homeland Security Act of 2002 (6 U.S.C. 482), by any Federal agency, with State and local personnel (as defined in such section) shall not be considered release of such information to the public, and shall not constitute a waiver of any applicable exemption to the release of such information under section 552 of title 5."

(3) in subsection (b), by striking "130d." and all that follows and inserting the following:
"130d. Treatment under the Freedom of Information Act of confidential business information and homeland security information shared with State and local personnel."

SEC. 361. TECHNICAL AMENDMENT RELATING TO THE COAST GUARD INTELLIGENCE ELEMENT.

Section 3(4) of the National Security Act of 1947 (50 U.S.C. 401a) is amended as follows—

(a) in subparagraph (H), by inserting "the Coast Guard," after "the Marine Corps,"; and

(b) in subparagraph (K), by striking ", including the Office of Intelligence of the Coast Guard".

**TITLE IV - MATTERS RELATING TO THE FOREIGN INTELLIGENCE
SURVEILLANCE ACT.**

SEC. 400. SHORT TITLE

Sections 400 through 414 may be cited as the ``Foreign
Intelligence Surveillance Modernization Act of 2007``.

SEC. 401. DEFINITIONS.

(a) AGENT OF A FOREIGN POWER.—Subsection (b)(1) of section 101 of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1801) is amended—

(1) in subparagraph (B), by striking ``; or'' and inserting ``;''; and

(2) by adding at the end the following:

``(D) is reasonably expected to possess, control, transmit, or receive foreign intelligence information while such person is in the United States, provided that the certification required under section 104(a)(6) or 303(a)(6) contains a description of the kind of significant foreign intelligence information sought;''.

(b) ELECTRONIC SURVEILLANCE.—Subsection (f) of such section is amended to read as follows:

``(f) 'Electronic surveillance' means—

``(1) the installation or use of an electronic, mechanical, or other surveillance device for acquiring information by intentionally directing surveillance at a particular, known person who is reasonably believed to be located within the United States under circumstances in which that person has a reasonable

expectation of privacy and a warrant would be required for law enforcement purposes; or

“(2) the intentional acquisition of the contents of any communication under circumstances in which a person has a reasonable expectation of privacy and a warrant would be required for law enforcement purposes, if both the sender and all intended recipients are reasonably believed to be located within the United States.”.

(c) WIRE COMMUNICATION. —Subsection (l) of such section is amended by striking subsection (l).

(d) MINIMIZATION PROCEDURES.—Subsection (h) of such section is amended—

(1) in subsection (3) by striking “; and” and inserting “.”; and

(2) by striking subsection (4).

(e) CONTENTS.—Subsection (n) of such section is amended to read as follows:

“(n) ‘Contents’, when used with respect to a communication, includes any information concerning the substance, purport, or meaning of that communication.”

SEC. 402. ATTORNEY GENERAL AUTHORIZATION FOR ELECTRONIC SURVEILLANCE.

(a) IN GENERAL.—The Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1801 et seq.) is further amended by striking section 102 and inserting the following:

``AUTHORIZATION FOR ELECTRONIC SURVEILLANCE FOR FOREIGN INTELLIGENCE PURPOSES

``SEC. 102. (a) IN GENERAL.— Notwithstanding any other law, the President, acting through the Attorney General, may authorize electronic surveillance without a court order under this title to acquire foreign intelligence information for periods of up to one year if the Attorney General—

``(1) certifies in writing under oath that—

``(A) the electronic surveillance is directed at—

``(i) the acquisition of the contents of communications of a foreign power, as defined in paragraph (1), (2), or (3) of section 101(a); or

``(ii) the acquisition of technical intelligence, other than the spoken communications of individuals, from property or premises under the control

of a foreign power, as defined in paragraph (1), (2), or (3) of section 101(a); and

“(B) the proposed minimization procedures with respect to such surveillance meet the definition of minimization procedures under section 101(h); and

“(2) reports such minimization procedures and any changes thereto to the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate at least 30 days prior to the effective date of such minimization procedures, unless the Attorney General determines immediate action is required and promptly notifies the committees of such minimization procedures and the reason for their becoming effective immediately.

“(b) MINIMIZATION PROCEDURES.—An electronic surveillance authorized under this section may be conducted only in accordance with the Attorney General’s certification and the minimization procedures. The Attorney General shall assess compliance with such procedures and shall report such

assessments to the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate under the provisions of section 108(a).

“(c) SUBMISSION OF CERTIFICATION.—The Attorney General shall promptly transmit under seal to the court established under section 103(a) a copy of the certification under subsection (a)(1). Such certification shall be maintained under security measures established by the Chief Justice with the concurrence of the Attorney General, in consultation with the Director of National Intelligence, and shall remain sealed unless—

“(1) an application for a court order with respect to the surveillance is made under section 104; or

“(2) the certification is necessary to determine the legality of the surveillance under section 106(f).

“AUTHORIZATION FOR ACQUISITION OF FOREIGN INTELLIGENCE INFORMATION

“SEC. 102A. (a) IN GENERAL.—Notwithstanding any other law, the President, acting through the Attorney General may, for periods of up to one year, authorize

the acquisition of foreign intelligence information concerning persons reasonably believed to be outside the United States if the Attorney General certifies in writing under oath that the Attorney General has determined that—

“(1) the acquisition does not constitute electronic surveillance;

“(2) the acquisition involves obtaining the foreign intelligence information from or with the assistance of a communications service provider, custodian, or other person (including any officer, employee, agent, or other specified person of such service provider, custodian, or other person) who has access to communications, either as they are transmitted or while they are stored, or equipment that is being or may be used to transmit or store such communications;

“(3) a significant purpose of the acquisition is to obtain foreign intelligence information; and

“(4) the minimization procedures to be used with respect to such acquisition activity meet the definition of minimization procedures under section 101(h).

“(b) SPECIFIC PLACE NOT REQUIRED.—A

certification under subsection (a) is not required to identify the specific facilities, places, premises, or property at which the acquisition of foreign intelligence information will be directed.

“(c) SUBMISSION OF CERTIFICATION.—The Attorney

General shall immediately transmit under seal to the court established under section 103(a) a copy of a certification made under subsection (a). Such certification shall be maintained under security measures established by the Chief Justice of the United States and the Attorney General, in consultation with the Director of National Intelligence, and shall remain sealed unless the certification is necessary to determine the legality of the acquisition under section 102B.

“(d) MINIMIZATION PROCEDURES.—An acquisition

under this section may be conducted only in accordance with the certification of the Attorney General and the minimization procedures adopted by the Attorney General. The Attorney General shall assess compliance with such procedures and shall report such assessments to the Permanent Select Committee on Intelligence of

the House of Representatives and the Select Committee on Intelligence of the Senate under section 108(a).

``DIRECTIVES RELATING TO ELECTRONIC SURVEILLANCE AND OTHER ACQUISITIONS OF FOREIGN INTELLIGENCE INFORMATION

``SEC. 102B. (a) DIRECTIVE.—With respect to an authorization of electronic surveillance under section 102 or an authorization of an acquisition under section 102A, the Attorney General may direct a person to—

``(1) immediately provide the Government with all information, facilities, and assistance necessary to accomplish the acquisition of foreign intelligence information in such a manner as will protect the secrecy of the electronic surveillance or acquisition and produce a minimum of interference with the services that such person is providing to the target; and

``(2) maintain under security procedures approved by the Attorney General and the Director of National Intelligence any records concerning the electronic surveillance or acquisition or the aid furnished that such person wishes to maintain.

``(b) COMPENSATION.—The Government shall compensate, at the prevailing rate, a person for

providing information, facilities, or assistance pursuant to subsection (a).

“(c) FAILURE TO COMPLY.—In the case of a failure to comply with a directive issued pursuant to subsection (a), the Attorney General may invoke the aid of the court established under section 103(a) to compel compliance with the directive. The court shall issue an order requiring the person to comply with the directive if it finds that the directive was issued in accordance with subsection (a) and is otherwise lawful. Failure to obey an order of the court may be punished by the court as contempt of court. Any process under this section may be served in any judicial district in which the person may be found.

“(d) REVIEW OF PETITIONS.—(1) (A) A person receiving a directive issued pursuant to subsection (a) may challenge the legality of that directive by filing a petition with the pool established under section 103(e)(1).

“(B) The presiding judge designated pursuant to section 103(b) shall assign a petition filed under subparagraph (A) to one of the judges serving in the pool established by section 103(e)(1). Not later

than 24 hours after the assignment of such petition, the assigned judge shall conduct an initial review of the directive. If the assigned judge determines that the petition is frivolous, the assigned judge shall immediately deny the petition and affirm the directive or any part of the directive that is the subject of the petition. If the assigned judge determines the petition is not frivolous, the assigned judge shall, within 72 hours, consider the petition in accordance with the procedures established under section 103(e)(2) and provide a written statement for the record of the reasons for any determination under this subsection.

“(2) A judge considering a petition to modify or set aside a directive may grant such petition only if the judge finds that such directive does not meet the requirements of this section or is otherwise unlawful. If the judge does not modify or set aside the directive, the judge shall immediately affirm such directive, and order the recipient to comply with such directive.

“(3) Any directive not explicitly modified or set aside under this subsection shall remain in full effect.

“(e) APPEALS.—The Government or a person receiving a directive reviewed pursuant to subsection (d) may file a petition with the Court of Review established under section 103(b) for review of the decision issued pursuant to subsection (d) not later than 7 days after the issuance of such decision. Such court of review shall have jurisdiction to consider such petitions and shall provide for the record a written statement of the reasons for its decision. On petition for a writ of certiorari by the Government or any person receiving such directive, the record shall be transmitted under seal to the Supreme Court, which shall have jurisdiction to review such decision.

“(f) PROCEEDINGS.—Judicial proceedings under this section shall be concluded as expeditiously as possible. The record of proceedings, including petitions filed, orders granted, and statements of reasons for decision, shall be maintained under security measures established by the Chief Justice of the United States, in consultation with the Attorney General and the Director of National Intelligence.

“(g) SEALED PETITIONS.—All petitions under this section shall be filed under seal. In any proceedings under this section, the court shall, upon request of the Government, review ex parte and in camera any Government submission, or portions of a submission, which may include classified information.

“(h) LIABILITY.—No cause of action shall lie in any court against any person for providing any information, facilities, or assistance in accordance with a directive under this section.

“(i) RETENTION OF DIRECTIVES AND ORDERS.—A directive made or an order granted under this section shall be retained for a period of not less than 10 years from the date on which such directive or such order is made.’’.

“USE OF INFORMATION ACQUIRED UNDER SECTION 102A

“SEC. 102C. (a) USE OF INFORMATION.—Information acquired from an acquisition conducted pursuant to section 102A concerning any United States person may be used and disclosed by Federal officers and employees without the consent of the United States person only in accordance with the minimization procedures required by section 102A. No otherwise privileged communication obtained in accordance with,

or in violation of, the provisions of section 102A shall lose its privileged character. No information from an acquisition pursuant to section 102A may be used or disclosed by Federal officers or employees except for lawful purposes.

“(b) NOTIFICATION BY UNITED STATES.—Whenever the Government intends to enter into evidence or otherwise use or disclose in any trial, hearing, or other proceeding in or before any court, department, officer, agency, regulatory body, or other authority of the United States, against a person who was the target of, or whose communications or activities were subject to, an acquisition authorized pursuant to section 102A, any information obtained or derived from such acquisition, the Government shall, prior to the trial, hearing, or other proceeding or at a reasonable time prior to an effort to disclose or so use that information or submit it in evidence, notify such person and the court or other authority in which the information is to be disclosed or used that the Government intends to so disclose or so use such information.

“(c) NOTIFICATION BY STATES OR POLITICAL SUBDIVISION.—Whenever any State or political

subdivision thereof intends to enter into evidence or otherwise use or disclose in any trial, hearing, or other proceeding in or before any court, department, officer, agency, regulatory body, or other authority of a State or a political subdivision thereof, against a person who was the target of, or whose communications or activities were subject to, an acquisition authorized pursuant to section 102A, any information obtained or derived from such acquisition, the State or political subdivision thereof shall notify such person, the court, or other authority in which the information is to be disclosed or used, and the Attorney General that the State or political subdivision thereof intends to so disclose or so use such information.

``(d) MOTION TO SUPPRESS.--(1) Any person against whom evidence obtained or derived from an acquisition authorized pursuant to section 102A is to be, or has been, introduced or otherwise used or disclosed in any trial, hearing, or other proceeding in or before any court, department, officer, agency, regulatory body, or other authority of the United States, a State, or a political subdivision thereof, may move to suppress

the evidence obtained or derived from such acquisition on the grounds that—

“(A) the information was unlawfully acquired; or

“(B) the acquisition was not properly made in conformity with an authorization under section 102A.

“(2) A person moving to suppress evidence under paragraph (1) shall make the motion to suppress the evidence before the trial, hearing, or other proceeding unless there was no opportunity to make such a motion or the person was not aware of the grounds of the motion.

“(e) IN CAMERA AND EX PARTE REVIEW BY DISTRICT COURT.—Whenever a court or other authority is notified pursuant to subsection (b) or (c) of this section, or whenever a motion is made pursuant to subsection (d) of this section, or whenever any motion or request is made pursuant to any other statute or rule of the United States or any State by a person who was the target of, or whose communications or activities were subject to, an acquisition authorized pursuant to section 102A before any court or other authority of the United States or any State—

“(1) to discover or obtain applications or orders or other materials relating to an acquisition authorized pursuant to section 102A, or

“(2) to discover, obtain, or suppress evidence or information obtained or derived from an acquisition authorized pursuant to section 102A, the United States district court or, where the motion is made before another authority, the United States district court in the same district as the authority, shall, notwithstanding any other law, if the Attorney General files an affidavit under oath that disclosure or an adversary hearing would harm the national security of the United States, review in camera and ex parte the application, order, and such other materials relating to the acquisition as may be necessary to determine whether such acquisition was lawfully authorized and conducted. In making this determination, the court may disclose to the person who was the target of, or whose communications or activities were subject to, an acquisition authorized pursuant to section 102A, under appropriate

security procedures and protective orders, portions of the application, order, or other materials relating to the acquisition only where such disclosure is necessary to make an accurate determination of the legality of the acquisition.

