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THE FY 1976 DEFENSE BUDGET

Total outlays for national defense will increase from \$85.3 billion in FY 1975 to \$94.0 billion in FY 1976. Continued improvements in the strategic nuclear forces are included in this budget as well as measures to improve the fighting power of the general purpose forces, all within the framework of continued overall personnel reductions. The major change planned is an increase in the number of active Army divisions from 13 in June 1974 to 16 by September 1976. This will be accomplished predominately by shifting personnel from support activities to combat functions and by increasing and modernizing weapon systems and equipment. Tactical air forces will be modernized by the replacement of older aircraft with newer and more capable aircraft. A shipbuilding program to arrest the continuing decline in the U.S. fleet is also requested. This increase in the Defense request is not however, as significant as it might appear.

In recent years, there has been a significant shift in the composition of the Federal budget. The proportion of the budget devoted to defense has declined substantially since 1964, with a corresponding increase in the non-defense proportion of the budget (see figure 1 below).

CHANGING PRIORITIES

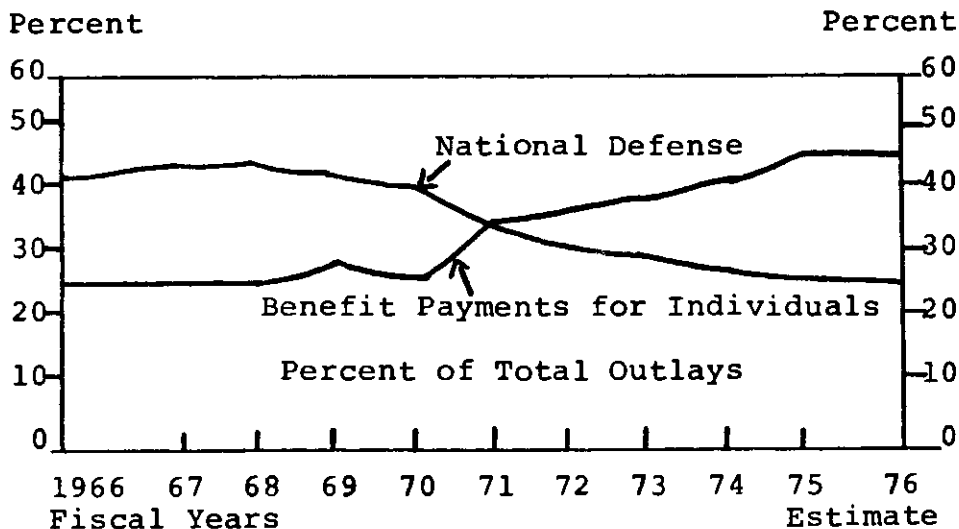


Figure 1

This shift has been particularly rapid since the end of American combat involvement in Vietnam. Defense outlays,

while showing some increase in current dollar terms from 1969 to 1974, have been substantially reduced in real terms -- over 40% since 1969 in manpower and material. (See figure 2 below for constant dollar trends since FY 1964).

DEPARTMENT OF DEFENSE BUDGET TRENDS
(Billions of Constant FY 1976 \$)

