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DEFENSE MESSAGE

Delivered 8/23/76

JIM
PRECEDENCE

Cincls
CLASSIFICATION

FOR COMMCENTER USE ONLY

[8/29/76]

FROM: JIM CONNOR

TO: RON NESSON

DEX _____

DAC 090

GPS _____

LDX _____

PAGES 9

TTY _____

CITE _____

INFO:

DTG: 24 1547Z AUG 76

12.26

RELEASED BY: 

TOR: 24 1621Z

SPECIAL INSTRUCTIONS:

1976 AUG 24

1976 JUL 24 15 47

TO THE CONGRESS OF THE UNITED STATES:

My total fiscal year 1977 Budget request for national defense, including amendments, is \$114.9 billion in budget authority. This budget request is based upon a careful assessment of the international situation and of the contingencies we must be prepared to meet. The request is substantial, as it must be to provide what is necessary for our national security.

When I submitted my budget last January, I pointed out that the request might need to be increased for three reasons: (1) in the event that the Congress did not approve legislative proposals necessary to reduce spending in lower-priority areas involving manpower and related costs and sale of unneeded items from the stockpile; (2) in the shipbuilding area, where a National Security Council study then under way, could lead to an increase in the shipbuilding budget; and (3) a possible increase later in the year depending on the progress of the SALT II negotiations and our continuing assessment of Soviet ICBM programs. Indeed, there have been changes in these areas and they have been reflected in my revised budget request.

On July 14, 1976, I approved legislation authorizing 1977 appropriations for procurement and for research and development programs. At that time I indicated that in a number of important respects the Congress has not fully faced up to the nation's needs. First, the Congress has not approved a number of essential Defense programs. Second, the Congress has added programs and funds which are of a lower priority. Finally, the Congress has not yet acted upon certain of my legislative proposals which are necessary to restrain manpower cost growth and to achieve other economies. These three areas require remedial action by the Congress.

Therefore, today I am advising the Congress that failure to take the necessary remedial actions will result in a revised 1977 estimate for National Defense of \$116.3 billion. This revised estimate reflects the following adjustments:

	<u>Budget authority (\$ Billions)</u>
Amended budget request	114.9
Congressional adjustments, net	<u>-1.8</u>
Congressional action to date	113.1
Adjustments in this Message:	
(a) Resubmission of Congressional authorization reductions	+2.4
(b) Deletion of programs added by Congress	-.6
(c) Congressional inaction on Defense Management economies	+1.4
(d) Additional recruiting require- ments (\$39 million)	<u>--</u>
Revised National Defense estimate	<u>116.3</u>

Resubmission of Congressional Authorization
Reductions

I am having resubmitted authorization requests for \$2.4 billion in program reductions imposed by the Congress.

Shipbuilding. Congress has not thus far authorized \$1.7 billion requested for new ship programs that are needed to strengthen our maritime capabilities and assure freedom of the seas. In particular, funds have been denied for the lead ships for two essential production programs -- the nuclear strike cruiser and the conventionally-powered AEGIS destroyer -- and for four modern frigates. The 1977 program was proposed as the first step of a sustained effort to assure that the United States, along with our allies, can maintain maritime defense, deterrence, and freedom of the seas. Therefore, I am submitting a supplemental authorization request for 1977 to provide for these ships as well as for the research and development to upgrade U.S. ship capabilities in the near-term and to create longer-term alternatives to conventional surface forces.

Other Programs. The Congress has also failed to authorize over \$900 million requested for other Defense procurement and research and development programs. While some of these adjustments can be accepted due to fact-of-life program developments, I must request a supplemental authorization of \$759 million for programs which are urgently needed. In particular, I reaffirm the need for the following programs, and request restoration of the indicated amounts to the Authorization Act:

- \$19 million for the Defense Agencies research and development appropriation, principally to provide the needed resources for the Defense Advanced Research Projects Agency.
- \$20 million for civil aircraft modifications, clearly the most cost-effective option for enhancing our airlift capability. These modifications should be a part of any airlift improvement program, and the needed funds should not be denied while other airlift improvements are under consideration.
- \$171 million for the Air Force research and development appropriation. Our most urgent needs here include funds for the MAVERICK missile needed to start engineering development for advanced warhead and single rail launches and advanced ICBM technology funds needed to identify the most cost-effective option for full-scale development.
- \$136 million for the F-16 fighter aircraft, to provide full funding for 1977 in accordance with sound budgetary principles. Since Congress approved the full program, this cut is illusory and would serve only to complicate management and make potential foreign buyers less confident of this program.

- \$122 million for the Army research and development appropriation to cover urgent programs such as the STINGER missile, where the Authorization Act would impair the development effort for an improved target-seeking technique. This effort is critical to achieving the needed improvements over the current REDEYE missile.
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- \$66 million for production of the US-3A carrier delivery aircraft, necessary to replace aging aircraft and to provide the necessary numbers of aircraft with sufficient operating range to support our carrier forces. The Authorization Act does not meet our military needs, and would provide an uneconomical production rate.
- \$15 million for the MK-30 mobile target, critically needed for anti-submarine warfare training.

Programs Added by Congress

While the Congress disapproved several programs which are essential to our national security, \$1.1 billion was added to the budget request for items for which I did not request funds for 1977. Although I continue to believe that all of these programs are unnecessary at the present time, I specifically urge the Congress to delete \$584 million for the following programs:

- Conversion of the cruiser LONG BEACH (\$371 million) which can readily be postponed.