“(f) SUPPRESSION OF EVIDENCE; DENIAL OF MOTION.—

If the United States district court, pursuant to subsection (e) of this section, determines that an acquisition authorized pursuant to section 102A was not lawfully authorized or conducted, it shall, in accordance with the requirements of law, suppress the evidence which was unlawfully obtained or derived from the acquisition or otherwise grant the motion of the person who was the target of, or whose communications or activities were subject to, an acquisition authorized pursuant to section 102A. If the court determines that such acquisition was lawfully authorized and conducted, it shall deny the motion of the person who was the target of, or whose communications or activities were subject to, an acquisition authorized pursuant to section 102A except to the extent that due process requires discovery or disclosure.

“(g) FINALITY OF ORDERS.—Orders granting motions or requests under subsection (f) of this section, decisions under this section that an acquisition was not lawfully authorized or conducted, and orders of the United States district court requiring review or granting disclosure of applications, orders, or other materials relating to an acquisition shall be final orders and binding upon all courts of the United States and the several States except a United States court of appeals and the Supreme Court.

“(h) CONSULTATION WITH LAW ENFORCEMENT OFFICERS.—(1). Federal officers who acquire foreign intelligence information pursuant to section 102A may consult with Federal law enforcement officers or law enforcement personnel of a State or political subdivision of a State (including the chief executive officer of that State or political subdivision who has the authority to appoint or direct the chief law enforcement officer of that State or political subdivision) to coordinate efforts to investigate or protect against—

“(A) actual or potential attack or other grave hostile acts of a foreign power or an agent of a foreign power;

“(B) sabotage, international terrorism, or the international proliferation of weapons of mass destruction by a foreign power or an agent of a foreign power; or

“(C) clandestine intelligence activities by an intelligence service or network of a foreign power or by an agent of a foreign power.

“(2) Coordination authorized under paragraph (1) shall not preclude the certification required by section 102A.

“(i) PROTECTIVE ORDERS AND PRIVILEGES.—Nothing in this section shall prevent the United States from seeking protective orders or asserting privileges ordinarily available to the United States to protect against the disclosure of classified information.”.

(b) TABLE OF CONTENTS.—The table of contents in the first section of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1801 et seq.) is amended by inserting after the item relating to section 102 the following:

“102A. Authorization for acquisition of foreign intelligence information.

“102B. Directives relating to electronic surveillance and other acquisitions of

foreign intelligence information.

"102C. Use of information acquired under section
102A."

SEC. 403. JURISDICTION OF FISA COURT.

Section 103 of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1803) is amended—

(1) in subsection (a), by inserting ``at least`` before ``seven of the United States judicial circuits``; and

(2) by adding at the end the following new subsection:

``(g) Applications for a court order under section 104 of this title are authorized if the Attorney General approves such applications to the court having jurisdiction under this section, and a judge to whom an application is made may, notwithstanding any other law, grant an order, in conformity with section 105, approving electronic surveillance of a foreign power or an agent of a foreign power for the purpose of obtaining foreign intelligence information.``.

SEC. 404. APPLICATIONS FOR COURT ORDERS.

Section 104 of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1804) is amended—

(1) in subsection (a)—

(A) by striking paragraphs (2) and (11);

(B) by redesignating paragraphs (3) through (10) as paragraphs (2) through (9), respectively;

(C) in paragraph (5), as redesignated by subparagraph (B), by striking ``detailed description'' and inserting ``summary description'';

(D) in paragraph (6), as redesignated by subparagraph (B)—

(i) in the matter preceding subparagraph (A), by striking ``or officials designated'' and all that follows through ``consent of the Senate'' and inserting ``designated by the President to authorize electronic surveillance for foreign intelligence purposes'';

(ii) in subparagraph (C), by striking ``techniques;'' and inserting ``techniques; and'';

(iii) by striking subparagraph (D); and

(iv) by redesignating subparagraph (E) as subparagraph (D);

(E) in paragraph (7), as redesignated by subparagraph (B), by striking ``a statement of the means'' and inserting ``a summary statement of the means'';

(F) in paragraph (8), as redesignated by subparagraph (B)–

(i) by striking ``a statement'' and inserting ``a summary statement''; and

(ii) by striking ``application;' and inserting ``application; and''; and

(G) in paragraph (9), as redesignated by subparagraph (B), by striking "; and" and inserting "."

(2) by striking subsection (b);

(3) by redesignating subsections (c) through (e) as subsections (b) through (d), respectively; and

(4) in paragraph (1)(A) of subsection (d), as redesignated by paragraph (3), by striking ``or the Director of National Intelligence'' and inserting ``the Director of National Intelligence, or the Director of the Central Intelligence Agency''.

SEC. 405. ISSUANCE OF AN ORDER.

Section 105 of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1805) is amended—

(1) in subsection (a)—

(A) by striking paragraph (1); and

(B) by redesignating paragraphs (2) through (5) as paragraphs (1) through (4), respectively;

(2) in paragraph (1) of subsection (c)—

(A) in subparagraph (D), by striking

“surveillance;” and inserting “surveillance; and”;

(B) in subparagraph (E), by striking “approved; and” and inserting “approved.”;

(C) by striking subparagraph (F).

(3) by striking subsection (d);

(4) by redesignating subsections (e) through (i) as subsections (d) through (h), respectively;

(5) in subsection (d), as redesignated by paragraph (4)—

(A) by striking “120 days” and insert “one year”, and

(B) by amending paragraph (2) to read as follows:

“(2) Extensions of an order issued under this title may be granted on the same basis as an original order

upon an application for an extension and new findings made in the same manner as required for an original order and may be for a period not to exceed one year.'';

(6) in subsection (e), as redesignated by paragraph (4), to read as follows:

“(e) Notwithstanding any other provision of this title, the Attorney General may authorize the emergency employment of electronic surveillance if the Attorney General—

“(1) determines that an emergency situation exists with respect to the employment of electronic surveillance to obtain foreign intelligence information before an order authorizing such surveillance can with due diligence be obtained;

“(2) determines that the factual basis for issuance of an order under this title to approve such electronic surveillance exists;

“(3) informs a judge having jurisdiction under section 103 at the time of such authorization that the decision has been made to employ emergency electronic surveillance; and

“(4) makes an application in accordance with this title to a judge having jurisdiction under section 103

as soon as practicable, but not more than 168 hours after the Attorney General authorizes such surveillance. If the Attorney General authorizes such emergency employment of electronic surveillance, the Attorney General shall require that the minimization procedures required by this title for the issuance of a judicial order be followed. In the absence of a judicial order approving such electronic surveillance, the surveillance shall terminate when the information sought is obtained, when the application for the order is denied, or after the expiration of 168 hours from the time of authorization by the Attorney General, which ever is earliest. In the event that such application for approval is denied, or in any other case where the electronic surveillance is terminated and no order is issued approving the surveillance, no information obtained or evidence derived from such surveillance shall be received in evidence or otherwise disclosed in any trial, hearing, or other proceeding in or before any court, grand jury, department, office, agency, regulatory body, legislative committee, or other authority of the United States, a State, or political subdivision thereof, and no information concerning any United

States person acquired from such surveillance shall subsequently be used or disclosed in any other manner by Federal officers or employees without the consent of such person, except with the approval of the Attorney General if the information is significant foreign intelligence information or indicates a threat of death or serious bodily harm to any person. The Attorney General shall assess compliance with the requirements of the prior sentence and shall include such assessments in the Attorney General's reports under section 102(b). A denial of the application made under this subsection may be reviewed as provided in section 103.'';

(7) in subsection (h), as redesignated by paragraph (4)–

(A) by striking ``a wire or'' and inserting ``an''; and

(B) by striking ``physical search'' and inserting ``physical search or in response to a certification by the Attorney General or a designee of the Attorney General seeking information, facilities, or technical assistance from such person under section 102B''; and

(8) by adding at the end the following new subsection:

“(i) In any case in which the Government makes an application to a judge under this title to conduct electronic surveillance involving communications and the judge grants such application, upon the request of the applicant, the judge shall also authorize the installation and use of pen registers and trap and trace devices, and direct the disclosure of the information set forth in section 1842(d)(2) of this title; such information shall not be subject to minimization procedures.”.

SEC. 406. USE OF INFORMATION.

Section 106 of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1806) is amended—

(1) in subsection (i)—

(A) by striking ``radio communication'' and inserting ``communication''; and

(B) by striking ``contents indicates'' and inserting ``contents contain significant foreign intelligence information or indicate''; and

(2) by inserting after subsection (k) the following"

“(1) PROTECTIVE ORDERS AND PRIVILEGES.—Nothing in this section shall prevent the United States from seeking protective orders or asserting privileges ordinarily available to the United States to protect against the disclosure of classified information.”.

SEC. 407. WEAPONS OF MASS DESTRUCTION.

(a) DEFINITIONS.—

(1) Subsection (a)(4) of section 101 of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1801(a)(4)) is amended by inserting ``or the international proliferation of weapons of mass destruction'' after ``international terrorism''.

(2) Subsection (b)(1) of such section (50 U.S.C. 1801(b)(1)) is amended—

(A) in subparagraph (C), by striking ``; or'' and inserting ``;''; and

(B) by adding at the end the following new subparagraphs:

``(E) engages in the international proliferation of weapons of mass destruction, or activities in preparation therefor; or

``(F) engages in the international proliferation of weapons of mass destruction, or activities in preparation therefor, for or on behalf of a foreign power; or''.

(3) Subsection (e)(1)(B) of such section (50 U.S.C. 1801(e)(1)(B)) is amended by striking ``sabotage or international terrorism'' and inserting ``sabotage,

international terrorism, or the international proliferation of weapons of mass destruction''.

(4) Subsection (1) of such section (50 U.S.C. 1801(1)) is amended to read as follows:

''(1) 'Weapon of mass destruction' means—

''(1) any destructive device (as such term is defined in section 921 of title 18, United States Code) that is intended or has the capability to cause death or serious bodily injury to a significant number of people;

''(2) any weapon that is designed or intended to cause death or serious bodily injury through the release, dissemination, or impact of toxic or poisonous chemicals or their precursors;

''(3) any weapon involving a biological agent, toxin, or vector (as those terms are defined in section 178 of title 18, United States Code); or

''(4) any weapon that is designed to release radiation or radioactivity at a level dangerous to human life.''.

(b) USE OF INFORMATION.—

(1) Section 106(k)(1)(B) of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1806(k)(1)(B)) is amended by striking ''sabotage or international

terrorism'' and inserting ``sabotage, international terrorism, or the international proliferation of weapons of mass destruction''.

(2) Section 305(k)(1)(B) of such Act (50 U.S.C. 1825(k)(1)(B)) is amended by striking ``sabotage or international terrorism'' and inserting ``sabotage, international terrorism, or the international proliferation of weapons of mass destruction''.

SEC. 408. LIABILITY DEFENSE.

(a) IN GENERAL.—Notwithstanding any other law, and in addition to the immunities, privileges, and defenses provided by any other source of law, no action shall lie or be maintained in any court, and no penalty, sanction, or other form of remedy or relief shall be imposed by any court or any other body, against any person for the alleged provision to an element of the intelligence community of any information (including records or other information pertaining to a customer), facilities, or any other form of assistance, during the period of time beginning on September 11, 2001, and ending on the date that is the effective date of this Act, in connection with any alleged classified communications intelligence activity that the Attorney General or a designee of the Attorney General certifies, in a manner consistent with the protection of State secrets, is, was, would be, or would have been intended to protect the United States from a terrorist attack. This section shall apply to all actions, claims, or proceedings pending on or after the effective date of this Act.

(b) JURISDICTION.—Any action or claim described in subsection (a) that is brought in a State court shall be deemed to arise under the Constitution and laws of the

United States and shall be removable pursuant to section 1441 of title 28, United States Code.

(c) DEFINITIONS.—In this section:

(1) INTELLIGENCE COMMUNITY.—The term ``intelligence community'' has the meaning given the term in section 3(4) of the National Security Act of 1947 (50 U.S.C. 401a(4)).

(2) PERSON.—The term ``person'' has the meaning given the term in section 2510(6) of title 18, United States Code.

SEC. 409. AMENDMENTS FOR PHYSICAL SEARCHES.

(a) APPLICATIONS.—Section 303 of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1823) is amended—

(1) in subsection (a)—

(A) by striking paragraph (2);

(B) by redesignating paragraphs (3) through (9) as paragraphs (2) through (8), respectively;

(C) in paragraph (2), as redesignated by subparagraph (B), by striking “detailed description” and inserting “summary description”;

(D) in paragraph (3)(C), as redesignated by subparagraph (B), by inserting “or is about to be” before “owned”;

(E) in paragraph (6), as redesignated by subparagraph (B)—

(i) in the matter preceding subparagraph (A), by striking “or officials” and all that follows through “consent of the Senate” and inserting “designated by the President to authorize physical searches for foreign intelligence purposes”;

(ii) in subparagraph (C), by striking
``techniques;'' and inserting ``techniques;
and'';

(iii) by striking subparagraph (D);

(iv) by redesignating subparagraph (E) as
subparagraph (D); and

(v) in subparagraph (D), as redesignated by
clause (iv), by striking ``certifications
required by subparagraphs (C) and (D)'' and
inserting ``certification required by
subparagraph (C)''; and

(F) in paragraph (8), as redesignated by
subparagraph (B), by striking ``a statement'' and
inserting ``a summary statement''; and

(2) in subsection (d)(1)(A), by striking ``or the
Director of National Intelligence'' and inserting
``the Director of National Intelligence, or the
Director of the Central Intelligence Agency''.