\$ BILLIONS

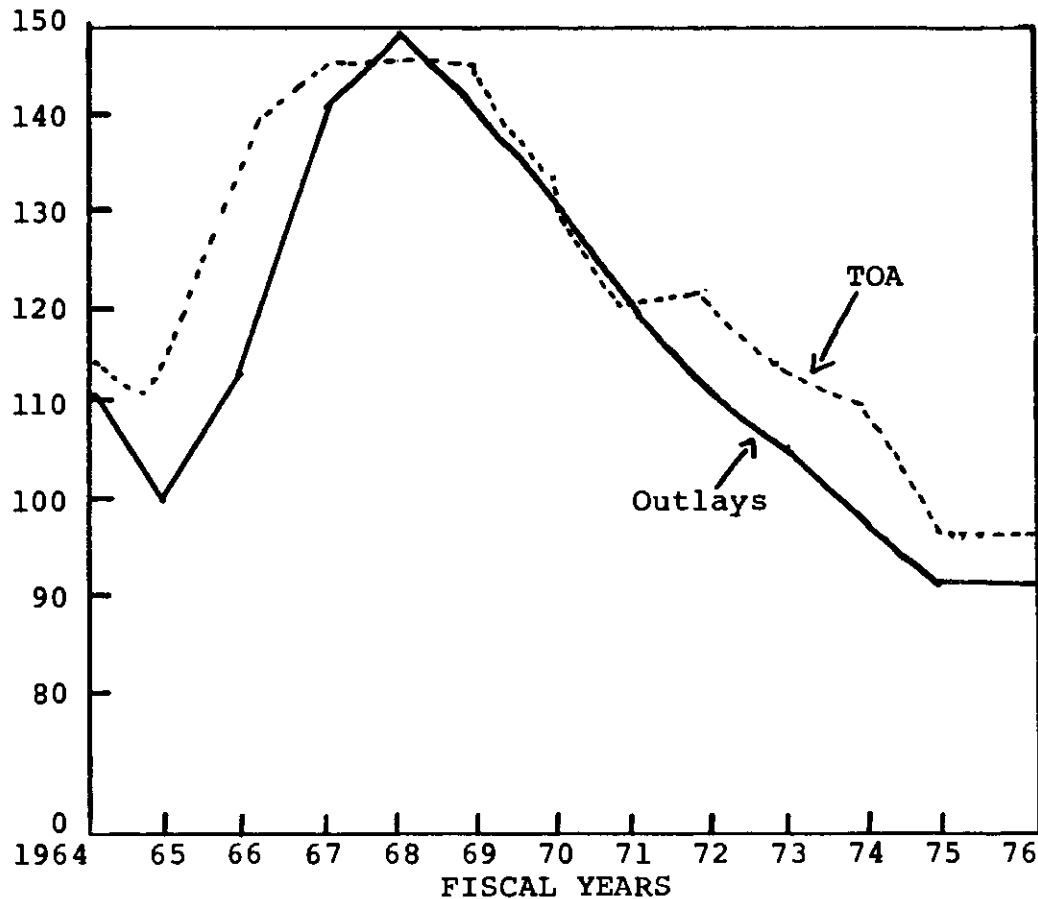


FIGURE 2

Consequently, defense outlays have been a decreasing share of our gross national product, falling from 8.9% in FY 1969 to 5.9% in FY 1976.

During this time frame, the growing costs and decreased real appropriations resulted in a steady decline in military force levels. It is no longer possible to offset increases in the costs of defense programs by further reducing military programs and strength without accepting grave

risks in the face of the continually growing Soviet military developments. The current budget proposes an increase in defense outlays in current dollars that will stem the steady erosion of U.S. military strength.

On the other hand, Federal non-defense spending has increased substantially in both current and constant dollar terms, growing from 11.6% of the gross national product in FY 1969 to an estimated 16.0% in this budget. This increase in Federal spending also reflects a shift dramatically away from support for direct Federal operations and toward direct benefits to individuals and grants to State and local governments. Outlays for assistance to individuals and to State and local governments will rise from \$140 billion in FY 1974 to \$173 billion in 1975, and \$190 billion in FY 1976.

The FY 1976 Defense budget represents a conscious effort on the part of the President to reverse the erosion of DOD purchasing power although it is still well below the real-term FY 1976 levels projected in the FY 1975 funding level. Additionally, the Defense budget estimates are based upon some important assumptions as to Congressional action and as to economic trends. These estimates assume approval of the President's proposals to hold Federal pay raises and retired cost-of-living increases to 5%. They also assume enactment of legislation which would produce receipts for sale of petroleum from the reserves. If these assumptions are not borne out, spending in FY 1976 would be \$2.2 billion more than the budget estimate.

The FY 1976 budget request for total obligation authority (TOA) is \$104.7 billion, an increase of \$15.7 billion over FY 1975. This increase is required in large measure to cover pay raises and inflation. Also, it includes \$2.3 billion necessary to cover increased costs for ships approved by Congress in FY 1975 and prior years, largely due to unforeseen inflation which is much greater in the shipbuilding program because of the long lead times involved. This \$2.3 billion involves no new program and no additional shipbuilding for FY 1976.

The overall TOA increase does reflect some program growth, however, as shown in Figure 3. However, the difference between the current dollars and the constant FY 1976 dollars shown clearly depict the erosion in Defense purchasing power over the years and the FY 1976 Budget presented is a first step toward reversing the trend of recent years. Overall, the Defense program planned over the years has been essentially level in terms of real buying power but, as a result of inflation and Congressional reductions, it has not been possible to maintain

stability in the overall Defense program. While the FY 1976 budget request is higher in current prices than the projection of a year ago, it is still considerably lower in terms of real buying power.