- ° Repair and modernization of the cruiser BELKNAP (\$213 million) damaged in a collision, for which funds should be authorized in the Transition Quarter as I have requested.

I proposed that Congress authorize funds for repair of the BELKNAP in the current transition quarter, and delete the funds for the LONG BEACH, which is of lower priority than the conventionally powered AEGIS destroyer and the STRIKE CRUISER which the Congress reduced. If the Congress does not act favorably upon this request, funds would have to be added on top of my revised 1977 Defense budget request.

Congressional Inaction on Defense Management Economies

My 1977 Defense budget estimates were based upon the assumption that the Congress would act favorably upon a number of specific legislative proposals, thereby achieving major economies. These savings involve pay costs and related compensation areas and sales of certain materials from the national stockpile.

In these areas alone, the budget reflected savings of \$4.0 billion for FY 1977. For the five-year period FY 1977-81, my proposals would save \$27 billion. Of these savings, nearly \$11 billion can be realized by administrative action in revising the pay comparability process for general schedule and military personnel. I am taking the required actions. Over \$16 billion of the savings are dependent upon Congressional action, however, and these are the items which I wish to address. Let me summarize these savings proposals requiring action by the Congress:

- \$4.7 billion (including \$276 million in FY 1977) would result from revisions in the Federal wage board pay system to provide pay rates that are truly comparable with those in the private sector.
- \$1.1 billion (including \$163 million in FY 1977) would result from changing pay practices in the Reserve and National Guard, modifying training and assignment policies, and transferring 44,500 Naval reservists to a different pay category. My proposals provide the levels of reserve readiness needed, and they are equitable.
- \$1.7 billion (including \$61 million in FY 1977) would result from holding future increases in military retired pay to changes in the cost of living, eliminating the additional increment which present law provides. I am aware that the Congress has approved this change for military retirees contingent upon Congressional approval of this change for civilian retirees as well.
- \$1.4 billion (including \$92 million in FY 1977) would result from reducing the subsidy in military commissaries on a phased basis, while still providing much lower prices than are available in commercial stores. This proposal is entirely equitable considering current levels of military compensation and other relevant factors.
- \$2.6 billion (including \$746 million in FY 1977) would result from sale of items from the national stockpile, which are excess to our requirements.
- \$4.7 billion (including \$384 million in FY 1977) would result from a number of proposals which appear to be well on their way to enactment. These include employment cutbacks, a move toward a fair-market-rental-system for military personnel, and revisions in certain payments for leave.

I am deeply concerned by the apparent intent to reject a large portion of these proposed savings, and to make up the difference by cutbacks in urgently-needed defense programs. The conference report on the first budget resolution states, in fact, that other defense cuts will be made if these proposed savings cannot be realized. This would be a totally unwarranted course of action. If Congress is unwilling to enact the necessary changes to end these unjustifiable outlays, then we must pay for these items from our pocketbooks -- not by slashing our national security. We simply cannot sacrifice our national security to provide for unproductive fringe items and unwarranted levels of compensation.

Once again I urge the Congress to take the necessary actions I have proposed in order to achieve real economies in the national defense program, and not to add the new requirements now under consideration. While I am not now requesting additional appropriations for these items, I want to make it clear that if the Congress fails to take the proper action, I will request again that the additional appropriations be provided. Failure to do so would result in an unbalanced national defense program.

Additional Requirements

Finally, I have approved an amendment in the amount of \$39 million to the 1977 Defense budget to provide additional funds for enlistment bonuses to recruit the required numbers of high school graduates for the Army. Recruiting success, particularly as measured in terms of quality, has proven to be sensitive to the level of resources available, and any significant reduction of resources reduces program effectiveness in the long run. We must reverse the recent practice of curtailing budget dollars devoted to recruiting and invest this amount as a contribution towards the relatively small additional resources necessary to maintain a successful program over the long term.

Submission of Legislative Proposals and Appropriation Requests

Proposals for authorizing legislation and appropriation requests will be submitted to the Congress as necessary to provide for these requirements. Requests covering weapons procurement, RDT&E and recruiting activities are being transmitted now. The remainder of the additional appropriation requests -- principally those relating to the compensation area -- will, in accordance with the normal budgetary cycle, be transmitted in January 1977. There is yet time for the Congress to act upon my restraint proposals so that this large additional January submission will not be necessary. Once again, I urge the Congress to act. If the Congress does not take the necessary action, the additional funds will be required and I will request that the Congress provide them.

In withholding my approval from the Military Construction Authorization Bill (H.R. 12384), I noted several points that are also germane here. Section 612 of that Bill would impose severe restrictions and delays upon base closures or employment reductions at certain military installations. As I stated at that time, the nation's taxpayers rightly expect the most defense possible for their tax dollars. Provisions such as Section 612 would add arbitrarily and unnecessarily to the tax burden of the American people. We must have the latitude to take actions to cut unnecessary defense spending and personnel. Congress should reenact this otherwise acceptable legislation without the objectionable base closure provision.

As I have consistently indicated, I am determined that the national security efforts of the United States shall be fully adequate. This message indicates what is necessary to ensure that adequacy. It is up to the Congress to act promptly to provide the resources necessary to do the job.

