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FY 1981 AND FY 1982 DEPARTMENT OF DEFENSE BUDGET REVISIONS

Secretary of Defense Caspar Weinberger today announced details of the Administration's revisions to the Department of Defense Budgets for FY 1981 and FY 1982. They are substantial and are intended to give the United States the defense posture it needs to meet the security challenges of the 1980's.

Introduction

The budget revisions reflect the United States' perception of Soviet intentions and capabilities. The Soviet Union's military expenditures have exceeded ours for over a decade. While we have restrained our military expenditures, and have negotiated arms control in good faith, the Soviets have unrelentingly increased their military capabilities. The United States cannot allow the military balance to swing further in their favor. Therefore the Reagan Administration has revised the FY 1982 budget request, and is proposing an additional supplemental to the FY 1981 budget, in order to provide a strengthened defense.

There is a net additional supplemental request of \$6.8 billion requested for FY 1981, bringing the total Defense requirement to \$178.0 billion for total obligational authority (TOA). The FY 1982 Budget request is being increased to a level of \$222.2 billion. FY 1981 outlays are estimated at \$158.6 billion and FY 1982 at \$184.8 billion, an increase of about 17 percent.

The budget revisions are designed to increase readiness, to improve our ability to recruit and retain personnel, to modernize the forces, and to ensure naval supremacy.

Major Budget Changes

- The FY 1981 supplemental includes \$2.3 billion in "fact-of-life" changes. These cover such items as fuel cost increases, underpricing of civilian pay, procurement cost growth, force deployments and operations which were unplanned at the time of budget preparation, and a variety of other essential items. Failure to price and fund these actions now will require later reprogrammings, and thus undercut the planned progress and funding of operations in other program areas.

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- Changes to improve the quality-of-life of our military personnel total \$.7 billion in FY 1981 and \$2.8 billion in FY 1982. These include \$.4 billion in FY 1981 and \$1.8 billion in FY 1982 based on a new 5.3 percent military pay raise proposed to start on the first of July this year. This is in addition to the 11.7 percent pay raise already in effect for this fiscal year. The revised budget also provides for improvements to living and working facilities that have deteriorated, a cost of living allowance for single personnel on overseas tours, and bonuses designed to improve retention of service members with special skills and experience.

- Readiness improvements total \$2.8 billion in FY 1981 and \$8.7 billion in FY 1982. The funds will provide improved maintenance; reduce the shortfall in critical wartime spares, supplies, and munitions; increase training; and procure equipment such as protective masks, desert camouflage uniforms, medical supplies, and mobility support equipment. Procurement of additional aircraft, missiles, torpedoes, and tanks is also included.

- Modernization improvements total \$2.0 billion in FY 1981 and \$13.7 billion in FY 1982. Among the programs included are, for the Army UH-60 Blackhawk helicopter, the ROLAND Air Defense system, the DIVAD gun, XM-1 tanks, and Infantry Fighting Vehicles; for the Navy LAMPS helicopters, A-6E, EA-6B, F-14, F-18, and P-3C aircraft, HARM and TOMAHAWK missiles, improved communications and other ship systems; for the Marine Corps AV-8B aircraft, CH 53E helicopters, new weapon development and facility modernization; and for the Air Force, aircraft such as the Long Range Combat Aircraft, F-15, A-10, and KC-10, AWACS, as well as electronic gear and simulator modifications.

- Increases in shipbuilding recognize both the need for U.S. naval superiority and the need to increase our ability to project forces. The revisions will procure one additional CG-47 Cruiser, two FFG-7 Frigates, one SSN-688 submarine, conversion of six SL-7 Container Ships, and the reactivation of the battleships NEW JERSEY, and IOWA, as well as the aircraft carrier ORISKANY. Also procurement of the long lead items for a CVN-72 to be fully funded in FY 1983 will be initiated.

Manpower

Active military manpower will increase by 10,000 in FY 1981, to 2,075,356, and by 25,900 in FY 1982, to 2,119,500. This additional manpower will enhance readiness directly by increased combat unit manning and indirectly, through increased manning in technical training and maintenance activities.

