

December 8, 1969

MEMORANDUM FOR RECORD

Status of the FY 1971 Defense Budget

Final program decisions are planned to be made by the end of

Highlights of the major program and financial aspects of the budget are:

## Financial Status

The FY 1970 and FY 1971 expenditures objectives for the FY 1971 budget are \$77.0 billion and \$72.5 billion, respectively. The following is a summary of budget status at this time:

*			Expenditures FY 1970 FY 1971
Office of the Secre		Defense Component Request	77.5 75.7
Chief, RDD, ESD,	WHS 50	\$4.552 Reductions Planned:	
Declassify:	Deny in Ful	13526 Budget analysis of pricing, workloads, phasing, etc.	5 -1.3
Declassify in Part:		Redeployments from Vietnam	-1.5
Reason:	MDR: 12-	M-043%Other Major Force Issues	
	1	Budget Objective	77.0 <u>a</u> / 72.5 <u>b</u> /
DECLASSIFIED IN FULI Authority: EO 13526	,	a/ This represents absorption of \$. military and civilian pay raise for defense.	4 billion of the 1 July 1969 totaling about \$2.4 billion
Chief, Records & Decla		b/ Does not include any pay raise b	evond the 1 July 1969 increase.
Date: JAN 2 4 2012			<
	. <b>P</b> \$7 ()	Date: 0 4 A Company Chief Detassification Division	m, WHS

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#### Southeast Asia

The budget is based upon an assumed deployment of 260,000 by the end of FY 1971 (June 30, 1971). SEA deployments (through Phase III) were budgeted by the military services at 450,000 as of end FY 1971. (Army and Air Force had assumed a 34,000 Phase III withdrawal in their budget submission, which when added to 450,000 equals the 484,000 currently approved in Program 8.) The budget assumption, therefore, further reduces deployment by 190,000.

This assumption resulted in a reduction in the Military Department budget requests of \$2.5 billion in NOA and \$1.5 billion in outlays.

To the extent the objective is not met, there will be an FY 1971 budget problem - the extent of which is dependent upon the size of any slippage. (Discussion of options is attached at Enclosure 1.)

# Military Force Reductions and End Strengths

Military end strength will be reduced by approximately 219 thousand during FY 1971. A comparison with the service budget requests and the tentative proposed end strengths is:

			(Thous	
			End FY 1970	End FY 1971
DECLASSIFIED IN FULL	Service Request		3,168	3,161
Authority: EO 13526	Army Navy	×	1,368 695	1,368 688
Chief, Records & Declass Div, WHS Date: JAN 2 4 2012	Marine Corps Air Force	ıt.	294 810	294 810
JAN 6 4 ZUIZ	Tentative Decisions	) <b>=</b> (	3,159	2,942
	Army		1,367	1,244
	Navy		693	668 <u>a</u> /
	Marine Corps Air Force	•	293 806	233 797 <u>b</u> /

a/ No end strength reductions assumed for redeployment of 11.1 thousand AF and 21.0 thousand Navy to be returned in order to reach 260,000 deployed to Vietnam by end of FY 1971.

The factors contributing to the decreased end strengths are:

 Reduction in active Army divisions from 17-2/3 to 14-2/3 divisions, including Vietnam deployments.



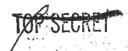


- Reduction of Marine Corps from 4 to 3 active divisions and from 15 to 13 fighter squadrons (no change in attack squadrons);
- 3. Reduction of Naval carrier air wings from 14 to 13.
- Reduction in deployments to Vietnam down to 260,000 level end FY 1971.
- Budget review related to workloads requiring military personnel in the support and overhead establishment.

These numbers are subject to change in the final "wrap-up" and as a result of consideration of service reclamas.

# Major Force Issues Decided

	DECLASSIFIED IN FULL Authority: EO 13526 Chief, Records & Declass Div, WHS	(\$ millions) FY 1971 Outla Effect	
A	Tany Date: JAN 2 4 2012		
	Reduce Army baseline program to 14-2/3 divisions and SEA deployments	-1,277	
N	avy		
	Reduce carrier air wings to 13	-27	
	Reduce 17 active and 12 Naval Reserve ships	-25	
	Reduce Marine Corps to 3 active divisions and 13 fighter squadrons	-268	
	Other actions to be recommended by Navy	-80	
<u> </u>	dr Force		
	Stop C-5 production at 81 aircraft	`-100	
×	Stop F-111 production with buy of 38 aircraft in FY 1971	-107	
	Approve FY 1971 procurement of 88 A-7D's and 24 F-4E's vice 150 and 69, respectively	-66	
:	Slip Minuteman hardening and reduce missiles by 34 in anticipation of shorter procurement leadtime (15 mo. vs 18 mo.)	~40	
	Total Major Force Issues	1,990	
	FOT SHORT		



## Research, Development, Test and Evaluation

After completion of Congressional action on FY 1970 appropriations, it is expected that RDT&E will be approved at a level of approximately \$7.4 billion.