GERALD R. FORD

THE WHITE HOUSE,

August 23, 1976

IMMEDIATE
PRECEDENCE

UNCLAS
CLASSIFICATION

FOR COMMCENTER USE ONLY

FROM: JIM CONNOR
TO: DICK CHENEY - UAIL

DEX _____

DAC 57

GPS _____

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PAGES 8

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INFO:

DTG: 23/1552Z

RELEASED BY: JW

TOR: 23/1715Z

SPECIAL INSTRUCTIONS:

1976 JUL 23 15 52

THE WHITE HOUSE
WASHINGTON

✓ done

- ✓ 1. Dep to Cheney to Vail
- ✓ 2. Hyland a copy ASAP
- ✓ 3. Max " " "
be sure Kendall gets
to Dole
4. Will be released at
3:00 our time -- 1:00 p
Vail time.

J.

August 17, 1976

MR PRESIDENT:

Defense Budget Message

The attached revised Defense Budget Message was staffed to and approved by Phil Buchen, Max Friedersdorf, Bob Hartmann, Jack Marsh and Brent Scowcroft.

Please sign the attached message (two copies). We plan to transmit the Message to the Congress on August 23.

Jim Connor

*Approved &
sent to Kansas
City 8/17/76*

THE WHITE HOUSE

WASHINGTON

August 13, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

DON OGILVIE

FROM:

JIM CONNOR

SUBJECT:

Defense Budget Message

I received the attached revisions from Bud McFarlane today.

Please review and incorporate the changes. Return to this office for final typing. We are thinking of sending it on the Tuesday Courier to Kansas City for signing.

TO THE CONGRESS OF THE UNITED STATES:

My total fiscal year 1977 Budget request for national defense, including amendments, is \$114.9 billion in budget authority. This budget request is based upon a careful assessment of the international situation and of the contingencies we must be prepared to meet. The request is substantial, as it must be to provide what is necessary for our national security.

When I submitted my budget last January, I pointed out that the request might need to be increased for three reasons: (1) in the event that the Congress did not approve legislative proposals necessary to reduce spending in lower-priority areas involving manpower and related costs and sale of unneeded items from the stockpile; (2) in the shipbuilding area, where a National Security Council study then under way, could lead to an increase in the shipbuilding budget; and (3) a possible increase later in the year depending on the progress of the SALT II negotiations and our continuing assessment of Soviet ICBM programs. Indeed, there have been changes in these areas and they have been reflected in my revised budget request.

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*Ed. - FOR CLARIFICATION
(coord. with GMB - Stubbing)*

U.S. ship capabilities in the near-term and to create longer-term alternatives to conventional surface forces.

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- \$15 million for the MK-30 mobile target, critically needed for anti-submarine warfare training.

RECOMMENDATION:
 NO FINAL COMMITMENT TO OPERATIONAL DEPLOYMENT OF ALL MODES YET. OMB CONCURS.

(ON "LAND" LAUNCH: TECHNICALLY ACCURATE, BUT COULD REDUCE POTENTIAL CONFUSION BY REFERRING ONLY TO "SUB-SURFACE" AND "SURFACE" LAUNCH OPTIONS. "SURFACE" IS BROAD ENOUGH TO INCLUDE SEA AND LAND.)

Programs Added by Congress

While the Congress disapproved several programs which are essential to our national security, \$1.1 billion was added to the budget request for items for which I did not request funds for 1977. Although I continue to believe that all of these programs are unnecessary at the present time, I specifically urge the Congress to delete \$584 million for the following programs:

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Once again I urge the Congress to take the necessary actions I have proposed in order to achieve real economies in the national defense program, and not to add the new requirements now under consideration. While I am not now requesting additional appropriations for these items, I want to make it clear that if the Congress fails to take the proper action, I will request again that the additional appropriations be provided. Failure to do so would result in an unbalanced national defense program which would be unacceptable.

Additional Requirements

Finally, I have approved an amendment in the amount of \$39 million to the 1977 Defense budget to provide additional funds for enlistment bonuses to recruit the required numbers of high school graduates for the Army. Recruiting success, particularly as measured in terms of quality, has proven to be sensitive to the level of resources available, and any significant reduction of resources reduces program effectiveness in the long run. We must reverse the recent practice of curtailing budget dollars devoted to recruiting and invest this amount as a contribution towards the relatively small additional resources necessary to maintain a successful program over the long term.

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As I have consistently indicated, I am determined that the national security efforts of the United States shall be fully adequate. This message indicates what is necessary to ensure that adequacy. It is up to the Congress to act promptly to provide the resources necessary to do the job, and to eliminate provisions which make defense spending higher than it should be.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 12, 1976

Time:

FOR ACTION:

cc (for information): Jim Cannon
✓ Dave Gergen

✓ Phil Buchen
✓ Max Friedersdorf
Bob Hartmann

✓ Jack Marsh
✓ Brent Scowcroft

FROM THE STAFF SECRETARY

DUE: Date: Friday, August 13

Time: 10 A.M.

SUBJECT:

Don Ogilvie Memorandum dated 8/11/76
with revised Defense Budget Message

ACTION REQUESTED:

___ For Necessary Action

X For Your Recommendations

___ Prepare Agenda and Brief

___ Draft Reply

X For Your Comments

___ Draft Remarks

REMARKS:

We would like to have this ready to go to the President tomorrow morning for consideration even thou the recommendation is for the Message to be transmitted to the Congress on August 23.