Civilian personnel in FY 1981 increases by 19,600 from the January budget to the current total of 1,014,000; in FY 1982, 30,000 people are added for a

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revised total of 1,025,000. These increases reflect expanded use of civilian personnel in tasks that will allow military personnel to return to combat and combat related positions, higher depot maintenance levels and requirements associated with supply and contract administration.

Efficiencies

There are revisions to defense operations designed to increase efficiency and to provide for a more productive use of the nation's defense resources. In any large organization such as Defense no matter how well managed, there must be a continual effort to do better. This Administration is pledged to seek out even further savings and efficiencies within the defense budget. A good start has been made, but even more will be required. The Defense Department is a full participant in the President's program to achieve budgetary savings through reductions of travel, consultant expenses and contracting out as well as reductions for office equipment and furnishings. Savings from efficiencies and reforms in current operations have been identified and increased funding is being provided for productivity enhancements -- the revision to the FY 1982 budget includes \$90 million for such investments.

The acquisition process is especially promising for innovative management, both in the way we make acquisition decisions and in the way we fund them. Secretary Weinberger plans a comprehensive internal review of the acquisition process under the direction of Deputy Secretary Carlucci. We anticipate that this review will identify opportunities for us to work with the Congress and with industry in order to realize major savings through efficiencies in the acquisition programs. Also a comprehensive review has been started to ensure that the Planning Programming Budgeting (PPB) process best meets our needs to carefully and critically evaluate defense resource requirements.

Conclusion

In these budget revisions, the Administration has moved on the two fronts outlined by President Reagan: to increase our National Defense and to improve the efficiency of government expenditures. Investments in defense are essential to our national security. By making those investments wisely, by improving the way we do business, and by attaining more efficient production levels for our defense industrial base, we can contribute to the revitalization of the nation's economy while securing it from external threats.

DEPARTMENT OF DEFENSE BUDGET
DEFENSE BUDGET TOTALS
 (\$ IN BILLIONS)

| <u>CURRENT DOLLARS</u> | <u>FY 1980 ACTUAL</u> | <u>FY 1981 ESTIMATE</u> | <u>FY 1982 ESTIMATE</u> | <u>INCREASE FY 1981-82</u> |
|---------------------------------------|---------------------------|-----------------------------|-----------------------------|--------------------------------|
| TOTAL OBLIGATIONAL AUTHORITY (TOA) | 142.2 | 178.0 | 222.2 | 44.2 |
| BUDGET AUTHORITY (BA) | 142.6 | 177.1 | 221.5 | 44.4 |
| OUTLAYS | 132.8 | 158.6 | 184.8 | 26.2 |
| | | | | |
| <u>CONSTANT FY 1982 DOLLARS</u> | | | | |
| TOTAL OBLIGATIONAL AUTHORITY (TOA) | 172.6 | 193.9 | 222.2 | 28.3 |
| BUDGET AUTHORITY (BA) | 173.0 | 192.9 | 221.5 | 28.6 |
| OUTLAYS | 162.6 | 174.0 | 184.8 | 10.8 |

DEPARTMENT OF DEFENSE BUDGET

TOTALS
(\$ BILLIONS)

| | <u>FY 1981</u> | | <u>FY 1982</u> | | <u>NET CHANGE</u> |
|---------------------------------------|----------------|---------------|----------------|---------------|-----------------------|
| | <u>JAN 81</u> | <u>MAR 81</u> | <u>JAN 81</u> | <u>MAR 81</u> | |
| TOTAL OBLIGATIONAL AUTHORITY (TOA) | 171.2 | 178.0 | 196.4 | 222.2 | +25.8 |
| BUDGET AUTHORITY (BA) | 170.3 | 177.1 | 195.7 | 221.5 | +25.8 |
| OUTLAYS | 157.6 | 158.6 | 180.0 | 184.8 | +4.8 |