DEPARTMENT OF DEFENSE
BASELINE FORCES BUDGET TRENDS
(TOA - \$ BILLIONS)

\$ BILLIONS

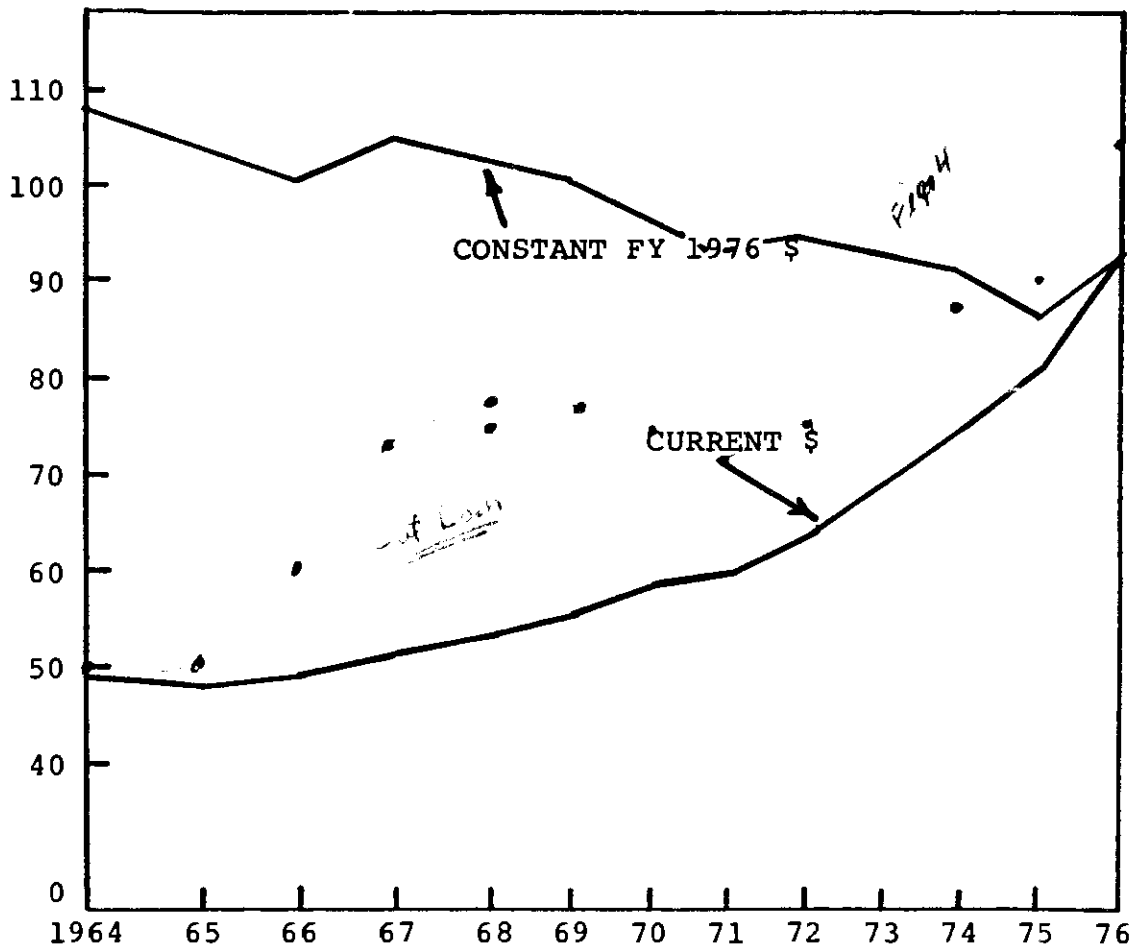


FIGURE 3

Figure 4 shows a summary of the Defense budget for FY 1974 thru FY 1976 and FY 1968.

SUMMARY OF THE DEPARTMENT OF DEFENSE BUDGET PROGRAM¹
(In billions of dollars)

	Total obligational authority			
	Actual		Estimate	
	1968	1974	1975	1976
Strategic forces	7.2	6.8	7.4	7.7
General purpose forces	30.5	27.5	28.2	35.9
Intelligence and communications	5.5	5.9	6.4	7.3
Airlift and sealift	1.7	.8	.9	1.6
Guard and Reserve	2.2	4.3	4.8	5.6
Research and development ²	4.3	6.9	7.7	9.4
Central supply and maintenance	8.4	8.5	9.0	9.9
Training, medical, and other general personnel activities	12.2	18.2	20.0	21.7
Administration and associated activities	1.2	1.8	2.1	2.4
Support of other nations ¹	<u>2.4</u>	<u>4.3</u>	<u>2.5</u>	<u>3.3</u>
Total obligational authority	75.6	85.0	89.0	104.7
Prior year funds and other financial adjustments	<u>.8</u>	<u>3.9</u>	<u>1.8</u>	<u>1.6</u>
Total budget authority	76.4	88.9	90.8	106.3

¹ Includes military assistance program and foreign military sales programs.