*Buchen - OK
Marsh - OK
Friedersdorf - OK
Scowcroft - see changes
Gergen - OK*

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

August 11, 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: DONALD G. OGILVIE
SUBJECT: Defense Budget Message

Attached is the revised Defense Budget Message which reflects the decisions which you reached on August 10. The Message has been reviewed by the Department of Defense and coordinated with Brent Scowcroft.

I recommend you sign the Message for transmittal to the Congress on August 23.

Attachment

TO THE CONGRESS OF THE UNITED STATES:

My total fiscal year 1977 Budget request for national defense, including amendments, is \$114.9 billion in budget authority. This budget request is based upon a careful assessment of the international situation and of the contingencies we must be prepared to meet. The request is substantial, as it must be to provide what is necessary for our national security.

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- ° Repair and modernization of the cruiser BELKNAP (\$213 million) damaged in a collision, for which funds should be authorized in the Transition Quarter as I have requested.

I proposed that Congress authorize funds for repair of the BELKNAP in the current transition quarter, and delete the funds for the LONG BEACH, which is of lower priority than the conventionally powered AEGIS destroyer and the STRIKE CRUISER which the Congress reduced. If the Congress does not act favorably upon this request, funds would have to be added on top of my revised 1977 Defense budget request.

Congressional Inaction on Defense Management Economies

My 1977 Defense budget estimates were based upon the assumption that the Congress would act favorably upon a number of specific legislative proposals, thereby achieving major economies. These savings involve pay costs and related compensation areas and sales of certain materials from the national stockpile.

In these areas alone, the budget reflected savings of \$4.0 billion for FY 1977. For the five-year period FY 1977-81, my proposals would save \$27 billion. Of these savings, nearly \$11 billion can be realized by administrative action in revising the pay comparability process for general schedule and military personnel. I am taking the required actions. Over \$16 billion of the savings are dependent upon Congressional action, however, and these are the items which I wish to address. Let me summarize these savings proposals requiring action by the Congress:

- \$4.7 billion (including \$276 million in FY 1977) would result from revisions in the Federal wage board pay system to provide pay rates that are truly comparable with those in the private sector.
- \$1.1 billion (including \$163 million in FY 1977) would result from changing pay practices in the Reserve and National Guard, modifying training and assignment policies, and transferring 44,500 Naval reservists to a different pay category. My proposals provide the levels of reserve readiness needed, and they are equitable.
- \$1.7 billion (including \$61 million in FY 1977) would result from holding future increases in military retired pay to changes in the cost of living, eliminating the additional increment which present law provides. I am aware that the Congress has approved this change for military retirees contingent upon Congressional approval of this change for civilian retirees as well.
- \$1.4 billion (including \$92 million in FY 1977) would result from reducing the subsidy in military commissaries on a phased basis, while still providing much lower prices than are available in commercial stores. This proposal is entirely equitable considering current levels of military compensation and other relevant factors.
- \$2.6 billion (including \$746 million in FY 1977) would result from sale of items from the national stockpile, which are excess to our requirements.
- \$4.7 billion (including \$384 million in FY 1977) would result from a number of proposals which appear to be well on their way to enactment. These include employment cutbacks, a move toward a fair-market-rental-system for military personnel, and revisions in certain payments for leave.

I am deeply concerned by the apparent intent to reject a large portion of these proposed savings, and to make up the difference by cutbacks in urgently-needed defense programs. The conference report on the first budget resolution states, in fact, that other defense cuts will be made if these proposed savings cannot be realized. This would be a totally unwarranted course of action. If Congress is unwilling to enact the necessary changes to end these unjustifiable outlays, then we must pay for these items from our pocketbooks -- not by slashing our national security. We simply cannot sacrifice our national security to provide for unproductive fringe items and unwarranted levels of compensation.

Once again I urge the Congress to take the necessary actions I have proposed in order to achieve real economies in the national defense program, and not to add the new requirements now under consideration. While I am not now requesting additional appropriations for these items, I want to make it clear that if the Congress fails to take the proper action, I will request again that the additional appropriations be provided. Failure to do so would result in an unbalanced national defense program which would be unacceptable.

Additional Requirements

Finally, I have approved an amendment in the amount of \$39 million to the 1977 Defense budget to provide additional funds for enlistment bonuses to recruit the required numbers of high school graduates for the Army. Recruiting success, particularly as measured in terms of quality, has proven to be sensitive to the level of resources available, and any significant reduction of resources reduces program effectiveness in the long run. We must reverse the recent practice of curtailing budget dollars devoted to recruiting and invest this amount as a contribution towards the relatively small additional resources necessary to maintain a successful program over the long term.

Submission of Legislative Proposals and Appropriation Requests

Proposals for authorizing legislation and appropriation requests will be submitted to the Congress as necessary to provide for these requirements. Requests covering weapons procurement, RDT&E and recruiting activities are being transmitted now. The remainder of the additional appropriation requests -- principally those relating to the compensation area -- will, in accordance with the normal budgetary cycle, be transmitted in January 1977. There is yet time for the Congress to act upon my restraint proposals so that this large additional January submission will not be necessary. Once again, I urge the Congress to act. If the Congress does not take the necessary action, the additional funds will be required and I will request that the Congress provide them.

In withholding my approval from the Military Construction Authorization Bill (H.R. 12384), I noted several points that are also germane here. Section 612 of that Bill would impose severe restrictions and delays upon base closures or employment reductions at certain military installations. As I stated at that time, the nation's taxpayers rightly expect the most defense possible for their tax dollars. Provisions such as Section 612 would add arbitrarily and unnecessarily to the tax burden of the American people. We must have the latitude to take actions to cut unnecessary defense spending and personnel. Congress should reenact this otherwise acceptable legislation without the objectionable base closure provision.