**SUMMARY OF DEPARTMENT OF DEFENSE
CHANGES TO THE JANUARY BUDGET
TOTAL OBLIGATIONAL AUTHORITY
(\$ BILLIONS)**

| <u>CATEGORY</u> | <u>FY 1981</u> | <u>FY 1982</u> |
|-------------------|----------------|----------------|
| INCREASES: | | |
| FACT OF LIFE | 2.3 | 0.9 |
| QUALITY OF LIFE | 0.7 | 2.8 |
| READINESS | 2.8 | 8.7 |
| MODERNIZATION | 2.0 | 13.7 |
| SHIPBUILDING | <u>0.4</u> | <u>3.8</u> |
| TOTAL | 8.2 | 29.9 |
| REDUCTIONS | <u>-1.4</u> | <u>-4.1</u> |
| NET CHANGE | <u>6.8</u> | <u>25.8</u> |

DEPARTMENT OF DEFENSE BUDGET
FINANCIAL SUMMARY
BY APPROPRIATION CATEGORY
 (BILLIONS OF \$)

| APPROPRIATION TITLE | CURRENT DOLLARS | | | CHANGE |
|---------------------------------|------------------------------|--------------|--------------|---------------|
| | FY 1980 | FY 1981 | FY 1982 | |
| | TOTAL OBLIGATIONAL AUTHORITY | | | |
| MILITARY PERSONNEL | 31.1 | 37.4 | 43.8 | + 6.4 |
| RETIRED PAY | 11.9 | 13.8 | 15.4 | + 1.5 |
| OPERATION AND MAINTENANCE | 46.6 | 56.0 | 64.1 | + 8.1 |
| PROCUREMENT | 35.3 | 48.2 | 68.5 | + 20.3 |
| RDT&E | 13.5 | 16.7 | 21.7 | + 5.2 |
| MILITARY CONSTRUCTION | 2.3 | 3.5 | 5.8 | + 2.3 |
| FAMILY HOUSING | 1.6 | 2.1 | 2.3 | + 0.3 |
| REVOLVING AND MANAGEMENT FUNDS | — | 0.4 | 0.6 | + 0.2 |
| TOTAL MILITARY FUNCTIONS | 142.2 | 178.0 | 222.2 | + 44.2 |

Note: May not add due to rounding

DEPARTMENT OF DEFENSE BUDGET
FINANCIAL SUMMARY
BY APPROPRIATION CATEGORY
 (BILLIONS OF \$)

| <u>APPROPRIATION TITLE</u> | <u>FY 1980</u> | <u>FY 1981</u> | <u>FY 1982</u> | <u>CHANGE</u> <u>FY 1981-82</u> |
|---------------------------------|----------------|----------------|----------------|------------------------------------|
| MILITARY PERSONNEL | 42.0 | 43.3 | 43.8 | + 0.5 |
| RETIRED PAY | 14.4 | 15.0 | 15.4 | + 0.5 |
| OPERATION AND MAINTENANCE | 55.6 | 60.2 | 64.1 | + 3.9 |
| PROCUREMENT | 40.4 | 51.4 | 68.5 | + 17.2 |
| RDT&E | 15.7 | 17.9 | 21.7 | + 3.9 |
| MILITARY CONSTRUCTION | 2.6 | 3.7 | 5.8 | + 2.1 |
| FAMILY HOUSING | 1.8 | 2.2 | 2.3 | + 0.1 |
| REVOLVING AND MANAGEMENT FUNDS | — | 0.4 | 0.6 | + 0.2 |
| TOTAL MILITARY FUNCTIONS | 172.6 | 193.9 | 222.2 | + 28.3 |

DEPARTMENT OF DEFENSE BUDGET

FINANCIAL SUMMARY BY MAJOR PROGRAM

(BILLIONS OF \$)