(b) ORDERS.—Section 304 of such Act (50 U.S.C. 1824) is
amended—

(1) in subsection (a)—

(A) by striking paragraph (1);

(B) by redesignating paragraphs (2) through (5)
as paragraphs (1) through (4), respectively; and

(C) in paragraph (2)(B), as redesignated by subparagraph (B), by inserting "or is about to be" before "owned";

(2) in subsection (e), to read as follows:

“(e) Notwithstanding any other provision of this title, the Attorney General may authorize the emergency employment of a physical search if the Attorney General—

“(1) determines that an emergency situation exists with respect to the employment of a physical search to obtain foreign intelligence information before an order authorizing such physical search can with due diligence be obtained;

“(2) determines that the factual basis for issuance of an order under this title to approve such physical search exists;

“(3) informs a judge having jurisdiction under section 103 at the time of such authorization that the decision has been made to employ an emergency physical search; and

“(4) makes an application in accordance with this title to a judge having jurisdiction under section 103 as soon as practicable, but not more

than 168 hours after the Attorney General authorizes such physical search. If the Attorney General authorizes such emergency employment of a physical search, the Attorney General shall require that the minimization procedures required by this title for the issuance of a judicial order be followed. In the absence of a judicial order approving such physical search, the physical search shall terminate when the information sought is obtained, when the application for the order is denied, or after the expiration of 168 hours from the time of authorization by the Attorney General, whichever is earliest. In the event that such application for approval is denied, or in any other case where the physical search is terminated and no order is issued approving the physical search, no information obtained or evidence derived from such physical search shall be received in evidence or otherwise disclosed in any trial, hearing, or other proceeding in or before any court, grand jury, department, office, agency, regulatory body, legislative committee, or other authority of the United States, a State, or

political subdivision thereof, and no information concerning any United States person acquired from such physical search shall subsequently be used or disclosed in any other manner by Federal officers or employees without the consent of such person, except with the approval of the Attorney General if the information is significant foreign intelligence information or indicates a threat of death or serious bodily harm to any person. The Attorney General shall assess compliance with the requirements of the prior sentence and shall include such assessments in the Attorney General's reports under section 302(a)(2). A denial of the application made under this subsection may be reviewed as provided in section 103.''

(c) CONFORMING AMENDMENTS.—The Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1801 et seq.) is further amended—

- (1) in section 304(a)(5), by striking ``303(a)(7)(E)'' and inserting ``303(a)(6)(E)''; and
- (2) in section 305(k)(2), by striking ``303(a)(7)'' and inserting ``303(a)(6)''.

SEC. 410. AMENDMENTS FOR EMERGENCY PEN REGISTERS AND TRAP AND TRACE DEVICES.

(a) Section 403 of the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1843) is amended—

(1) in subsection (a)(2) by striking “48 hours” and inserting “168 hours”; and

(2) in subsection (c)(1)(C) by striking “48 hours” and inserting “168 hours”.

SEC. 411. MANDATORY TRANSFER FOR REVIEW.

(a) IN GENERAL.—In any case before any court challenging the legality of a classified communications intelligence activity relating to a foreign threat, or in which the legality of any such activity is in issue, if the Attorney General files an affidavit under oath that the case should be transferred to the Foreign Intelligence Surveillance Court because further proceedings in the originating court would harm the national security of the United States, the originating court shall transfer the case to the Foreign Intelligence Surveillance Court for further proceedings under this section.

(b) PROCEDURES FOR REVIEW.—The Foreign Intelligence Surveillance Court shall have jurisdiction as appropriate to determine standing and the legality of the communications intelligence activity to the extent necessary for resolution of the underlying case. All proceedings under this paragraph shall be conducted in accordance with the procedures set forth in section 106(f) of the Foreign Intelligence Surveillance Act of 1978, except that the Foreign Intelligence Surveillance Court shall not require the disclosure of national security information to any person without the approval of the

Director of National Intelligence or the Attorney General, unless in the context of a criminal proceeding, disclosure would be constitutionally required. Any such constitutionally required disclosure shall be governed by the Classified Information Procedures Act, Pub. L. No. 96-456, 94 Stat. 2025 (1980), or if applicable, Title 18, United States Code, Section 2339B(f).

(c) APPEAL, CERTIORARI, AND EFFECTS OF DECISIONS.—The decision of the Foreign Intelligence Surveillance Court made under paragraph (b), including a decision that the disclosure of national security information is constitutionally required, shall be subject to review by the Court of Review established under section 103(b) of the Foreign Intelligence Surveillance Act. The Supreme Court of the United States shall have jurisdiction to review decisions of the Court of Review by writ of certiorari granted upon the petition of the United States. The decision by the Foreign Intelligence Surveillance Court shall otherwise be binding in all other courts.

(d) DISMISSAL.—The Foreign Intelligence Surveillance Court or a court that is an originating court under paragraph (a) may dismiss a challenge to the legality of a classified communications intelligence activity for any reason provided for under law.

(e) PRESERVATION OF LITIGATION PRIVILEGES.—All litigation privileges shall be preserved in the originating court and in the Foreign Intelligence Surveillance Court, the Foreign Intelligence Court of Review, and the Supreme Court of the United States, in any case that is transferred and received under this section.

SEC. 412. TECHNICAL AND CONFORMING AMENDMENTS.

The Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1801 et seq.) is further amended—

(1) in section 103(e)—

(A) in paragraph (1), by striking ``501(f)(1)'' and inserting ``102B(d) or 501(f)(1)''; and

(B) in paragraph (2), by striking ``501(f)(1)'' and inserting ``102B(d) or 501(f)(1)'';

(2) in section 105—

(A) in subsection (a)(4), as redesignated by section 105(1)(B)—

(i) by striking ``104(a)(7)(E)'' and inserting ``104(a)(6)(D)''; and

(ii) by striking ``104(d)'' and inserting ``104(c)'';

(B) in subsection (c)(1)(A), by striking ``104(a)(3)'' and inserting ``104(a)(2)'';

(3) in section 106—

(A) in subsection (j), in the matter preceding paragraph (1), by striking ``105(e)'' and inserting ``105(d)''; and

(B) in subsection (k)(2), by striking ``104(a)(7)(B)'' and inserting ``104(a)(6)(B)''; and

(4) in section 108(a)(2)(C), by striking ``105(f)``
and inserting ``105(e)``.

SEC. 413. EFFECTIVE DATE.

(a) Except as otherwise provided, the amendments made by this Act shall take effect 90 days after the date of the enactment of this Act.

(b) Notwithstanding any other provision of this Act, any order in effect on the date of enactment of this Act issued pursuant to the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1801 et seq.) shall remain in effect until the date of expiration of such order, and, at the request of the applicant, the court established under section 103 (a) of such Act (50 U.S.C. 1803(a)) may reauthorize such order as long as the facts and circumstances continue to justify issuance of such order under the provisions of the Foreign Intelligence Surveillance Act of 1978, as in effect on the day before the applicable effective date of this Act. The court established under section 103(a) of such Act shall extinguish any such order at the request of the applicant.

SEC. 414. CONSTRUCTION; SEVERABILITY.

Any provision of this Act held to be invalid or unenforceable by its terms, or as applied to any person or circumstance, shall be construed so as to give it the maximum effect permitted by law, unless such holding shall be one of utter invalidity or unenforceability, in which event such provision shall be deemed severable from this Act and shall not affect the remainder thereof or the application of such provision to other persons not similarly situated or to other, dissimilar circumstances.

SECTIONAL ANALYSIS

TITLE I - INTELLIGENCE ACTIVITIES.

Subtitle A. General Provisions.

Sec. 101. Authorization of Appropriations.

Section 101 lists the United States Government departments, agencies, and other elements for which the Act authorizes appropriations for intelligence and intelligence-related activities for fiscal year 2008.

Sec. 102. Classified Schedule of Authorizations.

Section 102 makes clear that the details of the amounts authorized to be appropriated for intelligence and intelligence-related activities covered under this title for fiscal year 2008 are contained in a classified Schedule of Authorizations. The Schedule of Authorizations shall be made available to the Committees on Appropriations of the Senate and House of Representatives and to the President.

Sec. 103. Elimination of Certain Personnel Management Constraints.

This section would add a new subsection to the National Security Act of 1947 to eliminate congressionally imposed civilian end-strength ceilings on the Intelligence Community. This section is consistent with the Strategic Plan of the Director of National Intelligence. Such ceilings, contained in recent Intelligence Authorization Acts, are inflexible, lead to increased use of contractors to perform necessary IC functions in lieu of staff employees, and severely hinder the IC's civilian joint duty, student employment, and National Intelligence Reserve Corps programs.

This proposal would repeal personnel ceilings and make future IC employment totals determined strictly by the overall budget appropriation. Congressional oversight of the IC workforce is assured by a requirement for an annual projection of employment levels based on mission requirements from the DNI to the intelligence oversight committees in each year's budget submission. This proposal is similar to legislation enacted by Congress for the Department of Defense, and codified at 10 U.S.C. 129.

This proposal will eliminate the need for the personnel ceilings adjustments authority that was included in section 103 of the previous Intelligence Authorization Acts.

Sec. 104. Restriction on Conduct of Intelligence Activities.

Section 104 provides that the authorization of appropriations by the Act shall not be deemed to constitute authority for the conduct of any intelligence activity that is not otherwise authorized by the Constitution or laws of the United States.

Sec. 105. Definition of Intelligence Community.

Section 105 further amends section 3(4)(L) of the National Security Act of 1947, as amended by section 1073 of the Intelligence Reform and Terrorism Prevention Act of 2004, to strike the anomalous occurrence of the term "other" from the definition of "intelligence community".

Sec. 106. Additional Administrative Authorities for the Office of the Director of National Intelligence.

Section 106 recognizes that from an organizational standpoint, the Director of National Intelligence (DNI) must be able to focus the Intelligence Community (IC) rapidly on a particular intelligence issue through a coordinated effort that uses all available resources. The DNI should have the ability to respond with flexibility and coordinate the IC response to an emerging threat or issue. Often times, the appropriate response is a small, limited duration inter-agency board or commission to examine the threat or issue and report back to the DNI. Other times, it may be the rapid establishment of a national intelligence center. Given the federated nature of the intelligence community, which crosses many organization lines, the application of the general prohibition against funding inter-agency boards and commissions to the intelligence community should be modified to permit limited exceptions.

To provide the necessary operational and organizational flexibility, this section grants the DNI the authority - notwithstanding certain specified provisions of general appropriations law - to approve interagency financing of national intelligence centers (authorized under Section 119B) of the National Security Act of 1947 (50 U.S.C. section 404o-2)) and of other boards, commissions, councils, committees, or similar groups established by the DNI (e.g., "mission managers," as recommended by the Commission on the Intelligence Capabilities of the United States regarding Weapons of Mass Destruction (WMD Commission)). Under this section, the DNI could authorize the pooling of resources from various IC agencies to finance national intelligence centers or other organizational groups designed to address identified intelligence matters. Upon the request of the DNI, the provision expressly permits intelligence community elements to fund or participate in the funding of, the authorized activities.

Section 106 also exempts the DNI from the provisions of the Administrative Procedures Act in the performance of his duties; this authority is similar to what the Director of Central Intelligence had.

Sec. 108. Extension to the Intelligence Community of Authority to Delete Information about Receipt and Disposition of Foreign Gifts.

Section 108 provides to the heads of Intelligence Community (IC) elements the same exemption from certain reporting requirements under 5 U.S.C. 7342 as the Central Intelligence Agency (CIA) and the Office of the Director of National Intelligence (ODNI) have. This section only applies to certain reporting requirements. Receipt of gifts must still comply with all applicable ethics laws and regulations.

Current law generally requires that detailed information about the receipt of foreign gifts be reported, including the source of the gift. In addition, some of this information subsequently is published in the Federal Register. Revealing the source of a gift given in the context of a foreign intelligence relationship would compromise the relationship and undermine national security.

To resolve this dilemma, the law provided an exemption to the former Director of Central Intelligence (DCI) from reporting information about foreign gifts, when the publication of the information could adversely affect United States intelligence sources. A similar exemption was extended to the Director of National Intelligence (DNI) and the Director of the Central Intelligence Agency (D/CIA) in section 1079 of the Intelligence Reform and Terrorism Prevent Act of 2004, Pub. L. No. 108-458 (Dec. 17, 2004).

Section 108 amends existing law to provide to the heads of the each IC element the same limited exemption from specified public reporting requirements that is currently authorized for the DNI and the D/CIA. The national security concerns that prompted the initial DCI exemption, and the more recent exemptions for the DNI and the D/CIA, apply with equal weight to other IC elements: the publication of certain information relating to foreign gifts or decorations provided to employees of IC agencies could adversely affect United States intelligence sources.

Section 108 supports two Enterprise Objectives identified in the National Intelligence Strategy: E06, "Establish new and strengthen existing foreign intelligence relationships to help us meet global security challenges," and E07,

"Create clear, uniform security practices and rules that allow us to work together, protect our nation's secrets, and enable aggressive counterintelligence activities." In particular, section 108 promotes the E06 goal of strengthening existing foreign intelligence relationships and paving the way to ensure that new foreign alliances and partnerships will not be endangered by the threat that the classified relationship will be made public. Section 108 also promotes the E07 goal of personnel security by protecting the names of certain Intelligence Community employees as well as ensuring the protection of classified information.

Sec. 109. Cancellation of Certain Reporting Requirements.