As I have consistently indicated, I am determined that the national security efforts of the United States shall be fully adequate. This message indicates what is necessary to ensure that adequacy. It is up to the Congress to act promptly to provide the resources necessary to do the job, and to eliminate provisions which make defense spending higher than it should be.

THE WHITE HOUSE,

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.: AUG 12 1976

Date: August 12, 1976

Time:

due: 8/13
10:00
Jim Cannon
Dave Gergen

FOR ACTION:

cc (for information):

Phil Buchen
Max Friedersdorf
Bob Hartmann

Jack Marsh
Brent Scowcroft

FROM THE STAFF SECRETARY

DUE: Date: Friday, August 13

Time: 10 A.M.

SUBJECT:

Don Ogilvie Memorandum dated 8/11/76
with revised Defense Budget Message

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

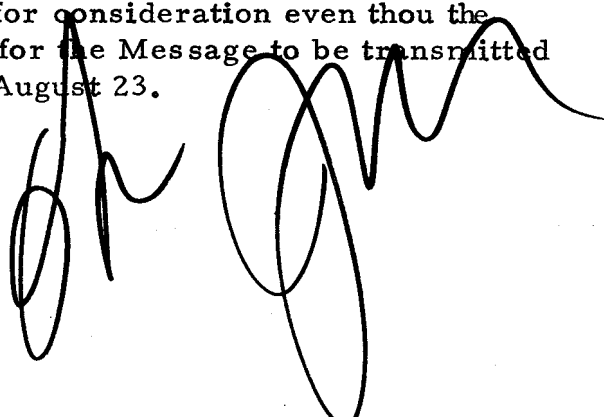
Draft Reply

For Your Comments

Draft Remarks

REMARKS:

We would like to have this ready to go to the President tomorrow morning for consideration even thou the recommendation is for the Message to be transmitted to the Congress on August 23.



PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 12, 1976

Time:

FOR ACTION:

cc (for information): Jim Cannon
Dave GergenPhil Buchen
Max Friedersdorf
Bob HartmannJack Marsh
Brent Scowcroft

FROM THE STAFF SECRETARY

DUE: Date: Friday, August 13

Time: 10 A.M.

SUBJECT:

Don Ogilvie Memorandum dated 8/11/76
with revised Defense Budget Message

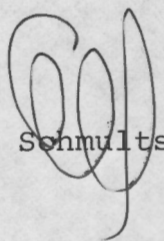
ACTION REQUESTED:

<input type="checkbox"/> For Necessary Action	<input checked="" type="checkbox"/> For Your Recommendations
<input type="checkbox"/> Prepare Agenda and Brief	<input type="checkbox"/> Draft Reply
<input checked="" type="checkbox"/> For Your Comments	<input type="checkbox"/> Draft Remarks

REMARKS:

We would like to have this ready to go to the President tomorrow morning for consideration even thou the recommendation is for the Message to be transmitted to the Congress on August 23.

No objection.


 Ed Schnulds

8/13/76

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: August 12, 1976

Time:

FOR ACTION:

cc (for information):

Jim Cannon
Dave Gergen

Phil Buchen

Jack Marsh

Max Friedersdorf

Brent Scowcroft

Bob Hartmann

MB

FROM THE STAFF SECRETARY

DUE: Date:

Friday, August 13

Time:

10 A.M.

SUBJECT:

Don Ogilvie Memorandum dated 8/11/76
with revised Defense Budget Message

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

We would like to have this ready to go to the President tomorrow morning for consideration even thou the recommendation is for the Message to be transmitted to the Congress on August 23.

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If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

ACTION MEMORANDUM

Date: August 12, 1976

Time:

Agnes Walsh for De

FOR ACTION:

cc (for information):

Jim Cannon
Dave Gergen - AW

Phil Buchen
Max Friedersdorf
Bob Hartmann

Jack Marsh
Brent Scowcroft

FROM THE STAFF SECRETARY

DUE: Date: Friday, August 13

Time: 10 A.M.

SUBJECT:

Don Ogilvie Memorandum dated 8/11/76
with revised Defense Budget Message

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

We would like to have this ready to go to the President tomorrow morning for consideration even thou the recommendation is for the Message to be transmitted to the Congress on August 23.

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President



EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

August 11, 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: DONALD G. OGILVIE
SUBJECT: Defense Budget Message

Attached is the revised Defense Budget Message which reflects the decisions which you reached on August 10. The Message has been reviewed by the Department of Defense and coordinated with Brent Scowcroft.

I recommend you sign the Message for transmittal to the Congress on August 23.

Attachment

TO THE CONGRESS OF THE UNITED STATES:

My total fiscal year 1977 Budget request for national defense, including amendments, is \$114.9 billion in budget authority. This budget request is based upon a careful assessment of the international situation and of the contingencies we must be prepared to meet. The request is substantial, as it must be to provide what is necessary for our national security.

When I submitted my budget last January, I pointed out that the request might need to be increased for three reasons: (1) in the event that the Congress did not approve legislative proposals necessary to reduce spending in lower-priority areas involving manpower and related costs and sale of unneeded items from the stockpile; (2) in the shipbuilding area, where a National Security Council study then under way, could lead to an increase in the shipbuilding budget; and (3) a possible increase later in the year depending on the progress of the SALT II negotiations and our continuing assessment of Soviet ICBM programs. Indeed, there have been changes in these areas and they have been reflected in my revised budget request.