² Excludes R&D in other program areas on systems approved for production.

FIGURE 4

The FY 1976 strategic program, including systems funded in the research and development program, will provide for:

a. Continued engineering development of the B-1 strategic bomber and full scale production in FY 1977 if performance goals in relation to costs are achieved;

b. Proceeding with the Trident submarine system to be deployed in FY 1979 and designing a lower cost alternative to the Trident;

c. Developing options for future deployment of improved ICBMs that could be launched from fixed silos or mobile launchers;

d. Continued development of improvements in ballistic missile warhead accuracy and long range cruise missiles;

e. Continued efforts to maintain technology for ballistic missile defense systems and improvements in the capability for surveillance and early warning of nuclear attack; and

f. Improvements in the command, control and communications of the strategic forces.

The FY 1976 budget request shows an increase of \$300 million in current dollars over the FY 1975 budget (\$7.7 billion in FY 1976 and \$7.4 billion in FY 1975). However in constant FY 1976 dollars, this represents a decrease of \$300 million from FY 1975 (\$8.0 billion constant FY 1976 dollars) and \$700 million from FY 1974 (\$8.4 billion constant FY 1976 dollars).

Overall, the strategic missile forces do not change in total. The MINUTEMAN modernization program will be completed in FY 1975 and the conversion of Polaris to Poseidon submarines continues in FY 1976. By end of FY 1976, the force will consist of 450 MINUTEMAN II missiles, 550 MINUTEMAN III missiles, 13 Polaris submarines, and 28 Poseidon submarines. 54 TITAN missiles are retained also.

The total number of strategic bombers remains unchanged but the B-52 force has been reorganized into one less squadron at 22. FB-111 squadrons remain constant at 4 while the Manned Fighter Interceptor Squadron will be maintained at 6 F-106 squadrons.

Under the general purpose forces category, an increase in the land force capabilities is programmed. During FY 1975 and FY 1976, the Army will add three divisions to its active force structure with little or no increase in its present manpower ceilings by converting support elements into combat elements. Additionally, production of modern equipment for the land forces will increase in FY 1976 with emphasis on tanks and anti-tank weapons. Other procurement priorities include armed helicopters, armored personnel carriers, and air defense weapons. These production increases are necessary, in part, to:

a. Replace spare parts, equipment, munitions and weapons that were delivered to Middle East nations to rebuild their forces following the War; and

b. Meet the new inventory objectives established as a result of the lessons learned from the Middle East war which clearly indicated previous objectives were too low.

Emphasis is being given to the Navy's shipbuilding program with a request for the procurement of 10 patrol frigates, 2 destroyer tenders, and 2 fleet oilers. It also includes requests for two nuclear attack submarines, one nuclear-powered guided missile cruiser (formerly DLGN), and two patrol hydrofoil missile ships. However, even if the full request is approved, the Navy will drop to a level of 490 ships in FY 1976, the lowest total in the active fleet since 1939.

Continued procurement of aircraft is planned in 1976 to replace older systems. The Air Force active fighter force will be maintained at 22 wings with F-4 and A-7 squadrons transferring to the Air National Guard as the F-15 squadrons enter the force. The Navy carrier air wings will decrease from 14 to 13. Carrier based F-14s as well as S-3A and P-3C ASW aircraft will continue to be procured.

Overall, the FY 1976 general purpose forces budget request reflects an increase of \$7.7 billion in current FY 1976 dollars over FY 1975 budget (\$35.9 billion in FY 1976 and \$28.2 billion in FY 1975) and \$8.4 billion over the FY 1974 budget (\$27.5 billion). However, in constant FY 1976 dollars the increase over the FY 1975 budget is only \$4.5 billion (\$30.4 billion) and \$2.7 billion over the FY 1974 budget (\$33.2 billion).

There will be no change in the airlift force structure during FY 1976 but the sealift forces will be increased with the addition of three oilers to the Military Sealift Command. Improvements in strategic airlift capabilities will continue to be improved such as increasing sortie rates, endurance and loading. The FY 1976 budget request is for \$700 million over FY 1975 (\$1.6 billion as opposed to \$.9 billion in FY 1975) and reflects an increase of \$600 million in constant FY 1976 dollars.

