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FY-8
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Issue

How to achieve Congressional support for more than 5 percent real growth in the FY85 defense budget

DECLASSIFIED IN FULL
Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: AUG 17 2018

Discussion

The Administration's goals of reversing the erosion of U.S. military capability, improving the readiness of, and modernizing, U.S. forces, and sustaining annual increases in defense spending have been largely successful. During FY81 and FY82, the defense budget experienced annual real growth exceeding 10 percent. In FY83 and FY84, despite Congressional reductions, defense spending still increased annually by 6 percent in real terms. The Congressional Budget Resolution endorses sustained real increases in defense spending of at least 5 percent per year into the future. If a level of defense funding higher than 5 percent is desirable in FY85, the Administration will require a special budget strategy to achieve it.

DOD's current FY85 top-line fiscal guidance represents 16 percent real growth over expected FY84 levels. The \$32 billion difference between this level (\$321.6 billion) and the above mentioned Congressional 5 percent real growth level (\$289.1 billion) represents the "realism gap" confronting the Administration.

Despite the fact that Congressional action has reduced the anticipated FY84 level to \$261.5 billion, \$27.4 billion below the original March, 1981 target of \$288.9 billion, the DOD FY85 fiscal guidance calls for \$321.6 billion, only \$4.6 billion less than the original March, 1981 plan of \$326.2 billion for FY85. As Chart 1 illustrates, the guidance represents an attempt to maintain the pace of the originally planned FY85 over FY81 increase with no regard for prior-year budget reductions. The result is that a one-year increase of \$60.1 billion is now required to achieve what is essentially the originally-planned FY85 DOD funding level.

Given the divisiveness between the Administration and Republican Congressional leaders that was experienced while trying (without success) to achieve 10 percent real growth in FY84, any defense budget request in excess of that level for FY85 would be regarded by Congress as provocative and confrontational in nature. Such an approach in an election year would not promote Administration goals of sustaining the consensus to rebuild U.S. military capabilities.

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The Administration needs an FY85 defense budget strategy which emphasizes cooperation, consultation, and consensus to achieve Congressional support for defense spending exceeding 5 percent real growth. The exact alternative level must be the result of conversations and interaction with Congressional leaders. However, the 7 percent compromise offered by the President during negotiations over the FY84 defense topline could serve as a good starting point.

The timing associated with developing a rephased defense topline for FY85 and the outyears is critical. If the Administration moves quickly to develop and implement a defense budget strategy of early consultation with Congressional leaders, it should be possible to preempt and defuse debate over the FY85 defense spending issue, at least as far as Republicans are concerned. Waiting until early winter to revise the topline would squander the opportunity for real consultation with key members of Congress and jeopardize the chance to make the best deal possible. If delayed too long, the question of the proper defense level will be pulled into a partisan Presidential campaign. By the same token, it would be best to lock-in a defense topline decision with Congressional leaders when economic conditions look good and concern about the deficit is relatively low.

If it proves impossible to reach agreement with Congressional leaders on an alternative topline in the 7-10 percent real growth, the President would always retain the right to propose whatever level of defense spending he chose. Early discussions with Congressional leaders would not compromise this option since the going-in position is that more than 5 percent is required.

The President cannot afford another long year of being attacked as being unrealistic on defense spending. The previous two-years' experience with the Administration constantly being put in the position of revising the defense request downward does not promote the picture of commitment and resolve we wish to exhibit to the rest of the world. Such revisions also erode the credibility of the Administration's statements about what is really required. The exact FY85 defense level is not as important as ensuring that whatever level the President requests is supported fully in Congress.

Any rephrasing of the FY85 topline must be managed to maximize the benefit to the President of taking such action. It should occur as the result of Congressional consultation, it must be the Administration's initiative and not a response to pressure, and the positive economic implications should be stressed. To the extent that the FY85 military request is seen as realistic, it will also alleviate attacks on defense spending as exacerbating the deficit situation. This, coupled with DOD's ongoing program to attack inefficiency and procurement abuses, should go a long way in restoring the positive public attitude towards the Administration's defense goals.

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Recommendation

The following actions should be undertaken to implement the above FY85 defense budget strategy:

1. Judge Clark and Secretary Weinberger should meet in August, with key staff, to discuss and agree upon an approach to the FY85 defense topline. The results of this initial meeting should also be discussed with Stockman and senior White House staff.
2. A meeting should be scheduled with the President in mid-August, perhaps while he is in California, to present the agreed upon strategy and obtain his approval.
3. A meeting between the President and key Congressional leaders to discuss a cooperative consensus approach to the FY85 defense budget should be scheduled in early September at Camp David. Follow-on meetings may be required.
4. The President and Secretary Weinberger should meet with the JCS and Service secretaries in the Cabinet Room in late September to announce their decision and impress upon them the need to support the program totally.
5. The President should deliver a speech on the defense budget in October announcing his FY85 topline decision and discussing it in terms of the Administration's goals of sustaining improvements in national security in an efficient manner consistent with a strategy for economic recovery.