On July 14, 1976, I approved legislation authorizing 1977 appropriations for procurement and for research and development programs. At that time I indicated that in a number of important respects the Congress has not fully faced up to the nation's needs. First, the Congress has not approved a number of essential Defense programs. Second, the Congress has added programs and funds which are of a lower priority. Finally, the Congress has not yet acted upon certain of my legislative proposals which are necessary to restrain manpower cost growth and to achieve other economies. These three areas require remedial action by the Congress:

Therefore, today I am advising the Congress that failure to take the necessary remedial actions will result in a revised 1977 estimate for National Defense of \$115.8 billion. This revised estimate reflects the following adjustments:

	<u>Budget authority (\$ Billions)</u>
Amended budget request	114.9
Congressional adjustments, net	<u>-1.8</u>
Congressional action to date	113.1
Adjustments in this Message:	
(a) Resubmission of Congressional authorization reductions	+2.4
(b) Deletion of programs added by Congress	-.6
(c) Congressional inaction on Defense Management economies	+1.4
(d) Additional recruiting require- ments (\$39 million)	<u>--</u>
Revised National Defense estimate	116.3

Resubmission of Congressional Authorization
Reductions

I am having resubmitted authorization requests for \$2.4 billion in program reductions imposed by the Congress.

Shipbuilding. Congress has not thus far authorized \$1.7 billion requested for new ship programs that are needed to strengthen our maritime capabilities and assure freedom of the seas. In particular, funds have been denied for the lead ships for two essential production programs -- the nuclear strike cruiser and the conventionally-powered AEGIS destroyer -- and for four modern frigates. The 1977 program was proposed as the first step of a sustained effort to assure that the United States, along with our allies, can maintain maritime defense, deterrence, and freedom of the seas. Therefore, I am submitting a supplemental authorization request for 1977 to provide for these ships as well as for the research and development funds needed to provide for preliminary contract design to accelerate those systems necessary to upgrade

U.S. ship capabilities in the near-term and to create longer-term alternatives to conventional surface forces.

Other Programs. The Congress has also failed to authorize over \$900 million requested for other Defense procurement and research and development programs. While some of these adjustments can be accepted due to fact-of-life program developments, I must request a supplemental authorization of \$759 million for programs which are urgently needed. In particular, I reaffirm the need for the following programs, and request restoration of the indicated amounts to the Authorization Act:

- \$19 million for the Defense Agencies research and development appropriation, principally to provide the needed resources for the Defense Advanced Research Projects Agency.
- \$20 million for civil aircraft modifications, clearly the most cost-effective option for enhancing our airlift capability. These modifications should be a part of any airlift improvement program, and the needed funds should not be denied while other airlift improvements are under consideration.
- \$171 million for the Air Force research and development appropriation. Our most urgent needs here include funds for the MAVERICK missile needed to start engineering development for advanced warhead and single rail launches and advanced ICBM technology funds needed to identify the most cost-effective option for full-scale development.
- \$136 million for the F-16 fighter aircraft, to provide full funding for 1977 in accordance with sound budgetary principles. Since Congress approved the full program, this cut is illusory and would serve only to complicate management and make potential foreign buyers less confident of this program.

- \$122 million for the Army research and development appropriation to cover urgent programs such as the STINGER missile, where the Authorization Act would impair the development effort for an improved target-seeking technique. This effort is critical to achieving the needed improvements over the current REDEYE missile.
- \$211 million for the Navy research and development appropriation to provide what is needed for several essential programs, in particular the Navy cruise missile program. The Authorization Act would prevent our moving forward at the pace needed to assure that sub, surface, and land launch options will be operational by 1980.
- \$66 million for production of the US-3A carrier delivery aircraft, necessary to replace aging aircraft and to provide the necessary numbers of aircraft with sufficient operating range to support our carrier forces. The Authorization Act does not meet our military needs, and would provide an uneconomical production rate.
- \$15 million for the MK-30 mobile target, critically needed for anti-submarine warfare training.

Programs Added by Congress

While the Congress disapproved several programs which are essential to our national security, \$1.1 billion was added to the budget request for items for which I did not request funds for 1977. Although I continue to believe that all of these programs are unnecessary at the present time, I specifically urge the Congress to delete \$584 million for the following programs:

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In these areas alone, the budget reflected savings of \$4.0 billion for FY 1977. For the five-year period FY 1977-81, my proposals would save \$27 billion. Of these savings, nearly \$11 billion can be realized by administrative action in revising the pay comparability process for general schedule and military personnel. I am taking the required actions. Over \$16 billion of the savings are dependent upon Congressional action, however, and these are the items which I wish to address. Let me summarize these savings proposals requiring action by the Congress:

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I am deeply concerned by the apparent intent to reject a large portion of these proposed savings, and to make up the difference by cutbacks in urgently-needed defense programs. The conference report on the first budget resolution states, in fact, that other defense cuts will be made if these proposed savings cannot be realized. This would be a totally unwarranted course of action. If Congress is unwilling to enact the necessary changes to end these unjustifiable outlays, then we must pay for these items from our pocketbooks -- not by slashing our national security. We simply cannot sacrifice our national security to provide for unproductive fringe items and unwarranted levels of compensation.