Emphasis continues to be placed on the Guard and Reserve forces with an increase of \$700 million in current dollars over FY 1975. However, in real terms, Guard and Reserve forces have shown, in constant FY 1976 dollars, a very gradual increase of roughly \$100 million annually.

Research and Development shows an increase of \$1.7 billion dollars over FY 1975. While approximately \$700 million of the

increased Research, Development, Test and Evaluation request is required for pay increases, and purchase inflation, there is a constant dollar growth of about \$1 billion. This increase is associated with a number of major weapon system projects such as the TRIDENT missile, cruise missile programs, the B-1 bomber plus continued emphasis on systems in development such as the Air Combat Fighter program. It reflects also continued emphasis on research and exploratory development.

Figure 5, a financial summary of the defense budget by appropriations in constant FY 1976 dollars, highlights the areas of real increases.

DEPARTMENT OF DEFENSE BUDGET
FINANCIAL SUMMARY
(Billions of \$)

<u>APPROPRIATION TITLE</u>	<u>FY 1973</u>	<u>FY 1974</u>	<u>FY 1975</u>	<u>FY 1976</u>	<u>FY 1976'</u>
Military Personnel	\$ 28.9	\$ 27.3	\$ 26.5	\$ 25.9	\$ 6.6
Retired Pay	5.8	6.2	6.6	6.9	1.8
Operation & Maintenance	33.6	31.9	29.2	29.8	7.6
Procurement	25.6	21.2	18.8	24.7	4.3
RDT&E	10.3	9.7	9.3	10.3	2.6
Military Construction	2.1	2.1	2.1	2.9	.1
Family Housing	1.4	1.4	1.3	1.3	.3
Civil Defense	.1	.1	.1	.1	-
Military Assistance	<u>1.6</u>	<u>4.5</u>	<u>2.6</u>	<u>2.7</u>	<u>.5</u>
TOTAL	\$109.4	\$104.4	\$ 96.5	\$104.7	\$23.7

FIGURE 5

It shows that the FY 1976 budget, if approved as requested, could be the first step in halting the continue decline in our defense posture. Figure 5 also shows clearly that even this upswing is relatively minor, barely exceeding the FY 1974 budget and falling well below the level of real effort in FY 1973.

Yet, the \$8.2 billion increase depicted in Figure 5 does not tell the real story. As previously indicated, \$2.3 billion has been included in the FY 1976 budget to offset increased inflationary shipbuilding costs for FY 1975 and prior years. This then reduces the real gain from \$8.2 billion to \$5.9 billion. However \$.9 billion was added to the FY 1975 budget to fully fund the ships that were budgeted that year. Thus, the real growth from the FY 1975 budget is now only \$5 billion. If the total non-baseline items such as Retired Pay, Southeast Asia costs, etc., are eliminated, then the real increase from

FY 1975 to FY 1976 is in fact reduced to \$4.5 billion -- almost half of the figure currently advertised.

Figure 6 depicts the end results of the FY 1976 defense budget if approved as requested.

SUMMARY OF ACTIVE MILITARY PERSONNEL AND FORCES				
Description	Actual		Estimated	
	June 30 1968	June 30 1974	June 30 1975	June 30 1976
Military personnel (in thousands):				
End strength:				
Army	1,570	783	785	785
Navy	765	546	536	529
Marine Corps	307	189	196	196
Air Force	905	643	612	590
Total, Department of Defense	3,547	2,161	2,129	2,100
Average strength:				
Army	1,487	787	779	784
Navy	753	554	546	531
Marine Corps	298	191	193	196
Air Force	899	673	631	607
Total, Department of Defense	3,437	2,206	2,149	2,118
Strategic forces:				
Intercontinental ballistic missiles:				
Minuteman	1,000	1,000	1,000	1,000
Titan II	54	54	54	54
Polaris-Poseidon missiles	656	656	656	656
Strategic bombers	648	500	498	497
General purpose forces:				
Land forces:				
Army divisions	19	13	14	16
Marine divisions	4	3	3	3
Tactical air forces:				
Air Force wings	25	22	22	22
Navy attack wings	15	14	14	13
Marine Corps wings	3	3	3	3
Naval forces:				
Attack and antisubmarine carriers	23	14	15	13
Nuclear attack submarines	33	61	64	68
Other warships	387	187	189	185
Amphibious assault ships	157	65	64	63
Airlift and sealift forces:				
C-5A airlift squadrons	0	4	4	4
Other strategic airlift squadrons	32	13	13	13
Troopships, cargo ships, and tankers	130	37	40	43

FIGURE 6