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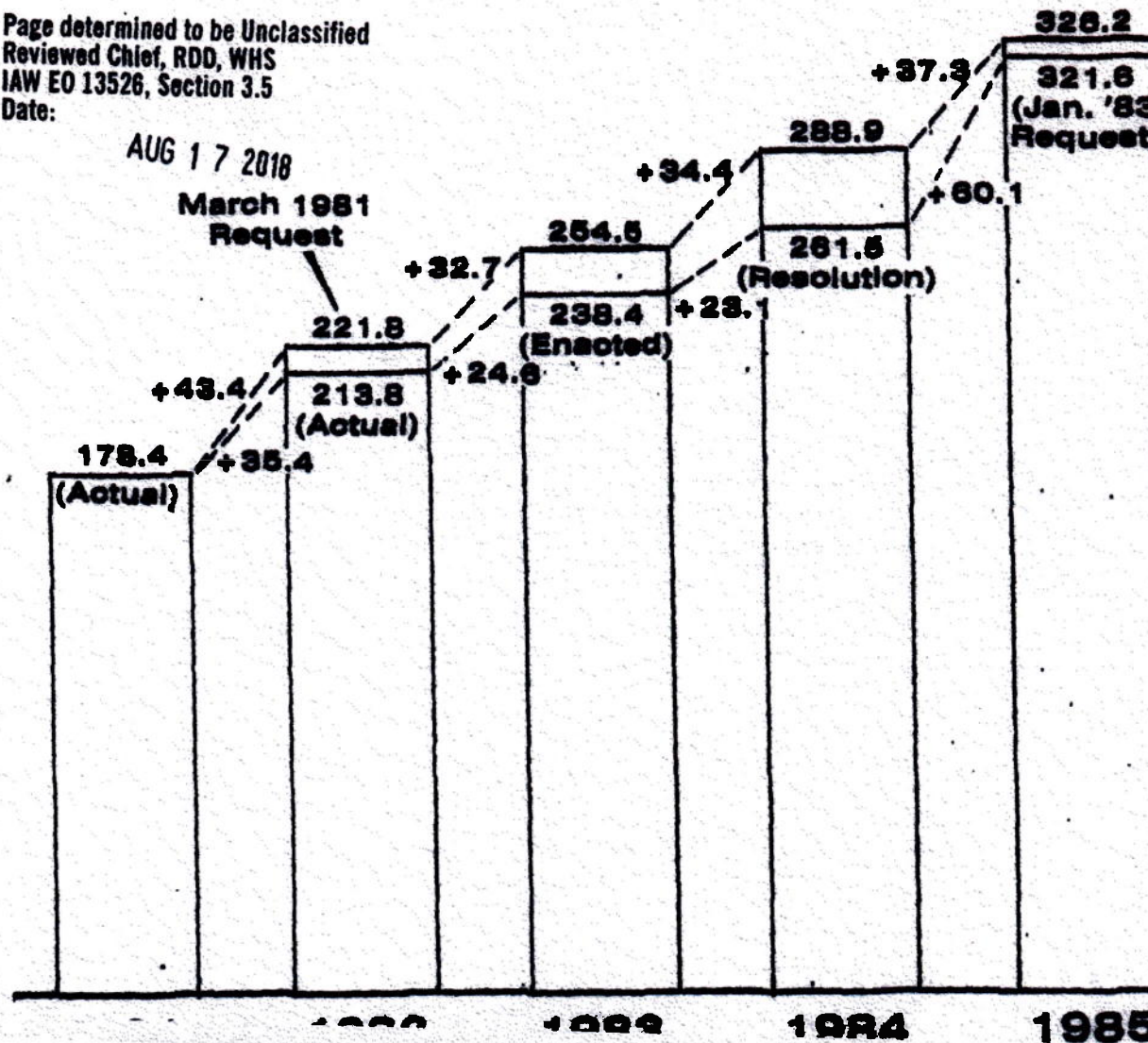
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COMPARISON OF ORIGINAL MARCH 1981 REAGAN DEFENSE PLAN WITH CONGRESSIONAL ACTION DOD-MILITARY (BA - \$ IN BILLIONS)

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March 1981
Request



Total FY 1985 Increase
Over FY 1981

Original Plan \$147.8
Jan. 1983 Budget \$143.2

Resulting FY 1985
Increase Over FY 1984

FY'84 Level	Inc. \$B	Inc. %	R.G. %
Orig. Plan	+37.3	12.9	7.0
Jan. '83	+48.2	17.6	11.1
Cong Resolution	+60.1	23.0	16.4

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