Section 109 cancels outdated and duplicative statutory reporting requirements. As part of an overall effort to reduce the number of outdated and duplicative reports to the Congress, the Intelligence Community also will seek agreement from the interested congressional committees to cancel other reporting requirements that originated in committee and conference reports and annexes to bills considered in one or both houses.

Section 109 cancels the requirements for the following statutory reports:

1. Unclassified Annual Report of the Intelligence Community as required by the National Security Act of 1947, as amended (50 U.S.C. 404d).
2. Attorney General Annual Report on the Use of Appropriated Funds by the Office of Intelligence Policy and Review, section 606(b)(2)(A), Intelligence Authorization Act for FY2001, P.L. 106-567, 114 Stat. 2854.
3. Annual Presidential Report Relating to Official Immunity in Interdiction of Aircraft Engaged in Illicit Drug Trafficking, section 503, Intelligence Authorization Act for FY2002, P.L. 107-108, 115 Stat. 1405.
4. Annual Director of Central Intelligence [now DNI] Report on the Status of the Terrorist Identification Classification System, section 343(g), Intelligence Authorization Act for FY2003, P.L. 107-306, 116 Stat. 2400.
5. Annual Reports by the Director of Central Intelligence [now DCIA], Director of NSA, Director of DIA, and Director of NIMA [now NGA] on Improvements of Financial Statements of Certain Elements of the Intelligence Community, section 823, Intelligence Authorization Act for FY2003, P.L. 107-306, 116 Stat. 2427.
6. Annual Report by the Counterdrug Intelligence Coordinating Group on Current Counterdrug Intelligence Matters, section 826, Intelligence Authorization Act for FY2003, P.L. 107-306, 116 Stat. 2429.
7. Annual Report by the Director, FBI on the exercise of FBI's authority to enter into personal services contracts

to support the intelligence or counterintelligence missions of the FBI, section 311, Intelligence Authorization Act for FY2004, P.L. 108-177, 117 Stat. 2605.

8. Annual Report to Congress by the President on Actions Taken in Response to Espionage by the People's Republic of China (National Defense Authorization Act for Fiscal Year 2000, Section 3151 (42 U.S.C. 7383e).

9. Annual Review of Individuals Included on Dissemination Lists for Access to Classified Information (Intelligence Authorization Act for Fiscal Year 2004, Section 341(a) (50 U.S.C. § 442a).

10. FY 1998 House Permanent Select Committee on Intelligence Unclassified Report, Intelligence Sharing with the United Nations, FY 1997 Intelligence Authorization Act, P.L. 104-293, Section 308(a) (50 U.S.C. 404g).

11. Annual Report on Safety and Security of Russian Nuclear Facilities and Nuclear Military forces, National Security Act of 1947, as amended, section 114(b) (50 U.S.C. 404i(b).

12. Annual Report Concerning Dismantling of Russian Strategic Nuclear Warheads - Moscow Treaty, FY 2004 Defense Authorization Conference Report, HR 108-354.

13. Threat Reduction Interaction Between the Intelligence Community, the Department of Defense and the Department of Energy, FY 2001 Intelligence Authorization Classified Annex, pp. 11-12.

14. Coastal State Territorial Claims and U.S. Reconnaissance Activity, FY 2005 Senate Select Committee on Intelligence Report 108-258, pp. 6-7.

15. External Competitive Analysis on China-Taiwan, FY2000 House Permanent Select Committee on Intelligence Report, Classified Annex, pp. 93-94.

Subtitle B. Efficient Management of Budget Authorities.

Sec. 110. Intelligence Community Management Account.

Section 110 authorizes appropriations for the Community Management Account (CMA) of the Director of National Intelligence (DNI) for fiscal year 2008.

Section 110 eliminates a provision from recent intelligence authorization legislation which limits the term of non-reimbursable details to the Office of the DNI (ODNI) to one year or less. Because the Intelligence Reform and Terrorism Prevention Act of 2004 provided the DNI with considerable flexibility to manage human resources, the old Community Management restriction regarding nonreimbursable details is too limiting. Instead, section 126 would provide for a term, not to exceed three years, of non-reimbursable details to the ODNI. The one year restriction was changed because it unduly restricts the ODNI's ability to facilitate the rotation of Intelligence Community employees, especially those on joint duty assignments.

Subsection (a) authorizes appropriations of \$705,376,000 for fiscal year 2008 for the activities of the CMA of the DNI. Subsection (a) also authorizes funds identified for advanced research and development to remain available for two years.

Subsection (b) authorizes additional appropriations for the CMA as specified in the classified Schedule of Authorizations and permits the additional funding amount to remain available through September 30, 2008, except for funds for research and development activities, which remain available through September 30, 2009.

Sec. 111. Authorization of Appropriations.

Section 111 authorizes appropriations in the amount of \$262,500,000 for fiscal year 2008 for the Central Intelligence Agency Retirement and Disability Fund.

Section 111 supports Enterprise Objective 10 (EO10) of the ODNI's National Intelligence Strategy, "Eliminate redundancy and programs that add little or no value and re-direct savings to existing and emerging national security priorities." In particular, Section 111 would update CIA financial management processes - one of the goals identified in EO10 - by providing the necessary funds in accordance with the responsibility of the Director of the CIA specified in Section 261(a) of the Central Intelligence Agency Retirement Act (50 U.S.C. 2091(a)).

Sec. 112. Modification of availability of funds for different intelligence activities.

Section 112 replaces the "unforeseen requirements" standard that governs reprogrammings of funds which is set forth in section 504(a)(3)(B) of the National Security Act, with a more precise standard consistent with the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA). The new standard would enhance the flexibility and capability of intelligence agencies to reprogram funds to meet higher-priority mission requirements.

Section 112 conforms the text of section 504(a)(3)(B) of the National Security Act of 1947 (50 U.S.C. 414(a)(3)(B) (governing the funding of intelligence activities)) with the more substantive text provided in Section 1011(a) of the Intelligence Reform and Terrorism Prevention Act of 2004 (Pub.L. No. 108-458 (Dec. 17, 2004)) (governing the transfer and reprogramming by the Director of National Intelligence (DNI) of certain intelligence funding). This conforming amendment replaces the "unforeseen requirements" standard set forth in section 504(a)(3)(B) of the National Security Act with a clearer standard to govern reprogrammings of funds authorized for a different intelligence or intelligence-related activity.

Under this new standard, a reprogramming would be authorized if, in addition to the other requirements of section 504(a)(3), the new use of funds would "support an emergent need, improve program effectiveness, or increase efficiency." This modification brings the standard for reprogrammings of intelligence funding into conformity with the standards applicable to reprogrammings and transfers under section 102A(d) of the National Security Act of 1947. The modification preserves congressional oversight of proposed reprogrammings and transfers while enhancing the Intelligence Community's ability to carry out missions and functions vital to national security.

Section 112 supports Enterprise Objective 10 (EO10) of the ODNI's National Intelligence Strategy, "Eliminate redundancy and programs that add little or no value and re-direct savings to existing and emerging national security priorities." In particular, section 112 would improve the Intelligence Community's ability to align and reallocate resources to the highest priorities and strengthen the linkages between strategy, priorities, performance, and

investment -- two of the goals identified in E010 -- by conforming section 504(a)(3)(B) of the National Security Act with the standard set forth in section 1011(a) of the IRTPA, thereby improving the Intelligence Community's ability to reprogram funds to pursue higher-priority missions and activities vital to national security.

*Sec. 113. Increase in Employee Compensation and Benefits
Authorized by Law.*

Section 113 provides that funds authorized to be appropriated by this Act for salary, pay, retirement and other benefits for federal employees may be increased by such additional or supplemental amounts as may be necessary for increases in such compensation or benefits authorized by law.

Sec. 114. Reserve for Contingencies of the Director of National Intelligence.

The Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA) strengthened the authorities of the Director of National Intelligence (DNI) to determine, oversee, and implement the National Intelligence Program (NIP). These new authorities are central to formulate the budget, advance Intelligence Community (IC) integration, improve coordination, and strengthen national intelligence capabilities.

Section 114 augments these authorities and creates an account, or "reserve" of funds, for the Director of National Intelligence (DNI) to use across the Intelligence Community to address emergency requirements, operational exigencies, and opportunities that arise outside the budget formulation cycle and cannot be addressed in a timely fashion through existing budgetary processes. Section 114 provides the DNI with the necessary budgetary and operational flexibility to lead a more agile organization that is more responsive to unanticipated IC requirements.

The section 114 reserve is limited to funds appropriated to the NIP in the RDT&E (research, development, test, and evaluation) appropriation from the Community Management Account, amounts which ordinarily are available for two fiscal years. The annual appropriation to the reserve cannot exceed \$50 million in any fiscal year. Funds remain available as originally appropriated, after which any expired unused funds are returned to the Treasury.

Section 114 reserve funds are available to the DNI and IC elements for purposes permitted by law and consistent with regulations and guidance promulgated by the Office of the Director of National Intelligence (ODNI). The ODNI anticipates developing procedures similar to those currently established for management of the Central Intelligence Agency's (CIA's) Reserve for Contingencies. The ODNI will approve the use of the funds, the Office of Management and Budget OMB will approve their release from the reserve, and ODNI will notify Congress as required.

In addition, reserve funds are available for a program or activity not previously authorized by Congress when the ODNI has notified the congressional intelligence committees

of the intent to use such amounts for such a purpose, and fifteen calendar days have elapsed from such notification.

Moreover, with respect to intelligence activities and covert actions, and consistent with sections 413a and 413b of the National Security Act of 1947, as amended (50 U.S.C. sections 502 and 503), section 114 reserve funds are available for such undertakings only after the DNI has notified the appropriate congressional intelligence committee members of the intent to make such amounts available for such an activity.

Finally, a similar reserve for contingencies has been available to the Central Intelligence Agency (CIA) since the Agency's creation. The CIA reserve account permitted the former Director of Central Intelligence, and now the Director of the CIA, to transfer funds, with appropriate notification to Congress, to address significant intelligence requirements that arise during a fiscal year and that must be addressed outside the normal budget process. The CIA reserve has proven crucial to providing the CIA with the flexibility required to address contingencies as they arise. The new section 114 authority provides similar flexibility to the DNI.

Sec. 117. Multiyear National Intelligence Program

Section 117 updates the "multiyear national intelligence program" provision to incorporate and reflect organizational and nomenclature changes made by the Intelligence Reform and Terrorism Prevention Act of 2004 (Public Law 108-458).

Sec. 118. References to Military Intelligence Program and Related Activities.

Until FY 2007, the Defense Department's intelligence efforts were funded through the Joint Military Intelligence Program (JMIP) and the Tactical Intelligence and Related Activities (TIARA). The Defense Department since has abandoned these resource structures in favor of the new Military Intelligence Program (MIP), which is designed to ensure that the Defense Department, the Director of National Intelligence (DNI), and the Congress each has the transparency and insight required to assess the allocation of resources to meet Defense intelligence requirements.

The Intelligence Reform and Terrorism Prevention Act included participation of the DNI in the development of the annual JMIP and TIARA budgets, and the requirement for Secretary of Defense consultation with the DNI prior to transfer or reprogramming of JMIP funds. The new text that appears in section 118 changes the references from JMIP and TIARA to the new MIP.

Sec. 120. Conferences Conducted by Elements of the Intelligence Community: Collection of Fees to Cover Costs.

Section 120 authorizes Intelligence Community (IC) elements to charge fees to cover the costs of conferences and similar events that further the IC mission.

Outreach and interaction with academia, industry, and the public are important to the missions of IC elements. Through such activities, the IC shares its knowledge and draws on the expertise of academia and the private sector to improve its own activities and operations. One of the most efficient means by which to facilitate this exchange is through agency-sponsored conferences. Such conferences bring together large numbers of people in a setting that encourages the exchange of views and networking, and also allows participants to share best practices. Unfortunately, the ability of IC elements to host such conferences is limited by the inability of IC elements to charge a fee to cover the costs of such events. Section 120 resolves this problem by authorizing IC elements to charge fees to cover the costs of certain events.

Section 120 supports Enterprise Objective 1 (E01), of the DNI's National Intelligence Strategy, "Build an integrated intelligence capability to address threats to the homeland, consistent with US laws and the protection of privacy and civil liberties." By facilitating IC conferencing activities, section 120 addresses the E01 goal of building an integrated intelligence capability to address threats to the homeland by ensuring that IC elements are able to bring together members of the public and private sectors with IC staff to exchange information and develop innovative mechanisms for working together.

**Subtitle C. Modernizing Civilian Personnel Systems within
the Intelligence Community.**

*Sec. 121 . Enhancing Personnel Flexibilities Throughout
the Intelligence Community.*

The Intelligence Reform and Terrorism Prevention Act of 2004 directed the Director of National Intelligence to prescribe personnel policies and programs for the Intelligence Community to enhance integration and to build a sense of cohesiveness within the Intelligence Community. With the development of the Intelligence Community's (IC) *Five Year Strategic Human Capital Plan and the release of the 100 Day Plan*, the Director of National Intelligence (DNI) has signaled a clear emphasis on IC personnel practices. In particular, the DNI wants to manage all of the intelligence elements as a single cohesive community. In support of this strategic plan, the DNI needs to have consistent enhanced personnel flexibilities across the entire IC. Section 121 amends subsection 102A of the National Security Act of 1947 to grant the DNI personnel authorities in several key areas.