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Finally, I have approved an amendment in the amount of \$39 million to the 1977 Defense budget to provide additional funds for enlistment bonuses to recruit the required numbers of high school graduates for the Army. Recruiting success, particularly as measured in terms of quality, has proven to be sensitive to the level of resources available, and any significant reduction of resources reduces program effectiveness in the long run. We must reverse the recent practice of curtailing budget dollars devoted to recruiting and invest this amount as a contribution towards the relatively small additional resources necessary to maintain a successful program over the long term.

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As I have consistently indicated, I am determined that the national security efforts of the United States shall be fully adequate. This message indicates what is necessary to ensure that adequacy. It is up to the Congress to act promptly to provide the resources necessary to do the job, and to eliminate provisions which make defense spending higher than it should be.

THE WHITE HOUSE,

THE WHITE HOUSE

WASHINGTON

August 10, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR:

DON OGILVIE

FROM:

JIM CONNOR

SUBJECT:

Defense Budget Message

The attached material was returned in the President's outbox with the request that it be sent to you for revision.

Please return to this office when the requested changes have been made.

cc: Dick Cheney
Brent Scowcroft

Attachment:

Copy of the Package on the
Defense Budget Message

THE WHITE HOUSE

WASHINGTON

August 10, 1976

ADMINISTRATIVELY CONFIDENTIAL

MEMORANDUM FOR: DON OGILVIE
FROM: JIM CONNOR
SUBJECT: Defense Budget Message

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cc: Dick Cheney
Brent Scowcroft

Attachment:
Copy of the Package on the
Defense Budget Message

PROPOSED 1977 DEFENSE BUDGET MESSAGE

	<u>BA (\$ millions)</u>
Congressional Authorization Reductions	<u>2,405</u>
<u>Priority I</u>	1,205
<i>conf</i> Aegis Missile Destroyer*	859
Strike Cruiser*	170
F-16 (full funding)	136
CRAF modifications	20
Navy R&D - new ship fire control system	12*
Navy R&D - light weight ASW torpedo	8
<u>Priority II</u>	1,200
<i>NC</i> Four patrol frigates (from 8 to 12)*	521
US-3A Navy COD aircraft	66
Mk 30 Mobile target (ASW trainer)	15
Army R&D	122
Navy R&D	286
Air Force R&D	171
Defense Agencies R&D	19
Programs Added by Congress	<u>1,093</u>
<u>Priority I (least needed)</u>	941
Long Beach conversion	371
Belknap repair (move to TQ)**	213
<i>int</i> One nuclear submarine	357
<u>Priority II (less objectionable)</u>	152
Six A-6E, retain production line	66
R&D	76
Three F-5E	10
Congressional Inaction on Proposed Restraints	<u>1,338</u>
Wage Board revisions	276
Reserve/Guard pay, etc.	163
1% retirement kicker	61
Commissary subsidy	92
Stockpile sales	746

* Your signing statement on the authorization bill stated "I plan to resubmit budget requests for 1977 to cover these essential shipbuilding programs".

** A budget supplemental moving Belknap repair from 1977 into 19TQ has been formally submitted to Congress.

R + D - 11
10,5
10,4

THE WHITE HOUSE

WASHINGTON

August 9, 1976

MR PRESIDENT:

Defense Budget Message

Staffing of the attached memorandum prepared by Brent Scowcroft resulted in the following recommendations:

Option 1 - Approve the message (TAB A)

Recommended by Jim Lynn and Jim Cannon

Option 2 - Forward a message outlining a more limited supplemental (AEGIS and economics)

Recommended by Jack Marsh, Max Friedersdorf, Phil Buchen, Bob Hartmann and Brent Scowcroft.

In addition Bob Hartmann offered the following comments:

"I think Brent's comments are well taken. If the President is to simply send back the DOD requests originally made, the message must be really directed to the American public to provide a campaign issue, and not simply to Congress on the assumption that these words will effect a change of heart."

Alan Greenspan had no comments and Dave Gergen has no problems with the memorandum.

Jim Connor

MEMORANDUM


THE WHITE HOUSE

WASHINGTON

ACTION

CONFIDENTIAL - GDS

July 31, 1976

MEMORANDUM FOR: THE PRESIDENT
FROM: BRENT SCOWCROFT 
SUBJECT: Defense Budget Message

Jim Lynn has forwarded to you the attached defense budget message asking Congress for a \$2.4 billion reinstatement of deleted FY 1977 programs, a \$1.1 billion cut of those unrequested funds added by the Congress, and \$1.4 billion in additional funding to cover legislative inaction on our various defense economy proposals and a new request for recruiting funding.

I strongly support the programs for which funding is requested, but I do believe I should point out the possibility of some political difficulties which could be created by the all-inclusive aspect of the message in its present form. Therefore, in weighing your decision, I believe you should consider the following factors.

There are two general public perceptions of the defense budget -- the positive aspect of security and the negative element of high costs.

Based upon the FY 1977 Defense Authorization Bill which you recently signed, we are on particularly strong ground on both of these aspects. The defense budget provides for important improvements in U.S. military capability across the board, in land, sea, and air forces for strategic and general purpose roles. This argument is solid even given the changes made in certain programs (most notably shipbuilding) by Congress. For the first time in almost a decade, you have (in FY 1976 and FY 1977) increased our annual real dollar investment in national defense.

