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On XV 45
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THE SECRETARY OF DEFENSE
WASHINGTON, D. C. 20301

24 December 1971

MEMORANDUM FOR ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS

I have reviewed the program determinations underlying the President's decision to approve a defense budget request of approximately \$82 billion of budget authority and \$78.6 billion of outlays for FY 1973.

Although a further appeal at this late date in the budget process appears to be impractical, I do want to comment on the impact of certain of the program decisions as well as the resulting reflection of the total resource trend. I feel it necessary not only because of the critical requirement to preserve a strong defense posture during this period, but also because of the need to project a clear public indication that the FY 1973 budget does provide for an improving defense posture.

GENERAL TREND

In current year dollars, the trend of budget authority in FY 1972 appropriations and in the FY 1973 request is sharply up over FY 1971. After adjusting for pay and price increases, however, the actual trend is very different. In constant dollar values, the programs look as follows:

<u>Budget Authority (\$ billions)</u>	<u>FY 1971</u>	<u>FY 1972</u>	<u>FY 1973</u>
Current Prices	\$72.98	\$77.6	\$82.6
Constant Prices ('71)	72.9	71.6	71.2

The outlays or spending picture -- as opposed to that of budget authority -- reflects the same downward trend.

<u>DOD Spending (\$ billions)</u>	<u>FY 1971</u>	<u>FY 1972</u>	<u>FY 1973</u>
Current Prices	\$75.5	\$74.8	\$78.6
Constant Prices ('71)	75.5	69.1	67.4

The media, the Congress and the public have become accustomed to defense budget explanations in constant value terms. It will be difficult to communicate an impression of an increasingly strong defense posture in the face of this realistic picture. The problem is compounded by the fact that manpower trends -- whether for military, civil service or industry personnel -- all show decreases in FY 1973 when compared

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with FY 1972 and FY 1971. It is our intent to develop and present the most favorable portrayal of force structure and resource trends; but we must be prepared for difficulties as the trends are subjected to close scrutiny.

SPECIFIC PROGRAMS

In the paragraphs that follow I shall provide a few observations on programs specifically affected by the FY 1973 budget decisions.

I remain convinced that our public posture should portray the ultimate objective for SAFEGUARD as a 12-site program. SAFEGUARD has been justified on the basis of area coverage and this requires twelve sites. Fewer sites would require a different ABM rationale. Funding for four SAFEGUARD sites in FY 1973 is a reasonable approach to a 12-site program, and I plan to testify accordingly.

The reduction in All-Volunteer Force funding will eliminate all new initiatives above the first year program level. The lower funding level will delay our efforts to attain an All-Volunteer Force. We have been striving to build full support for this program both within the Department and with the Congress. It will be more difficult unless a request for additional funds in a supplemental appropriation request is favorable considered. We are working on a program package which we believe will serve as a valid basis on which to submit the Supplemental request. Manpower management currently is fraught with many major uncertainties. There is little doubt that, with fewer dollars available in the program, we will delay the achievement of our Volunteer Force objectives.

It should be clearly understood, also, that the fund reduction in SEA tactical air sorties places an operational ceiling on our capability. In the past, we have encouraged our field commanders to look upon their air sortie authorizations in annual terms and not as a mandate to fly a specific level of sorties each month. That allowed the commander flexibility in flying fewer sorties during the periods of lower tactical activity and in flying substantially more sorties during surges in tactical activity. Our commanders have done a good job over the last year in this regard. It is obvious, however, that with a reduced overall funding level available, we shall be reducing the flexibility available to our field commanders. We shall face the difficult choice of (a) cutting far back on sorties during lower tactical activity periods to be sure we can accommodate the requests for air support during surge periods, (b) reverting to an operating procedure of flying constant sortie levels per month and thereby deny ourselves flexibility, or (c) continue to allow the commanders flexibility as in the past but recognize we may be unable to meet surge requests.

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The further reduction in the Intelligence Program will result in the release of additional personnel. On June 30, 1971 there were 138,000 personnel in this program. The budget request for FY 1973 contemplated an end strength of 123,000 for a reduction of 15,000. This latest budget cut will bring the strength down to 117,000 for a total reduction of 21,000 from last June 30.

Finally, I want to point out that the substance of your memorandum confirms the inconsistency we have been discussing on the telephone with reference to the deferral of the pay raise previously scheduled for October 1972. On the first page of your memorandum you state:

These amounts include the effect of the President's decision to defer the pay raise scheduled for October 1972 until January 1973. Thus, you will be able to allocate additional outlays (estimated at about \$360 million) to highest priority needs.

On Table I of your memorandum your computation very clearly shows that you have reduced the budget submission by the same \$.4 billion you have provided above as an additional allocation.

SUMMARY

We, too, recognize the difficulties in reaching that optimum resource allocation among our national security, economic, and social needs. I pledge to the President that the Department of Defense will do the best job possible with the resources available to meet our national security objectives.



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