Subsection 102A (t) allows the DNI, with the concurrence of the relevant Department head, to bring into the "excepted civil service all of the IC civilian elements that are not already in it. Because of their unique intelligence, investigative, and national security missions (with their attendant secrecy and security requirements), most elements of the IC are in the "excepted" civil service and thus exempt from the requirements of the "competitive" civil service regarding the appointment, assignment, promotion, demotion, and removal of civilian employees. However, the civilian employees of several IC elements (Department of State's Bureau of Intelligence and Research, Department of Energy/IN, Department of Treasury/IA, Department of Homeland Security/IA and the United States Coast Guard, The Department of Justice, and the Drug Enforcement Agency) are still covered under the competitive service rules. Those rules do not adequately take into account the IC's stringent security clearance requirements, or the need for secrecy with respect to organizational size, missions and functions, and the needs of these IC elements to have agile and responsive systems to hire employees, reassign employees, and—when necessary—remove unsuitable employees. Specifically, this provision authorizes the DNI, with the concurrence of the head of the

department or agency concerned, and in coordination with the Office of Personnel Management (OPM), to convert existing competitive service positions in elements of the IC to excepted service positions. Moreover, at the request of the DNI, the heads of departments or agencies may establish new "excepted" service positions, if the DNI determines that these positions are necessary to carry out the intelligence functions of such elements of the IC. Section 121 also authorizes the DNI to establish the position classification and rates of basic pay for such positions. This subsection further authorizes the heads of the departments or agencies concerned to appoint individuals in such positions in the excepted service that were converted or created and to fix the compensation for such individuals within the applicable rates of basic pay established by the DNI.

Subsection 102A (u) provides enhanced pay authority for critical positions in the IC as to which such authority does not already exist. The DNI can authorize heads of agencies containing elements of the IC to fix the rate of basic pay for positions which require an extremely high level of expertise and which are critical to the accomplishment of an important mission. Rates of pay in excess of level II of the Executive Schedule would require the approval of the DNI; rates of pay in excess of level I of the Executive Schedule would require the approval of the President, or approval as otherwise authorized by law. This authority is similar to that given to the Director of OPM to fix the rates of pay for critical positions under 5 U.S.C. 5377.

Subsection 102A (v) grants broad authority to the DNI to authorize elements of the IC, with the concurrence of the head of the department or agency concerned and in coordination with the Director of OPM (for those matters that fall under the responsibilities of OPM under statute or executive order), to adopt compensation, performance management, and scholarship authority that have been authorized for any other element of the IC if the DNI determines that such adoption would improve the management and performance of the IC. The DNI would be required to notify the congressional intelligence committees at least 60 days before any such adopted authority is to take effect. For the purpose of this subsection, the term 'in coordination with the Director of OPM' means the Director of OPM will be provided a reasonable opportunity to review

and comment on a proposal to authorize the adoption of a compensation authority in another element of the IC. The DNI will take the comments of the Director of OPM into account and provide him or her with reasonable advance notice of the final decision and planned effective date of that decision. In the case of objections by the Director of OPM to a proposal that affects the coverage of employees under provisions of law administered by OPM, the DNI will not proceed with adoption of the proposal for such employees until the disagreement is resolved within the Administration.

ODNI and OPM intend to work collaboratively under these new authorities to further the DNI's statutory authority and responsibility to prescribe personnel policies and programs that encourage and facilitate joint assignments; to set standards for education, training and career development; to encourage and facilitate recruitment; and to promote diversity within the IC.

Sec. 125. Contributions to Thrift Savings Plan.

Section 125 would permit employees, including employees of elements the Intelligence Community, who make contributions to the Thrift Savings Fund out of basic pay to also make an advance election to contribute all or any part of any payment, other than basic pay, to the Fund. These additional contributions would not be subject to a matching employer contribution.

Section 125 would, effective at the time prescribed in regulations issued by the Executive Director of the Federal Retirement Thrift Investment Board in consultation with the Director of the Office of Personnel Management, amend sections 8351(d) and 8432(k) of Title 5, United States Code, to permit Federal employees to contribute to their Thrift Savings Plan (TSP) accounts any payment, other than basic pay, as may be prescribed by regulation. In addition, section 125 would repeal similar but more limited provisions that previously permitted certain Central Intelligence Agency employees to make direct payments to TSP under a now obsolete CIA personnel pilot program.

Generally, under current law, Federal employees can only contribute basic pay to their Thrift Savings plans, but not bonus or award monies. Authorizing contributions of bonus or award monies will permit employees to take full advantage of their ability to contribute to their Thrift Savings plans, consistent with existing limitations on the amount of contributions to certain retirement accounts. However, due to the operational complexities of such contributions, this provision provides for the issuance of necessary regulations by the Executive Director.

In this regard, a major complexity is that there is often no advance notice of such payments to employees, thus necessitating that contingent elections need to be made in advance. Further, provisions need to be made so that employees are aware of the annual limits of the Internal Revenue Code, and can make their election in such manner so as to avoid the problem of exhausting their annual transfer limit prematurely so as to lose potential agency matching payments under FERS.

Sec. 126. Repeal of Restriction on the Use of Non-reimbursable Detailees.

Section 126 does not include a provision present in recent intelligence authorization bills that limit the term of non-reimbursable details to the ODNI to one year or less. This restriction unduly restricts the ODNI's staffing ability and its ability to facilitate the rotation of IC employees, especially those on joint duty assignments. This section supports the objectives of the Strategic Plan of the Director of National Intelligence.

Section 126 parallels section 110 that omits language found in each recent Intelligence Authorization Acts that limits the term of non-reimbursable details to the ODNI to one year or less. Section 126 provides permanent authorization for details on a reimbursable or non-reimbursable basis from an element of the Intelligence Community to the staff of an element of the IC funded through the Community Management Account, that is, the ODNI. Such details will be determined under terms jointly agreed to by the DNI and the head of the sending department or agency, but the terms shall be no longer than three years. This authority will provide flexibility for the ODNI to receive support from other elements of the IC on a non-reimbursable basis for community-wide activities where both the sending agency and the ODNI would benefit from the detail.

TITLE II - THE OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE AND INTELLIGENCE COMMUNITY MATTERS.

Sec. 201. Federal Advisory Committee Act.

Congress enacted the Federal Advisory Committee Act (FACA) (5 U.S.C. App. 2) to regulate the use of advisory committees throughout the Federal Government. FACA sets forth the responsibilities of Congress and the Executive Branch with regard to such committees and outlines procedures and requirements for such committees.

For example, under FACA, Federal agencies sponsoring advisory committees ordinarily open advisory committee meetings to the public, and, subject to the Freedom of Information Act, make available for public inspection papers and records, including detailed minutes of each meeting. For advisory committees handling extremely sensitive material, such openness requirements may be inconsistent with national security or business confidentiality requirements.

Therefore, FACA, as originally enacted in 1972, expressly exempted advisory committees used by the Central Intelligence Agency (CIA) and the Federal Reserve System, see 5 U.S.C. App. 2, section 4(b). Section 201 amends FACA to extend this exemption explicitly to those advisory committees established or used by the Office of Director of National Intelligence (ODNI).

Sec. 202. Clarification of the Restriction against Co-Location of Office of Director of National Intelligence Headquarters

Section 202 clarifies that the ban on co-location of the Office of the Director of National Intelligence (ODNI) with any other Intelligence Community (IC) element, which is slated to take effect on 1 October 2008, applies to the co-location of the headquarters of each. Section 202 also provides that the President may waive the ban if the President determines waiver is in the interests of national security, or if the President determines that the cost of providing for separate facilities is not warranted.

Section 202 affords flexibility to ensure that the ODNI or its various components may be located in the most appropriate facility or facilities. Because the ODNI handles some of the most sensitive intelligence information within the U.S. Government, it is important that the ODNI have the highest level of physical and technical security possible.

The ODNI intends to locate its headquarters where it is separate and apart from the headquarters of the various IC elements. However, considering the difficulty and cost of finding or building a facility that meets the appropriate physical and technical security standards, the President must have the discretion to locate any or all components of the ODNI in one or more existing IC facilities if doing so would be in the interests of the national security.

This provision would also authorize the President to waive the ban on co-location where the cost of providing separate facilities is unwarranted. This could be the case where it may be prudent or convenient for communications or logistical purposes to locate an element of the ODNI near the headquarters of another element of the intelligence community. If co-location would be a more cost-effective solution and if the additional cost of separate headquarters did not support the potential benefits of the limitation (such as avoiding any real or apparent confusion of the identity or authorities of the two entities), the President should have the authority to waive the ban on co-location.

Sec. 203. Application of the Privacy Act to the Director of National Intelligence and the Office of Director of National Intelligence.

Section 203 authorizes the Director of National Intelligence (DNI) to issue regulations to protect information in records systems of the Office of the DNI (ODNI) from otherwise mandated requirements under the Privacy Act of 1974 (5 U.S.C. section 552a), as amended. This authority, which is identical to that currently available to the Director of the Central Intelligence Agency (CIA), is necessary to ensure that the DNI may provide adequate and appropriate safeguards for certain sensitive information in ODNI records systems, and fulfill the ODNI mission.

Historically, the Privacy Act has included a long-standing provision by which the Director of the CIA could promulgate rules to exempt any system of records within the CIA from certain requirements under the Act. This provision was designed to ensure that the CIA could provide adequate and appropriate safeguards for certain sensitive information in its records systems.

The DNI, as the head of the Intelligence Community, requires the ability to safeguard sensitive information in records systems within the ODNI. The DNI, as the President's principal intelligence advisor, has broad access to and responsibility for analyzing and disseminating national intelligence for national security purposes. Whereas the CIA has a collection mission that the DNI does not, the DNI has expanded authorities and responsibilities for accessing and analyzing all-source intelligence -- authorities and responsibilities that mirror and in many cases go far beyond those previously afforded the CIA.

The ODNI is committed to the protection of privacy and civil liberties, and has mechanisms for protecting those concerns, including the Civil Liberties Protection Office and access to the Privacy and Civil Liberties Oversight Board. Like the CIA, ODNI will continue to remain subject to important provisions of the Privacy Act.

Section 203 amends the Privacy Act, 5 U.S.C. section 552a(j) to extend to the DNI the authority to promulgate

rules by which certain records systems of the ODNI may be exempted from certain Privacy Act requirements.

Sec. 205. PROTECTION OF CERTAIN FILES OF THE OFFICE OF THE DIRECTOR OF NATIONAL INTELLIGENCE.

Section 205 adds a new section 706 to the National Security Act of 1947, to exempt specific categories of Office of the DNI (ODNI) files from the search, review, and disclosure provisions of the Freedom of Information Act (FOIA) (5 U.S.C. 552). This exemption parallels and reinforces the statutory operational files FOIA exemptions already granted to five of the main Intelligence Community elements: the Central Intelligence Agency (CIA), the National Geospatial-Intelligence Agency (NGA), the National Reconnaissance Office (NRO), the National Security Agency (NSA), and the Defense Intelligence Agency (DIA). The exemption provided by new section 310 preserves the statutory framework for existing operational files exemptions and removes any uncertainty about whether those exemptions are lost by sharing the sensitive information contained in such files with the ODNI.

In order to carry out the authorized duties and responsibilities of the DNI under section 102A of the National Security Act of 1947, as amended, the ODNI will receive intelligence and intelligence-related information from existing operational files, and create new records that include or use such information. The ODNI has received, and will expect to continue to receive, broad FOIA requests for intelligence community documents that would require a search of such operational files within the ODNI. ODNI-received 'operational files' information, and ODNI material that includes or is derived from existing 'operational files' information, warrants the same search, review and disclosure exemption under FOIA as the same sensitive information in CIA, NGA, NRO, NSA and DIA operational files. (See, National Security Act of 1947, as amended, §§ 701-705, 50 U.S.C. 431,432,432a,432b and 432c.) Furthermore, the 'operational files' in the originating agency should not lose their exemption as a result of providing records from those files to the ODNI.

In order to maintain the nexus between exempt operational files created in the ODNI with the originating exempt operational files, this provision contains a requirement that the operational files created in the ODNI "shall be similar in nature to the originating operational files from which the record was disseminated or provided, as such files are defined in Title VII of this Act." The

DNI will promulgate regulations to implement this authority within the ODNI.

Section 205 supports Enterprise Objective 7 (E07) of the ODNI's National Intelligence Strategy, "Create clear, uniform security practices and rules that allow us to work together, protect our nation's secrets and enable aggressive counterintelligence activities." In particular, Section 310 supports the underlying goals of E07 by preserving the existing operational files exemptions of the relevant elements of the intelligence community and clarifying the effects on these exemptions of sharing information with the Office of the Director of National Intelligence.

Sec. 206. Strengthening Access to Information.

Section 206 provides statutory authority for the Director of National intelligence (DNI) to use National Intelligence Program (NIP) funds to quickly address deficiencies or requirements that arise in intelligence information sharing capabilities related to intelligence mission responsibilities.

Section 206 adds a new section 102A(g)(1)(G) to the National Security Act of 1947 that gives clear authority to the DNI to provide - and clear authority to a receiving agency or component to accept and use - appropriately authorized and appropriated funds, services, or equipment that address intelligence information sharing requirements, even or especially if the requirements arise outside the normal budget or requirements cycle.

Moreover, section 206 specifically gives the DNI the authority, not found in Section 102A(d) of the National Security Act, to provide funds to non-NIP activities for the purpose of addressing critical gaps in intelligence information sharing capabilities. Without this authority, the development and implementation of necessary intelligence information sharing capabilities could be delayed due to an agency's lack of authority to accept or use such DNI-funded systems, lack of current-year funding, or augmentation of appropriations concerns.

Section 206 also is important to the development and deployment of systems of common concern that are designed to enhance the collection, processing, analysis, exploitation, and dissemination of national intelligence -- systems will greatly benefit the Intelligence Community. Intelligence information sharing systems must be interconnected, interoperable, secure, and available: Section 206, by permitting the DNI to help find funding for such systems, will help ensure their development. In addition, establishing standards for the utilization and operation of such systems is consistent with DNI authorities set forth in the IRTPA, including section 1018.

