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OFFICE OF THE SECRETARY OF DEFENSE
WASHINGTON, D.C. 20301

Ch 17
December 8, 1969

MEMORANDUM FOR RECORD

SUBJECT: Status of the FY 1971 Defense Budget

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

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:

		<u>Expenditures</u>	
		<u>FY 1970</u>	<u>FY 1971</u>
Office of the Secretary of Defense	Defense Component Request	77.5	75.7
Chief, RDD, ESD, WHS	50-54-552 Reductions Planned:		
Date: 24 JAN 29 12	Authority: EO 13526		
Declassify: <input checked="" type="checkbox"/>	Deny in Full: <input type="checkbox"/>		
Declassify in Part: <input type="checkbox"/>	Redeployments from Vietnam		-1.5
Reason: <input type="checkbox"/>	MDR: 12-M-0434		
	Budget Objective	77.0 a/	72.5 b/
	Budget analysis of pricing, workloads, phasing, etc.	-1.5	-1.3
	Other Major Force Issues		-1.5

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a/ This represents absorption of \$.4 billion of the 1 July 1969 military and civilian pay raise totaling about \$2.4 billion for defense.

b/ Does not include any pay raise beyond the 1 July 1969 increase.

Downgraded to Secret
Date: 04 Oct 2011
Chief, Declassification Division, WHS

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OSR DOC 9-3

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DD FORM 1300-100
CONTROL
COPY NO. 12
CASE NO. 12-10001
RECORD NO. 1
DOCUMENT NO. 1

John B. R. & Co. Budget 1969, 1970, 1971, 1972, 1973, 1974, 1975, 1976, 1977, 1978, 1979, 1980, 1981, 1982, 1983, 1984, 1985, 1986, 1987, 1988, 1989, 1990, 1991, 1992, 1993, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 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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:

	(Thousands)	
	<u>End FY 1970</u>	<u>End FY 1971</u>
<u>Service Request</u>	<u>3,168</u>	<u>3,161</u>
Army	1,368	1,368
Navy	695	688
Marine Corps	294	294
Air Force	810	810
<u>Tentative Decisions</u>	<u>3,159</u>	<u>2,942</u>
Army	1,367	1,244
Navy	693	668 <u>a/</u>
Marine Corps	293	233
Air Force	806	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:

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

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2. 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.
4. Reduction in deployments to Vietnam down to 260,000 level end FY 1971.
5. 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 reclaims.

Major Force Issues Decided

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(\$ millions)
FY 1971 Outlay
Effect

Army

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Reduce Army baseline program to 14-2/3 divisions and SEA deployments

-1,277

Navy

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

Air 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

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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)	
	<u>FY 1970</u>	<u>FY 1971</u>
TOA	7,400	7,450
Outlays	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

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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:

	(NOA \$ millions)	
	<u>FY 1970</u>	<u>FY 1971</u>
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)			
	FY 1970		FY 1971	
	TOA	Exp.	TOA	Exp.
<u>Phase 1</u>				
Army Budget Request	893	295	968	642
<u>Army Revised Requirement</u>				
With 3 mo. addl. slip	893	295	960	640
Hold current schedule	908	298	1054	655
<u>OSD Estimates - Phase 1</u>				
With 3 mo. addl. slip	876	295	906	623
Hold current schedule	891	298	985	648

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Phase 2

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

	FY 1971	
	NOA	Outlays
<u>Phase 2a (Decision Dec. 69)</u>		
This would initiate procurement toward 3 additional sites for a total of 5 sites	+524	+70
<u>Full Phase 2 (Decision Dec. 69)</u>		
This would initiate procurement toward a full 12 site program	+989	+122
<u>Phase 2a (Decision Dec. 70)</u>		
Same as Phase 2a (decision Dec. 69) but delays final deployment 7 months	+12	-3
<u>Full Phase 2 (Decision Dec. 70)</u>		
Same as Full Phase 2 (decision Dec. 69) but delays final deployment 1 year	+40	-2

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FY 1971	
NOA	Outlays

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

+560a/	+90
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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 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 lead-
time 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	135
FY 1974	114
FY 1975	<u>115</u>
Total	522

Enclosure

~~TOP SECRET~~

20 NOV 1969