| MILITARY PROGRAM | CURRENT DOLLARS TOTAL OBLIGATIONAL AUTHORITY | | |
|---|---|--------------|-----------------------|
| | FY 1980 | FY 1981 | FY 1982 FY 1981-82 |
| STRATEGIC FORCES | 11.1 | 13.2 | 17.4 + 4.2 |
| GENERAL PURPOSE FORCES | 52.4 | 68.8 | 89.5 + 20.7 |
| INTELLIGENCE AND COMMUNICATIONS | 9.1 | 11.4 | 14.5 + 3.1 |
| AIRLIFT AND SEA LIFT | 2.1 | 3.0 | 4.4 + 1.4 |
| GUARD AND RESERVE FORCES | 7.9 | 9.9 | 11.3 + 1.4 |
| RESEARCH AND DEVELOPMENT | 11.8 | 14.2 | 18.5 + 4.3 |
| CENTRAL SUPPLY AND MAINTENANCE | 15.3 | 17.7 | 20.1 + 2.4 |
| TRAINING, MEDICAL, OTHER GEN. PERS. ACTIV. | 29.3 | 35.2 | 41.0 + 5.8 |
| ADMINISTRATIVE AND ASSOC. ACTIVITIES | 2.5 | 3.5 | 4.2 + 0.7 |
| SUPPORT OF OTHER NATIONS | 0.6 | 1.0 | 1.3 + 0.3 |
| TOTAL MILITARY FUNCTIONS | 142.2 | 178.0 | 222.2 + 44.2 |

Note: May not add due to rounding.

DEPARTMENT OF DEFENSE BUDGET
FINANCIAL SUMMARY
BY MAJOR PROGRAM — CONSTANT PRICES
 (BILLIONS OF \$)

| | CONSTANT FY 1982 DOLLARS TOTAL OBLIGATIONAL AUTHORITY | | | CHANGE |
|--------------------------------------|--|----------------|----------------|-------------------|
| <u>MILITARY PROGRAM</u> | <u>FY 1980</u> | <u>FY 1981</u> | <u>FY 1982</u> | <u>FY 1981-82</u> |
| STRATEGIC FORCES | 13.4 | 14.3 | 17.4 | + 3.1 |
| GENERAL PURPOSE FORCES | 63.3 | 74.9 | 89.5 | + 14.6 |
| INTELLIGENCE AND COMMUNICATIONS | 10.9 | 12.4 | 14.5 | + 2.1 |
| AIRLIFT AND SEALIFT | 2.7 | 3.3 | 4.4 | + 1.1 |
| GUARD AND RESERVE FORCES | 9.8 | 10.9 | 11.3 | + 0.4 |
| RESEARCH AND DEVELOPMENT | 13.8 | 15.4 | 18.5 | + 3.1 |
| CENTRAL SUPPLY AND MAINTENANCE | 18.3 | 19.1 | 20.1 | + 1.0 |
| TRAINING, MEDICAL, OTHER | | | | |
| GEN. PERS. ACTIV. | 36.5 | 38.7 | 41.0 | + 2.3 |
| ADMINISTRATIVE AND ASSOC. ACTIVITIES | 3.1 | 3.8 | 4.2 | + 0.4 |
| SUPPORT OF OTHER NATIONS | 0.8 | 1.1 | 1.3 | + 0.2 |
| TOTAL MILITARY FUNCTIONS | 172.6 | 193.9 | 222.2 | + 28.3 |

Note: May not add due to rounding.

LONG-RANGE PROJECTION TOTAL OBLIGATIONAL AUTHORITY

(\$ BILLIONS)

FY 1981 FY 1982 FY 1983 FY 1984 FY 1985 FY 1986

JANUARY 1981:

| | | | | | | |
|----------------|-------|-------|-------|-------|-------|-------|
| CURRENT \$ | 171.2 | 196.4 | 224.0 | 253.1 | 284.3 | 318.3 |
| CONST FY 82 \$ | 186.5 | 196.4 | 206.2 | 216.5 | 227.4 | 238.7 |
| % GROWTH | 7.8% | 5.3% | 5.0% | 5.0% | 5.0% | 5.0% |

MARCH 1981 AMENDMENT:

| | | | | | | |
|----------------|-------|-------|-------|-------|-------|-------|
| CURRENT \$ | 178.0 | 222.2 | 254.8 | 289.2 | 326.5 | 367.5 |
| CONST FY 82 \$ | 193.9 | 222.2 | 238.4 | 255.1 | 272.9 | 292.0 |
| % GROWTH | 12.4% | 14.6% | 7.3% | 7.0% | 7.0% | 7.0% |