Finally, the proposed section 206 authority is similar to authority granted to the National Geospatial-Intelligence Agency with respect to imagery and imagery-related systems.

Sec. 207. Application of Certain Financial Reporting Requirements to Director of National Intelligence.

Section 207 delays the applicability to the Director of National Intelligence (DNI) of the audited financial reporting requirements of 31 U.S.C. section 3515. This grace period gives the DNI the necessary time to establish a financial management system for the Office of the DNI (ODNI) that can generate financial statements to meet the prescribed legal and audit standards.

Ordinarily, section 3515 requires certain Federal agencies, including the ODNI, to prepare and submit to the Congress and the Director of the Office of Management and Budget (D/OMB), not later than 1 March of each year, an audited financial statement for the preceding fiscal year. The Accountability of Tax Dollars Act of 2002, Public Law 107-289, amended 31 U.S.C. section 3515, and gave the D/OMB the authority to waive the audited financial reporting requirements for up to two fiscal years for any newly covered Executive agency. Section 3515 subsequently was amended to permit the D/OMB to waive the reporting requirements for a covered agency if the budget authority for that agency did not exceed \$25 million in the given fiscal year and if the D/OMB determined that there was an absence of risk associated with the agency's operations. The D/OMB cannot use this limited waiver authority to grant a grace period to the ODNI. Therefore, section 207 would exempt the ODNI from the requirements of section 3515 for fiscal years 2008, and 2009.

The former Community Management Staff (CMS) took significant strides to address financial management issues, and section 207 will permit the DNI adequate time to complete CMS' diligent efforts to establish an ODNI financial management system. This system is critical to the ODNI's generation of audited financial statements that satisfy generally accepted accounting principles, applicable laws, and financial regulations.

Sec. 208. Protection of Intelligence Sources and Methods From Unauthorized Disclosure.

Section 208 increases the flexibility of the Director of National Intelligence (DNI) to carry out the authority and responsibility to protect intelligence sources and methods from unauthorized disclosure, by striking the restriction on delegation of that authority by the DNI. This change makes the provision for DNI protection of intelligence sources and methods parallel to the prior National Security Act provision that had vested the power in the former Director of Central Intelligence (DCI) and that did not constrain the DCI from delegating the authority. See old section 103(c)(7); 50 U.S.C. section 403-3(c)(7) prior to IRTPA amendments).

Sec. 209. Program Manager for the Information Sharing Environment and the Information Sharing Council.

Section 209 amends subsection 1016(f) and (g) of the Intelligence Reform and Terrorism Prevention Act of 2004 to amend and fix the terms of the Program Manager for the Information Sharing Environment (ISE), and the Information Sharing Council, to reflect the requirement for continued and effective management and implementation of the ISE beyond the two-year period provided for in section 1016, as contemplated in the Implementation Plan for the Information Sharing Environment, approved by the President.

Sec. 214. Membership of the Director of National Intelligence on the Transportation Security Oversight Board

Section 214 substitutes the Director of National Intelligence (DNI) or the DNI's designee as a member of the Transportation Oversight Board under 49 U.S.C. section 115(b)(1), in place of the Director of the Central Intelligence Agency (D/CIA) or the D/CIA's designee.

Sec. 215. Technical Corrections to the National Security Act.

Section 215 corrects several inadvertent technical anomalies in the National Security Act of 1947 arising from the amendments made to that Act by the Intelligence Reform and Terrorism Prevention Act of 2004.

The first correction clarifies that the funds referred to in section 102A(d)(3) of the National Security Act of 1947 are those noted in section 102A(d)(1)(A) of the Act (i.e., funds made available under the National Intelligence Program).

The second correction removes the extraneous reference to "personnel" in section 102A(d)(5)(A) of the National Security Act, as that Act was amended by the Intelligence Reform and Terrorism Prevention Act of 2004. Section 102A(d) of the National Security Act addresses the transfer and reprogramming of funds by DNI, whereas section 102A(e) addresses the transfer of personnel by the DNI.

The third correction clarifies that the regulations that the DNI may issue under section 102A(l)(2)(B) of the National Security Act are regulations to carry out the promotion rate provisions in section 102A(l)(2)(A) of the Act.

The fourth correction deletes an erroneous cross-reference to the 'dispute resolution' subsection of section 119 of the National Security Act and substitutes the intended cross-reference to the 'Directorate of Intelligence' subsection of section 119.

*Sec. 216. Technical Corrections to Intelligence Reform and
Terrorism Prevention Act of 2004.*

Section 216 corrects a number of inadvertent technical errors in the specified sections of Public Law 108-458.

Sec. 218. Repeal of Certain Authorities relating to the Office of the National Counterintelligence Executive.

Section 218 makes technical corrections to eliminate certain independent administrative authorities that had been vested in the National Counterintelligence Executive (NCIX) when that official was appointed by and reported to the President. Those authorities are unnecessary, redundant, and anomalous, and could or would undercut the authorities of the Director of National Intelligence (DNI), now that the NCIX is to be appointed by and under the authority, direction, and control of the DNI.

Sec. 219. Technical Corrections to Executive Schedule

Section 219 makes several technical corrections to the Executive Schedule. This section clarifies that the position of the Director of the Central Intelligence Agency (D/CIA) is at Level II of the Executive Schedule. It is, of course, the case that section 1081 of the Intelligence Reform and Terrorism Prevention Act of 2004, when read in conjunction with section 1015 of that Act, has the legal effect of substituting the "Director of the Central Intelligence Agency" for the previous reference in 5 U.S.C. 5313 to "Director of Central Intelligence". This amendment reinforces that the D/CIA is an Executive Schedule Level II position, and removes the need to track and trace through multiple other provisions to reach that conclusion. Section 219 also strikes the outdated references to the Deputy Directors of Central Intelligence in 5 U.S.C. 5314, and corrects the erroneous reference to the "General Counsel to the National Intelligence Director" in 5 U.S.C. 5315.

Section 219 supports Enterprise Objective 4 (E04), "The U.S. Intelligence Community's Strategic Human Capital Plan." In particular, section 219 supports the underlying goals of E04 by updating the law to clearly reflect changes in titles of leadership positions in the Central Intelligence Agency.

**TITLE III - MATTERS RELATING TO ELEMENTS OF THE
INTELLIGENCE COMMUNITY.**

Subtitle A. Central Intelligence Agency

Sec. 301. Report on Audited Financial Statements Progress

Section 301 repeals the requirement that the Director of the Central Intelligence Agency (D/CIA) submit to the Congressional intelligence committees an annual report describing the activities being undertaken to ensure that financial statements of the CIA can be audited in accordance with applicable law and requirements of the Office of Management and Budget. The report is unnecessary and duplicative now that CIA has submitted and will continue to submit audited financial statements in accordance with the Accountability of Tax Dollars Act of 2002, Public Law 107-289 and 31 U.S.C. 3515.

Section 301 supports Enterprise Objective 10 (E010) of the ODNI's National Intelligence Strategy, "Eliminate redundancy and programs that add little or no value and re-direct savings to existing and emerging national security priorities." In particular, section 301 would streamline CIA financial management processes - one of the goals identified in E010 - by eliminating the requirement for a redundant annual report.

Sec. 302. Additional Functions and Authorities for Protective Personnel at the Central Intelligence Agency.

Section 302 amends section 5(a)(4) of the Central Intelligence Agency (CIA) Act of 1949 (50 U.S.C. section 403f(a)(4)) which authorizes protective functions by designated security personnel who serve on CIA protective details.

This section authorizes protective detail personnel, when engaged in the performance of protective functions, to make arrests in two circumstances. First, CIA protective detail personnel may make arrests without a warrant for any offense against the United States, regardless of whether it is a felony, misdemeanor, or infraction, that is committed in their presence. Second, protective detail personnel also may make arrests without a warrant if they have reasonable grounds to believe that the person to be arrested has committed or is committing a felony, but not other offenses, under the laws of the United States.

Regulations approved by the Director of the CIA and the Attorney General will provide safeguards and procedures to ensure the proper exercise of this authority; however, the provision specifically does not grant any authority to serve civil process or investigate crimes.

By granting CIA protective detail personnel limited arrest authority, this provision mirrors statutes applicable to other Federal law enforcement agencies authorized to perform protective functions. The authority provided under this section is consistent with those of other Federal elements with protective functions, such as the Secret Service (see 18 U.S.C. section 3056(c)(1)(c)), the State Department's Diplomatic Security Service (see 22 U.S.C. section 2709(a)(5)), and the Capitol Police (see 2 U.S.C. section 1966(c)).

Arrest authority will contribute significantly to the ability of CIA protective detail personnel to fulfill their responsibilities to protect officials against serious threats without being dependent on the response of Federal, State, or local law enforcement officers. The grant of arrest authority under this amendment is supplemental to all other authority that CIA protective detail personnel have by virtue of their statutory responsibility to perform the protective functions set forth in the CIA Act of 1949.

In addition, this section also authorizes the Director of the CIA, on the request of the Director of National Intelligence (DNI), to make CIA protective detail personnel available to the DNI. The DNI, in consultation with the Director of the CIA and the Attorney General, will advise the intelligence committees within 180 days of enactment of this Act whether this arrangement meets the protective requirements of the ODNI or whether other statutory authority is necessary.

Finally, although this bill currently provides separate authorities for CIA and NSA protective details, in the future the DNI may advise the intelligence committees that overall policies, procedures, and authorities be provided to protective services for other Intelligence Community elements, personnel and/or their immediate families.

Section 302 supports Enterprise Objective 7 (E07), of the ODNI's National Intelligence Strategy, "Create clear, uniform security practices and rules that allow us to work together, protect our nation's secrets and enable aggressive counterintelligence activities." By providing the CIA protective detail personnel a limited detention and arrest authority and authorizing their availability to support the DNI and other personnel within the ODNI, section 302 properly responds to the E07 goals of improving the Intelligence Community's physical security programs to better support the DNI's mission and effectively respond to evolving critical threats through proactive and integrated security practices.

Sec. 303. Deputy Director of the Central Intelligence Agency

Section 303 adds provisions to the National Security Act that establish in statute the position of Deputy Director of the Central Intelligence Agency (DD/CIA), specify that the President appoints the DD/CIA, specify the duties and status of the DD/CIA, and place the position of DD/CIA at Level III of the Executive Schedule. Section 303 includes a provision that directs when the amendments shall become effective.

The Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA) separated the leadership of the Intelligence Community (IC) from the leadership of the CIA. Although the IRTPA explicitly provided for a Director of the CIA, it did not provide for a statutory deputy to the Director. Section 303 resolves this issue and establishes the position of the DD/CIA.

Section 303 supports Enterprise Objective 4 (E04) of the ODNI's National Intelligence Strategy, "Attract, engage, and unify an innovative and result-focused Intelligence Community workforce." In particular, Section 303 provides for enhanced leadership - one of the goals identified in E04 - by creating a statutory Deputy Director of the CIA vested with statutory authority to act for, and exercise the powers of, the Director of the CIA in the event the Director is absent or disabled or the position of Director of the CIA is vacant.

Sec. 304. Technical Amendments Relating to Titles of Central Intelligence Agency Positions.

Section 304 corrects outdated references to the Executive Director, Deputy Director for Operations, and Deputy Director for Administration in section 17(d)(3)(B)(ii) of the Central Intelligence Agency Act of 1949 (50 U.S.C. 403q(d)(3)(B)(ii)). The technical amendments of this section reflect the recent changes of the position titles of the Executive Director to Associate Deputy Director, the Deputy Director for Operations to Director of the National Clandestine Service, and the Deputy Director for Administration to Director for Support.

Section 304 supports Enterprise Objective 4 (EO4), of "The U.S. Intelligence Community's Strategic Human Capital Plan." By updating the law to reflect the correct titles of certain leadership positions within Central Intelligence Agency's current organizational structure, Section 304 promotes the EO4 goal to create a culture of leadership at all levels by supporting a new leadership blueprint aimed at an integrated Intelligence Community culture that values service, integrity, and accountability.

Sec. 305. General Counsel of the Central Intelligence Agency.

Section 305 changes the appointment process for the General Counsel of the Central Intelligence Agency. Section 305 provides for appointment of the General Counsel of the CIA by the President, and removes the current requirement that the CIA General Counsel be confirmed by the Senate.

The amendment introduced by section 305 accomplishes several goals. It reduces the number of positions in the Intelligence Community that require Senate confirmation, expedites the process of filling vacancies in the very important and sensitive position of General Counsel of the CIA, yet appropriately ensures that appointments to the position are considered and made at the very highest level of the Executive Branch. Section 305 preserves the CIA General Counsel position as one to which Level IV of the Executive Schedule applies, and therefore does not amend section 5315 of title 5, United States Code.

Section 305 supports Enterprise Objective 4 (E04) of the ODNI's National Intelligence Strategy, "Attract, engage, and unify an innovative and result-focused Intelligence Community workforce." In particular, Section 305 provides for enhanced leadership - one of the goals identified in E04 - by enabling the General Counsel position to be filled more readily so that the Agency may more expeditiously utilize the expertise of the General Counsel in addressing pressing and sensitive legal issues.

Sec. 306. Section 5(a)(1) of the Central Intelligence Agency Act of 1949.

Section 306 amends section 5(a)(1) of the Central Intelligence Agency Act of 1949 (CIA Act) by striking outdated references to the National Security Act of 1947 and broadening the section's applicability to include any CIA functions or activities authorized by law. The Intelligence Reform and Terrorism Prevention Act of 2004 significantly restructured and renumbered multiple sections of the National Security Act of 1947, leaving references in section 5(a)(1) of the CIA Act to provisions that no longer exist as such or are otherwise no longer pertinent.