The current FY 1971 budget objective provides:

	. ~		(\$ millions)		
		* 4	FY 1970	FY 1971	
		4			
TOA			7,400	7,450	
Outlays	F.,		7,300	7,500	

(The low FY 1970 expenditure results from the MOL cancellation which was a high expenditure rate program.)

The FY 1970 level assumes that the 12 F-14 test aircraft will be approved by Congress in RDT&E.

The FY 1971 RDT&E program includes significant increases for the following programs over FY 1970 within essentially the same TOA level. Exact amounts for these programs, however, are still under review:

SAM-D S-3A Aircraft Advanced Surface Missile System F-14A Aircraft SCAD F-15A B-1

DECLASSIFIED IN FULL Authority: E0 13526 Chief, Records & Declass Div, WHS Date: JAN 2 4 2012

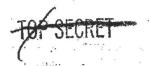
These systems alone will require \$400-500 more in FY 1971 than is currently budgeted for FY 1970. Additionally, the RDT&E program must be increased by \$100-140 in FY 1971 if the F-15 and S-3A are budgeted as Congress has currently acted on the F-14. These amounts are currently included in Air Force and Navy aircraft procurement accounts, and decision has not yet been made as to where they will be budgeted in FY 1971.

# Military Assistance

State and Defense are in agreement on the FY 1971 Military Assistance program as follows:

	(MOM 9 III	TTTIONS
	FY 1970	FY 1971
Grant Aid	400.0	450.0
Foreign Military Credit Sales	275.0	272.5

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These amounts are accommodated within the Defense outlay target of \$72.5 billion for FY 1971.

It is understood that the BoB Staff (International Division) recommend a Grant Aid NOA program of \$350.0 million for FY 1971 - a reduction in the Defense/State recommendation of \$100.0 million.

#### SAFEGUARD

Recent Army estimates reflect increased funding required for Phase 1 deployment of SAFEGUARD:

		(\$ millions)				
				1970	FY	1971
	Phase 1		TOA 893	Exp.	TOA	Exp.
	Army Budget Request		893	295	TOA 968	$\frac{\text{Exp.}}{642}$
	Army Revised Requirement					
DECLASSIFIED IN FULL	With 3 mo. addl. slip		893	295	960	640
Authority: EO 13526	Hold current schedule	7	908	298	1054	655
Chief, Records & Declass Div, WH	OSD Estimates - Phase 1					
Date: JAN 2 4 2012	With 3 mo. addl. slip		876	295	906	623
47111	Hold current schedule		891	298	985	648

Decision is required concerning Phase 2 deployment. Army has presented costs for alternative Phase 2 programs. The following are incremental additional costs to the  $\underline{\text{OSD}}$  estimates -  $\underline{\text{Phase 1}}$  above:

* ·	FY 19	971
	NOA	Outlays
Phase 2a (Decision Dec. 69)		
This would initiate procurement		
toward 3 additional sites for a		4
total of 5 sites	+524	+70
Pull Dhann C On a second		
Full Phase 2 (Decision Dec. 69)		
This would initiate procurement	1000	1100
toward a full 12 site program	+989	+122
Phase 2a (Decision Dec. 70)		
Same as Phase 2a (decision Dec. 69)		*
but delays final deployment 7 months	+12	-3
Full Phase 2 (Decision Dec. 70)		
Same as Full Phase 2 (decision Dec. 69)		
but delays final deployment 1 year	+40	-2

FOR SECRET

**DECLASSIFIED IN FULL** 

Authority: E0 13526

Chief, Records & Declass Div, WHS

Date:

JAN 2 4 2012

FY	1971	·
NOA	Ou	tlays

Phase 2 of 2 added sites beyond Phase 1

(Decision Dec. 69)

This would initiate procurement toward 2 additional sites for a total of 4 sites

+5602/ +90

a/ Computed from figures supplied by Army - Not verified.

While FY 1971 outlay effect of Phase 2 and 2a (Dec. 69 decision) is relatively low, the  $\underline{FY}$  1972 outlay effect would be about three times as great as FY 1971.

## CVAN-70

Navy has requested advance funding of \$152 million for long leadtime components for the CVAN-70. The total cost of the ship is estimated by Navy at \$522 million. The balance of the \$522 million (\$370 million) would be budgeted in FY 1972.

Outlay impact, if approved, would be about:

		*		(\$ millions)
FY	1970			8
FY	1971			45
FY	1972			105
FY	1973		(4)	135
FY	1974			114
FY	1975			115
	Total			522

Enclosure

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