LONG-RANGE FORECASTS AND PAY/PRICE ASSUMPTIONS

| | <u>FY 1981</u> | <u>FY 1982</u> | <u>FY 1983</u> | <u>FY 1984</u> | <u>FY 1985</u> | <u>FY 1986</u> |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| TOA (\$ BILLIONS): | | | | | | |
| MILITARY RETIRED PAY | 13.8 | 15.4 | 17.1 | 18.7 | 20.2 | 21.6 |
| OTHER MILITARY FUNCTIONS | 164.2 | 206.8 | 237.7 | 270.5 | 306.3 | 345.9 |
| TOTAL, CURRENT PRICES | 178.0 | 222.2 | 254.8 | 289.2 | 326.5 | 367.5 |
| TOTAL, CONSTANT (FY1982) PRICES | 193.9 | 222.2 | 238.4 | 255.1 | 272.9 | 292.0 |
| PERCENT CHANGE | 12.4 | 14.6 | 7.3 | 7.0 | 7.0 | 7.0 |
| OUTLAYS (\$ BILLIONS): | | | | | | |
| MILITARY RETIRED PAY | 13.8 | 15.4 | 17.1 | 18.7 | 20.2 | 21.6 |
| OTHER MILITARY FUNCTIONS | 144.8 | 169.4 | 204.0 | 231.1 | 277.1 | 314.4 |
| TOTAL, CURRENT PRICES | 158.6 | 184.8 | 221.1 | 249.8 | 297.3 | 336.0 |
| TOTAL, CONSTANT (FY 1982) PRICES | 174.0 | 184.8 | 205.6 | 218.1 | 245.3 | 263.3 |
| PERCENT CHANGE | 7.0 | 6.2 | 11.3 | 6.1 | 12.5 | 7.4 |
| COMPOSITE PAY/PRICE ASSUMPTIONS OUTLAYS (FY 1982 = 100) | | | | | | |
| | 91.13 | 100.00 | 107.54 | 114.55 | 121.22 | 127.61 |

DEPARTMENT OF DEFENSE BUDGET
DEFENSE EMPLOYMENT OUTLOOK
(END-YEAR-IN-THOUSANDS)

| | <u>FY 64</u> | <u>FY 68</u> | <u>FY 75</u> | <u>FY 80</u> | <u>FY 81</u> | <u>FY 82</u> | <u>CHANGE FY 81-82</u> |
|---|--------------|--------------|--------------|--------------|--------------|--------------|----------------------------|
| CIVILIANS | | | | | | | |
| ARMY | 453 | 542 | 401 | 361 | 371 | 382 | +11 |
| NAVY/MARINE CORPS | 346 | 433 | 326 | 309 | 317 | 313 | -4 |
| AIR FORCE | 338 | 357 | 278 | 244 | 243 | 247 | +4 |
| DEFENSE AGENCIES | 37 | 74 | 73 | 77 | 82 | 83 | +1 |
| TOTAL CIVILIANS | 1,174 | 1,405 | 1,078 | 990 | 1,014 | 1,025 | +11 |
| MILITARY (ACTIVE) | | | | | | | |
| ARMY | 972 | 1,570 | 784 | 777 | 775 | 786 | +11 |
| NAVY | 667 | 765 | 535 | 527 | 540 | 555 | +14 |
| MARINE CORPS | 190 | 307 | 196 | 188 | 191 | 192 | +1 |
| AIR FORCE | 856 | 905 | 613 | 558 | 569 | 587 | +18 |
| TOTAL MILITARY | 2,685 | 3,547 | 2,128 | 2,050 | 2,075 | 2,120 | +45 |
| TOTAL MILITARY AND CIVILIANS | 3,859 | 4,952 | 3,206 | 3,040 | 3,089 | 3,145 | +56 |
| DEFENSE RELATED INDUSTRY | 2,280 | 3,174 | 1,800 | 2,125 | 2,359 | 2,570 | +211 |
| TOTAL DEFENSE MANPOWER | 6,139 | 8,126 | 5,006 | 5,165 | 5,448 | 5,715 | +267 |

Note: May not add to rounding