Section 306 eliminates those references and adopts a broader standard of Agency functions or activities that are authorized by law. This change not only broadens the section for CIA purposes but also broadens its applicability for the Director of National Intelligence, who is authorized by section 102A(n) of the National Security Act of 1947 (50 U.S.C. 403-1(n)) to exercise the so-called appropriations authorities referred to in the CIA Act.

Section 306 supports Enterprise Objective 10 (EO10) of the ODNI's National Intelligence Strategy, "Eliminate redundancy and programs that add little or no value and re-direct savings to existing and emerging national security priorities." In particular, Section 306 would update and improve CIA and ODNI financial management processes - one of the goals identified in EO10 - by updating and broadening the standard of functions authorized by law so that the Agency and the ODNI may more fully utilize their respective authorities.

Sec. 308. Travel on Any Common Carrier for Certain Intelligence Collection Personnel

Section 308 authorizes the Director of the Central Intelligence Agency (CIA), with respect to CIA employees, to delegate the specified travel-related authority.

Section 308 supports Enterprise Objective 3 (E03) of the ODNI's National Intelligence Strategy, "Re-balance, integrate, and optimize collection capabilities to meet current and future customer and analytic priorities." In particular, section 308 optimizes the integration and responsiveness of the collection enterprise by providing greater flexibility in meeting collection demands.

Sec. 313. Exclusion of Gain from Sale of a Principal Residence by Certain Employees of the Intelligence Community.

Section 313 amends Section 121(d(9)) of the Internal Revenue Code (relating to exclusion of gain from sale of principal residence) to permit certain officers and employees of the Intelligence Community serving in domestic locations to elect to suspend for a maximum of 10 years the five-year test period for ownership and use during certain absences.

Under present law, an eligible individual taxpayer may exclude up to \$250,000 (\$500,000 if married filing a joint return) of gain realized on the sale or exchange of a principal residence. To be eligible for the exclusion, the taxpayer generally must have owned and used the residence as a principal residence for at least two of the five years prior to the sale or exchange. A taxpayer who fails to meet these requirements by reason of a change of place of employment, health, or, to the extent provided by regulations, unforeseen circumstances, is able to exclude an amount equal to the fraction of the \$250,000 (\$500,000 if married filing a joint return) that is equal to the fraction of the two years that the ownership and use requirements are met.

Special rules relating to officers and employees of the Intelligence Community serving at duty locations outside of the United States were added last year by Public Law 109-432. These amendments exclude similarly situated employees of the Intelligence Community who serve on qualified extended duty at domestic stations outside of the Washington Metropolitan area. If an election is made under this amended provision, the five-year period ending on the date of the sale or exchange of a principal residence is extended up to ten years during which the taxpayer or the taxpayer's spouse is on qualified official extended duty as an officer or employee of the Intelligence Community. The election may be made with respect to only one property for a suspension period.

Section 313 supports Enterprise Objective 4 (E04) of the ODNI's National Intelligence Strategy, "Attract, engage, and unify an innovative and result-focused Intelligence Community workforce." In particular, Section 313 would help attract and retain the highest caliber

employees and further integrate the IC's "Total Force"- two of the goals identified in EO4 - by enabling Intelligence Community employees and officers serving on qualified extended duty at domestic stations outside of the Washington Metropolitan area to receive the same tax benefit as their counterparts serving at duty locations outside the United States.

Sec. 317. Technical Modifications to Mandatory Retirement Provision of Central Intelligence Agency Retirement Act.

Section 317 updates the Central Intelligence Agency Retirement Act provision on mandatory retirement to reflect the Agency's abolition of pay grades within the Senior Intelligence Service (SIS) and the Agency's adoption of SIS personal ranks. As part of the revised SIS program approved by the Director of Central Intelligence in February 2004, the Agency—effective 11 July 2004—adopted a single pay range for the SIS, thereby eliminating the six SIS pay grades. The CIA Executive Director subsequently approved an SIS personal rank structure comprising levels 1-6, effective 1 December 2005. The change made by Section 317 resolves the discrepancy between the prior version of Section 235(b)(1) of the CIA Retirement Act and the revised SIS structure by deleting the reference to level of compensation in current law and replacing it with a reference to SIS rank,

Section 317 supports Enterprise Objective 4 (EO4) of the ODNI's National Intelligence Strategy, "Attract, engage, and unify an innovative and result-focused Intelligence Community workforce." Section 317 helps attract and retain the highest caliber employees by bringing the CIA Retirement Act and current retirement system up to date to reflect the current SIS structure.

Subtitle B. Department of Defense

Sec. 321. Enhancements to the National Security Agency Training Program.

Section 321 amends the National Security Agency (NSA) Act of 1959. The amendment to section 16(d)(1)(C) clarifies that "termination of employment" includes situations where employees fail to maintain satisfactory academic performance as defined by the Director of the NSA. Such employees shall be in breach of their contractual agreement and, in lieu of any service obligation arising under such agreement, shall be liable for repayment. Failure to maintain satisfactory academic performance always has been grounds for default resulting in the right of the Government to recoup the educational costs expended for the benefit of the defaulting employee. Thus, the change to section 16(d)(1)(C) is not a substantive change, but rather a clarification.

Section 321 also amends the NSA Act by amending section 16(e), which currently requires NSA to publicly identify to educational institutions which students are NSA employees. Deletion of this disclosure requirement will enhance the ability of NSA to protect personnel and prospective personnel, and preserve the ability of training program participants to undertake future covert or other sensitive assignments for the intelligence community. At the same, however, it leaves intact the long-standing prohibition against participants in the training program engaging in any intelligence functions at the institutions they attend under the program. See H.R. Rep. 99-690, Part I (July 17, 1986) ("NSA employees attending an institution under the program will have no intelligence function whatever to perform at the institution.").

Sec. 322. Additional Functions and Authorities for Protective Personnel of the National Security Agency.

Section 322 amends the National Security Agency (NSA) Act of 1959 (50 U.S.C. section 402 note) by adding a new section 20, to clarify and enhance the authority of protective details of NSA.

After the 9/11 attacks, the Secretary of Defense designated the Director of the National Security Agency as a "high risk position." Under DoD regulations, executives in high risk positions warrant protective details. Since being designated as a "high risk position," the Director of NSA has had such a detail.

Because the Director's detail is established through DoD regulation that provides limited protective authority, the protective detail lacks key detention and arrest authority that would enable it to perform its job most effectively. (See DOD Handbook 0-2000.12-H, DOD Directive 2000.12, and DOD Instruction 2000.16). Provision of the additional protection authority by statute would ensure that the detail has the necessary authority to perform its job.

New section 20(a) would grant the NSA protective detail similar arrest and detention authority as held by State Department details and is the same as what the Administration is seeking for the CIA. Under this authority, the protective detail would be able to respond appropriately to threats or actual attacks against the NSA Director. In particular, protective detail personnel would be able to make arrests without a warrant for any offense against the United States, regardless of whether it is a felony, misdemeanor, or infraction, that is committed in their presence. Protective detail personnel would also be able to make arrests without a warrant if they have reasonable grounds to believe that the person to be arrested has committed or is committing a felony under the laws of the United States. The arrest authority for NSA protective detail personnel would be subject to guidelines approved by the Director of NSA and the Attorney General; however, the provision specifically does not grant any authority to serve civil process or investigate crimes.

Finally, although this bill currently provides separate authorities for CIA and NSA protective details, the DNI may advise the intelligence committees in the future that overall policies, procedures, and authorities should be provided to protective services for other Intelligence Community elements, personnel and/or their immediate families.

Sec. 323. Technical Amendments for the National Geospatial-Intelligence Agency.

Section 323 makes several technical changes to the United States Code and other laws to bring these provisions in line with the agency name change from the National Imagery and Mapping Agency to the National Geospatial-Intelligence Agency, as provided for in section 921(b) of the National Defense Authorization Act for Fiscal Year 2004 (Pub. L. 108-136, 117 Stat. 1568 (2003)).

**Subtitle C. Department of State; Department of Treasury;
Federal Bureau of Investigation; Department of Homeland
Security.**

*Sec. 354. Elimination of Reporting Requirement for the
Department of Treasury.*

Section 354 proposes to eliminate the requirement in 50 USC subsection 404m(a) that the Department of the Treasury submit a semi-annual report to the congressional intelligence oversight committees on the U.S. Government's operations against terrorist financial networks. The Department of the Treasury asserts that this reporting requirement has served its purpose and become unnecessary for the reasons set forth below.

When section 342 of the Intelligence Authorization Act for Fiscal Year 2003 amended the National Security Act of 1947 with this reporting requirement, the Treasury Department was receiving little information about terrorist financing from other U.S. law enforcement and intelligence agencies. Congress attempted to remedy the situation by requiring other agencies to provide relevant terrorist financing information to the Treasury for inclusion in this report.

Since the creation of the Office of Intelligence and Analysis (OIA) in 2004, the Treasury Department has become far better integrated into the Intelligence Community (IC), and the Department has developed significantly closer ties with its law enforcement partners, rendering this report no longer necessary. OIA now has comprehensive arrangements with various intelligence, law enforcement, and military organizations, which have resulted in far greater information sharing and coordination. For example, OIA now works jointly with the Federal Bureau of Investigation (FBI), both at FBI Headquarters and field office levels, on terrorist financing investigations. In addition, during the past year, OIA has developed closer ties with the Central Intelligence Agency.

In 2005, OIA hired a full time Requirements Officer, who has increased Treasury's profile in the IC requirements process by aggressively delivering requirements and evaluations on behalf of all Treasury entities to the IC. In these requirements submissions, Treasury includes comprehensive background information, as well as detailed

statements of Treasury's intelligence gaps to help focus the IC on Treasury's requirements. In response to Treasury's detailed requests, the IC has increased its level of tailored support to Treasury, making this report unnecessary.

Treasury asserts that taken together, these developments have rendered the subsection 404m(a) report unnecessary. Therefore new section 354 proposes that the semiannual report required by 50 USC section 404m(a) be deleted. In addition, section 354 leaves intact the emergency notification provisions of section 404m(b), but with a different paragraph heading.

Sec. 355. Clarifying amendments relating to Section 105 of the Intelligence Authorization Act for Fiscal Year 2004.

Section 355 amends section 105 of the Intelligence Authorization Act for Fiscal Year 2004 (Pub.L. No. 108-177 (Dec. 13, 2003)) to refer to the Director of National Intelligence (DNI) rather than the former Director of Central Intelligence (DCI).

Initially, section 105 clarified that the establishment of the Office of Intelligence and Analysis within the Department of the Treasury and its reorganization within the Office of Terrorism and Financial Intelligence, did not affect the authorities and responsibilities of the DCI with respect to the Office of Intelligence and Analysis as an element of the Intelligence Community. See Intelligence Authorization Act for Fiscal Year 2004, Pub. L. No. 108-177, section 105 (Dec. 13, 2003)) and Transportation, Treasury, Independent Agencies, and General Government Appropriations Act, 2005, Pub. L. No. 108-447, Div. H, section 222 (Dec. 8, 2004). New section 355 updates section 105 to reflect the authorities and responsibilities of the DNI, and adds a cite.

Sec. 360. Department of Homeland Security Information.

Section 360 amends section 1405 of the John Warner National Defense Authorization Act for Fiscal Year 2007, (hereinafter "FY07 Defense Authorization Act") (Public Law 109-364), to make it consistent with the existing language and framework under section 892 of the Homeland Security Act of 2002 (6 USC section 482) and section 1016 of Intelligence Reform and Terrorism Prevention Act (6 USC section 485), and the authorities of the President, therein, concerning the treatment and sharing of homeland security information.

6 USC section 482 defines "homeland security information," and provides that homeland security information shared with a State or local government will remain "under the control" of the Federal agency that provided it and that no State or local disclosure laws could apply to that information once it was shared.

Section 1405 of the FY07 Defense Authorization Act amended title 10 and created a new section 130d to ensure that such information, though shared with State and local personnel who are involved in the prevention of or response to terrorist activity, does not become subject to disclosure under the Freedom of Information Act (5 U.S.C. 552) by virtue of such sharing. According to the new 10 USC section 130d,

"Confidential business information and other sensitive but unclassified homeland security information in the possession of the Department of Defense that is shared, pursuant to section 892 of the Homeland Security Act of 2002 (6 U.S.C. 482), with State and local personnel (as defined in such section) shall not be subject to disclosure under section 552 of title 5 by virtue of the sharing of such information with such personnel." (emphasis added).

That is, under the new section 130d, "confidential business information and other sensitive but unclassified homeland security information" does not lose any of its protections or exemptions from disclosure under the FOIA simply because the information was shared with State and local personnel pursuant to 6 USC section 482. Unfortunately, this protection applies only to information in the possession of the Department of Defense.

Limiting this protection only to information that is "in the possession of the Department of Defense" could have harmful unforeseen consequences for intergovernmental information sharing and pose operational hardships and perhaps legal obstacles for other Federal agencies that also share homeland security information with State and local personnel.

To resolve the tension between the FY07 defense authorization section 1405 and the Homeland Security Act, DHS proposes five amendments to section 1405. First and foremost, section 1405 is amended so that it is applicable to all Federal agencies and not just the Department of Defense by amending the phrase, "in the possession of the Department of Defense," to refer to "any Federal agency." This amendment eliminates both the negative implications and potential operational distortions created by limiting the application of section 1405 only to the Defense Department.

Second, this amendment clarifies that applicable FOIA exemptions attached to confidential business or homeland security information are not waived merely because said information was shared with State and local personnel.¹

Third, this amendment replaces the expression "other sensitive but unclassified homeland security information," with the expression, "Homeland security information." To the extent that section 1405 references information that already is defined by statute, it is best to reflect the language and terminology used in 6 USC section 482. For example, the use of the term "sensitive but unclassified homeland security information" does not appear in section 482, which refers only to "homeland security information."

