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MEMORANDUM

NATIONAL SECURITY COUNCIL

Judge Clark

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INFORMATION

December 27, 1982

MEMORANDUM FOR ROBERT C. MCFARLANE
THROUGH: RICHARD T. BOVERIE *B*
FROM: ROBERT W. HELM *W*
SUBJECT: Alternative Defense Budgets

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Authority: EO 13526
Chief, Records & Declass Div, WHS
Date: NOV 19 2018

Lower inflation, lower military pay increases, and Congressional cuts in the FY 83 defense request have resulted in a situation where the President's FY 84 defense projection of \$284.7 billion in BA now represents a very high real growth compared to original projections. OMB calculates the defense budget real growth as follows:

	84		85		86		87	
	BA	O	BA	O	BA	O	BA	O
February Projections	4.6	8.0	10.4	9.6	5.4	8.0	3.8	4.6
Current Projections	13.5	13.4	11.0	10.1	6.2	8.6	4.6	5.4
Congressional Budget Resolution	8.4	8.3	10.7	7.3	7.2	8.7	3.9	5.3

The range of controversy between the Administration and the Congress over defense spending for FY 84 is \$13 billion in budget authority. The reception of the FY 84 defense request on the Hill will probably be enhanced to the extent that it shows flexibility in the direction of the Budget Resolution.

OMB has calculated that, by taking advantage of the fact that inflation projections have dropped since February, that military personnel received a smaller pay raise than assumed in the budget, and the fact that Congress cut \$16 billion from the FY 83 defense request, approximately \$10 billion in budget authority could be cut from the FY 84 program. OMB would characterize this reduction as a recalculation of the President's program to take advantage of fact-of-life changes.

DOD would argue that it has already used this theoretical reduction to its FY 84 top line to fund other program needs and that real program cuts would still be required. The examples at Tab I are illustrative of the type of cuts which could be proposed if a move in the direction of the Budget Resolution was desired.

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Illustrative Defense Program Savings

The following illustrative reductions are aggregated in nature. They are intended to point-out that nearly all DOD accounts contain substantial real growth and are susceptible to stretching-out without requiring Administration initiatives to rearm America to be abandoned. Tab A lists certain high profile, controversial defense procurement initiatives which could be considered for stretching-out or termination.

<u>Personnel</u>	<u>FY 84 Savings (\$ Millions)</u>
Limit military end-strength increase over 1981-1988 to 80% of planned increase	-300
Limit across-the-board pay raise to inflation only and use targeted bonus awards	-800
<u>Purchases</u>	
Reduce non-major systems procurement real growth rate from 15.1% to 10% per year	-700
Slow munition purchase rate from 19% to 17% per year	-1,015
Slow navy and airforce modification purchases to 10% per year real growth	-500
<u>Operations and Maintenance</u>	
Slow O&M for base operations support, administration, headquarters and defense agencies, and medical facilities	-1,300
<u>Research and Development</u>	
Limit R&D to 17% real growth instead of 20%	-1,000
<u>Military Construction</u>	
Hold military construction real growth to 10% per year	-1,900
Total*	-7,500

* OMB has identified a range of additional possible defense cuts (ranging from mundane, non-readiness O&M reductions to weapon program alterations) which bring the total of possible reductions to \$20 billion in FY 84.

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~~CONFIDENTIAL~~High Profile Candidates for Program Alteration

The credibility of the President's defense program would be enhanced to the extent that it demonstrates a hard-headed approach to effective defense programming. An approach which goes beyond that shown in Tab I would include stretching-out certain systems if an early IOC is not essential to Administration policy, readjusting procurement rates, and possibly terminating controversial systems which have not demonstrated desired effectiveness. The following programs have been repeatedly identified in the media:

1. Stretch B-1 program in view of availability of ALCMs on B-52s (and perhaps stretch ATB program in parallel);
2. Stretch MX IOC to FY 87 to accommodate fact-of-life of Congressional action;
3. Reduce CONUS-air defense funding (F-15s and AWACs) to reflect lower priority of this initiative;
4. Stretch target of 600 ship navy to FY 2000 instead of FY 1990 (slow rate of AEGIS cruiser procurement, defer modernization of two of the four battleships currently envisioned);
5. Reduce pace of M-1 tank procurement;
6. Cut procurement rate for SLCM;
7. Terminate F-18 program and rely upon existing aircraft (A-7, F-14) and AV-8B to fill missions in future.

Cost savings associated with such visible measures can be obtained.

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