Fourth, the section title is amended to reflect these changes.

Fifth, for consistency, a clerical amendment to the title 10 table of contents reflects this change.

¹ See also *Students Against Genocide v. Dep't of State*, 257 F.3d 828, 836 (D.C. Cir. 2001) (noting that, generally, the government may not rely on an otherwise valid exemption to justify withholding information that already has been officially released to the public).

Sec. 361. Technical Amendment Relating to the Coast Guard Intelligence Element.

Prior to the enactment of the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA 2004) (Public Law 108-458), the intelligence element of the Coast Guard was an independent member of the intelligence community and, like the other intelligence elements of the armed forces, responsible for the full range of intelligence activity. National Security Act of 1947, § 3(4)(H) (50 U.S.C. § 401a(4)(H)).

The IRTPA 2004 amended the statutory definition of "intelligence community" and introduced a technical drafting error with regard to the reference to the intelligence element of the Coast Guard.

Sec. 361 would correct this drafting error by locating reference to the Coast Guard in the members of the intelligence community with the other uniformed services. This sec. 361 would amend the National Security Act as follows:

* * * * *

(4) The term "intelligence community" includes—

* * * * *

(H) The intelligence elements of the Army, the Navy, the Air Force, the Marine Corps, the Coast Guard, the Federal Bureau of Investigation, and the Department of Energy.

* * * * *

(K) The elements of the Department of Homeland Security concerned with the analysis of intelligence information, ~~including the Office of Intelligence of the Coast Guard.~~

**TITLE IV - MATTERS RELATING TO THE FOREIGN INTELLIGENCE
SURVEILLANCE ACT.**

Sec. 400. Short title.

This section sets forth the title of this portion of the bill as the ``Foreign Intelligence Surveillance Modernization Act of 2007``.

Sec. 401. Definitions.

Section 401 amends the definitions of several terms used in the Foreign Intelligence Surveillance Act (FISA) (50 U.S.C. 1801-1871).

Subsection 401(a) amends FISA's definition of "agent of a foreign power" to include non-U.S. persons who possess or receive significant foreign intelligence information while in the United States. This amendment fills a gap in FISA's current definition to address circumstances in which a foreign individual is known to have valuable foreign intelligence information, but the individual's relationship to a foreign power is unclear. Collection of information from such an individual would be subject to the approval of the Foreign Intelligence Surveillance Court (FISC).

Subsection 401(b) also amends FISA's definition of "electronic surveillance." When FISA was enacted in 1978, Congress used language that was technology-dependent and related specifically to the telecommunications systems that existed at that time. As a result of revolutions in communications technology since 1978, and not any considered judgment of Congress, the current definition of "electronic surveillance" sweeps in surveillance activities that Congress intended to exclude from FISA's scope. Subsection 401(b) provides a new, technologically neutral definition of "electronic surveillance" focused on the core question of who is the subject of the surveillance, rather than on how or where the communication is intercepted. Under the amended definition, "electronic surveillance" would mean: "(1) the installation or use of an electronic, mechanical, or other surveillance device for acquiring information by intentionally directing surveillance at a particular, known person who is reasonably believed to be located within the United States under circumstances in which that person has a reasonable expectation of privacy and a warrant would be required for law enforcement purposes; or (2) the intentional acquisition of the contents of any communication under circumstances in which a person has a reasonable expectation of privacy and a warrant would be required for law enforcement purposes, if both the sender and all intended recipients are reasonably believed to be located within the United States." In addition to enhancing our intelligence capabilities, this change would advance the privacy rights of Americans, as it would focus the resources of the FISC and the Government on

the review of applications to conduct surveillance that most directly implicate the privacy interests of persons in the United States. This would restore FISA to its original focus and would do so in a way that no longer depends on unforeseeable technological changes.

Additionally, section 401 strikes FISA's current definition of "wire communication". Reference to this term is unnecessary under the new technologically neutral definition of "electronic surveillance".

Section 401 also amends the definition of the term "minimization procedures." This amendment is intended to conform the definition to changes to be made to subsection 102(a) of FISA.

Additionally, section 401 amends the definition of the term "contents" to make that definition consistent with the definition of the same term in Title III (18 U.S.C. 2510), which pertains to interception of communications in criminal investigations. This change would address an inconsistency between subchapter III of FISA (pertaining to pen registers and trap and trace devices) and subchapter I of FISA (pertaining to electronic surveillance). Currently, the definitions of the terms "pen register" and "trap and trace device" in subchapter III of FISA incorporate the definitions provided in 18 U.S.C. 3127. Those definitions, in turn, use the term "contents," which is defined under Title III (18 U.S.C. 2510) to include "any information concerning the substance, purport, or meaning" of a communication. Section 401 would apply this definition of "contents," which Congress already has incorporated into subchapter III of FISA, to the rest of the statute. This change would therefore remove ambiguity from the current definitions.

Sec. 402. Attorney General Authorization for Electronic Surveillance.

Section 402 amends section 102 of FISA (50 U.S.C. 1802).

With regard to foreign intelligence targets located within the United States, section 402 alters the circumstances in which the Attorney General can exercise his authority to authorize electronic surveillance without a court order under section 102 of FISA. Currently, subsection 102(a) allows the Attorney General to authorize electronic surveillance without a court order where the surveillance is "solely directed" at the acquisition of the contents of communications "transmitted by means of communications used exclusively" between or among certain types of traditional foreign powers. Changes in communications technology and practices have seriously eroded the usefulness of the current version.

Importantly, this amendment does not change the types of "foreign powers" to which this authority applies nor does it change the handling of incidental information concerning U.S. persons. Any communications involving U.S. persons that are intercepted will be handled in accordance with minimization procedures that are equivalent to those that govern Court-ordered collection.

Section 402 also adds new procedures (section 102A) pursuant to which the Attorney General could authorize the acquisition of foreign intelligence information concerning persons reasonably believed to be outside the United States under circumstances in which the acquisition does not constitute "electronic surveillance" under FISA. An acquisition under new section 102A must involve obtaining foreign intelligence information from or with the assistance of a communications provider, custodian, or other person who has access to such communications. Appropriate minimization procedures also must be followed.

Finally, Section 402 provides the means through which the Attorney General can compel cooperation with authorizations made under the amended 102(a) or 102A as well as procedures governing the use of information gathered pursuant to section 102A. These are found in section 102B and 102C, respectively. Presently, the Attorney General is authorized to direct a communications

carrier to assist the government with the exercise of electronic surveillance authorized under section 102(a). However, FISA does not currently provide a means by which the Attorney General can seek court assistance to compel compliance with a directive or for recipients of such directives to challenge them in court. The new procedures remedy these deficiencies.

Sec. 403. Jurisdiction of FISA Court.

Section 403 amends section 103 of FISA (50 U.S.C. 1803).

Subsection 403(a) amends section 103(a) to provide that judges on the FISC shall be drawn from "at least seven" of the United States judicial circuits, rather than the current requirement that judges be drawn from seven of the circuits.

Subsection 403(b) moves (with minor amendments) a provision that currently appears in section 102 to the section that pertains to the jurisdiction of the FISC.

Sec. 404. Applications for Court Orders.

The current procedure for applying to the FISC for a surveillance order under section 104 of FISA (50 U.S.C. 1804) should be streamlined. Currently, the government has to provide significant amounts of information that serves little or no purpose in safeguarding civil liberties. Section 404 streamlines the FISA application process to increase the efficiency of the process while still providing the FISC the information it needs in considering whether to authorize the surveillance. For example, subsection 404(1) amends the current FISA provisions requiring that the application contain a "detailed description of the nature of the information sought," and allows the government to submit a summary description of such information. Subsection 404(1) similarly amends the current requirement that the application contain a "statement of facts concerning all previous applications" involving the target, and instead permits the government to provide a summary of those facts.

Section 404 also would allow FISA certifications to be made by individuals specifically designated by the President. This change would help resolve a current bottleneck in the FISA process caused by the fact that few officials currently can certify FISA applications. In view of the requirement of a presidential designation, civil liberties still would be protected.

Sec. 405. Issuance of an Order.

Section 405 amends the procedures for the issuance of an order under section 105 of FISA (50 U.S.C. 1805) to conform with the changes to the application requirements that would be effected by changes to section 104. It also would extend the initial term of authorization for electronic surveillance of a non-U.S. person who is an agent of a foreign power from 120 days to one year. This change will reduce time spent preparing applications for renewals relating to non-U.S. persons thereby allowing more resources to be devoted to cases involving U.S. persons.

Additionally, subsection 405(6) amends the procedures for the emergency authorization of electronic surveillance without a court order, to allow the Executive Branch seven days to obtain court approval after surveillance is initially authorized by the Attorney General. (The current period is 72 hours.) This change will help ensure that the Executive Branch has sufficient time in an emergency situation to prepare an application, obtain the required approvals of senior officials, apply for a court order, and satisfy the court that the application should be granted. Subsection 405(6) also would allow for the retention of information if it "contains significant foreign intelligence information."

Subsection 405(8) also adds a new paragraph that requires the FISC, when granting an application for electronic surveillance, to simultaneously authorize the installation and use of pen registers and trap and trace devices if requested by the government. This change merely saves paperwork, as the standard to obtain a court order for electronic surveillance is substantially higher than the pen-register standard.

Sec. 406. Use of Information.

Section 406 amends subsection 106(i) of FISA (50 U.S.C. 1806(i)) which pertains to limitations regarding the use of unintentionally acquired information. Currently, subsection 106(i) provides that unintentionally acquired radio communications between persons located in the United States be destroyed unless the Attorney General determines that the communications indicate a threat of death or serious bodily harm. Section 406 amends subsection 106(i) by making it technology neutral - the same rule should apply no matter how the communication is transmitted. It would also allow for the retention of information if it "contains significant foreign intelligence information." This ensures that the government can retain and act upon valuable foreign intelligence information that is collected unintentionally, rather than being required to destroy all such information that does not fall within the current exception.

Section 406 also clarifies that FISA does not preclude the government from seeking protective orders or asserting privileges ordinarily available to protect against the disclosure of classified information.

Sec. 407. Weapons of Mass Destruction.

Section 407 amends sections 101, 106, and 305 of FISA (50 U.S.C. 1801, 1806, 1825) to address weapons of mass destruction. These amendments reflect the threat posed by these catastrophic weapons and extend FISA to apply to individuals and groups engaged in the international proliferation of such weapons.

Subsection 407(a) amends section 101 of FISA to include a definition of the term "weapon of mass destruction." Subsection 407(a) also amends the section 101 definitions of "foreign power" and "agent of a foreign power" to include groups and individuals engaged in the international proliferation of weapons of mass destruction. Subsection 407(a) similarly amends the definition of "foreign intelligence information."

Subsection 407(b) also amends sections 106 and 305 of FISA to cover the use of information regarding international proliferation of weapons of mass destruction.

Sec. 408. Liability Defense.

Telecommunications providers who are alleged to have assisted the government with intelligence activities after September 11th have faced numerous lawsuits as a result of their alleged activities in support of the government's efforts to prevent another terrorist attack. Companies that cooperate with the Government in the war on terror deserve our appreciation and protection - not litigation. This provision would protect providers from liability based upon allegations that they assisted the government in connection with alleged classified communications intelligence activities intended to protect the United States from a terrorist attack since September 11, 2001. Section 408 also provides for the removal of any such actions from state to federal court.

Sec. 409. Amendments for Physical Searches.

Section 409 amends section 303 of FISA (50 U.S.C. 1823) to streamline the application process for physical searches, update and augment the emergency authorization provisions, and increase the potential number of officials who can certify FISA applications. These changes parallel those proposed to the electronic surveillance application process.

Sec. 410. Amendments for Emergency Pen Registers and Trap and Trace Devices.

Section 410 amends the FISA section 403 (50 U.S.C. 1843) procedures regarding the emergency use of pen registers and trap and trace devices without court approval to allow the Executive Branch seven days to obtain court approval after the emergency use is initially authorized by the Attorney General. (The current period is 48 hours.) This change would ensure the same flexibility for these techniques as would be available for electronic surveillance and physical searches.

Sec. 411. Mandatory Transfer for Review.

Section 411 would allow for the transfer of sensitive national security litigation to the Foreign Intelligence Surveillance Court. This provision requires courts to transfer a case to the FISC if: (1) the case is challenging the legality of a classified communications intelligence activity relating to a foreign threat, or the legality of any such activity is at issue in the case, and (2) the Attorney General files an affidavit under oath that the case should be transferred because further proceedings in the originating court would harm the national security of the United States. By providing for the transfer of such cases to the FISC, section 411 ensures that, if needed, judicial review may proceed before the court most familiar with communications intelligence activities and most practiced in safeguarding the type of national security information involved.

Section 411 also provides that the decisions of the FISC in cases transferred under this provision would be subject to review by the FISA Court of Review and the Supreme Court of the United States.

Additionally, section 411 provides that all litigation privileges are preserved in the originating court, the FISC, the FISA Court of Review, and the Supreme Court of the United States, in any case transferred under that section.

Sec. 412. Technical and Conforming Amendments.

Section 412 makes technical and conforming amendments to sections 103, 105, 106, and 108 of FISA (50 U.S.C. 1803, 1805, 1806, 1808).

Sec. 413. Effective Date.

Section 413 provides that these amendments shall take effect 90 days after the date of enactment of the Act, and that orders in effect on that date shall remain in effect until the date of expiration. It would also allow for a smooth transition after the changes take effect.

Sec. 414. Construction; Severability.

Section 414 provides that any provision in sections 401 through 414 held to be invalid or unenforceable shall be construed so as to give it the maximum effect permitted by law, unless doing so results in a holding of utter invalidity or unenforceability, in which case the provision shall be deemed severable and shall not affect the remaining sections.