On the cost side, we have taken steps to save over \$3 billion next year alone and \$23 billion in the next five years through various economy measures. To the extent that Congress fails to act on that portion of these items requiring new legislation, we have a strong argument to take to the public as to Presidential budgetary restraint and Congressional inaction and perpetuation of inefficiency.

CONFIDENTIAL - GDS

KR 5/17/76

We will maintain this dual position of strength whether or not there is a budget supplemental. Turning to the supplemental itself, I am concerned that its net results could turn out to be negative. While there is no doubt we are on strong ground in this message regarding such programs as the AEGIS ships, the inclusion of virtually all the items cut from the original request (\$2.4 billion out of approximately \$2.9 billion) may alienate borderline supporters in Congress. This package would seem to constitute a degree of argument with legislative budget adjustments unprecedented in recent history. By strong implication we are saying that all our requests were critically important and none of the Congressional action was tolerable -- in other words, it is a 100 percent insistence on our judgment. This potentially antagonistic implication is reinforced by the message's challenge that Congress additionally delete the \$1.1 billion in programs added to our original request or accept responsibility for their cost implications when added on top of our own large reclama.

A resubmission of this size and at this time could hamper our otherwise strong position that Congress has not exercised fiscal constraint and is risking renewed inflationary trends. You have told Congress and the public that the defense economies we proposed are critical and must be acted upon now in order to allow savings in FY 1977. You have already sent the Congress a strong message on this in your signing statement for the FY 77 Defense Authorization Bill.

Conversely, limiting your reclama to the really critical items -- the AEGIS ships (DDG-47 destroyer) and the CSGN Nuclear Strike Cruiser advanced procurement funding--would highlight your ongoing and forceful actions to continue to improve our military capability. It would dramatize your position on strengthening capability and at the same time reduce the negative aspects of budget size. In sum, it may be that to include restoration of the many other small program cuts is not worth the potential political price.

RECOMMENDATION

That you indicate your decision on the attached budget supplemental message.

- _____ Approve the message (sign the message at Tab A)
- _____ Forward a message outlining a more limited supplemental (AEGIS and economies).
- _____ Defer sending a message.



PAPE





EXECUTIVE OFFICE OF THE PRESIDENT
OFFICE OF MANAGEMENT AND BUDGET
WASHINGTON, D.C. 20503

*Staff w/ey
back up
low
4244*

JUL 22 1976

ACTION

MEMORANDUM FOR: THE PRESIDENT
FROM: JAMES F. LYNN
SUBJECT: Defense Budget Message

I recommend that you sign the attached Presidential Message outlining your concerns over the Defense budget.

This Message has been coordinated with Don Rumsfeld and Brent Scowcroft.

Attachment

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 31, 1976

Time:

FOR ACTION:

- ✓ Max Friedersdorf
- ✓ Alan Greenspan
- ✓ Bob Hartmann

cc (for information):

- Jack Marsh
- Dave Gergen
- ✓ Jim Lynn

✓ Jim Cannon ✓ Phil Buchen

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, August 3

Time: 10 A.M.

SUBJECT:

Brent Scowcroft memo 7/31/76 re
Defense Budget Message

ACTION REQUESTED:

- For Necessary Action
- For Your Recommendations
- Prepare Agenda and Brief
- Draft Reply
- For Your Comments
- Draft Remarks

REMARKS:

Hartmann - see comments ✓ Research OK
 Cannon - approve message
 Friedersdorf - option 2
 Buchen - option 2
 Lynn - OK send in soon as possible.
 Greenspan - no comments
 Marsh - choice # 2 - selective items
 Gergen - (call him when staffing completed)

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

Rec. 8/2/76 - 8:00 am

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 31, 1976

Time:

FOR ACTION:

Max Friedersdorf
Alan Greenspan
Bob Hartmann

cc (for information): Jim Cannon

Jack Marsh Phil Buchen
Dave Gergen
Jim Lynn

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, August 3

Time: 10 A.M.

SUBJECT:

Brent Scowcroft memo 7/31/76 re
Defense Budget Message

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

RTH: I think Brent's comments are well taken. If the President is to simply send back the DOD requests originally made, the message must be really directed to the American public to provide a campaign issue, and not simply to Congress on the assumption that those words will effect a change of heart.

I agree with Brent - Second Option

RTH

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

If you have any questions or if you anticipate a delay in submitting the required material, please telephone the Staff Secretary immediately.

Jim Connor
For the President

fyi

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 31, 1976

Time:

FOR ACTION:

cc (for information): Jim Cannon

Max Friedersdorf

Jack Marsh

Phil Buchen

Alan Greenspan

Dave Gergen

Bob Hartmann

Jim Lynn

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, August 3

Time: 10 A.M.

SUBJECT:

Brent Scowcroft memo 7/31/76 re
Defense Budget Message

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

Approve the message
[Signature]

PLEASE ATTACH THIS COPY TO MATERIAL SUBMITTED.

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Jim Connor
For the President

AMENDED BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

My total fiscal year 1977 Budget request for national defense, including amendments, is \$114.9 billion in budget authority. This budget request is based upon a careful assessment of the international situation and of the contingencies we must be prepared to meet. The request is substantial, as it must be to provide what is necessary for our national security.

When I submitted my budget last January, I pointed out that the request might need to be increased for three reasons: (1) in the event that the Congress did not approve legislative proposals necessary to reduce spending in lower-priority areas involving manpower and related costs and sale of unneeded items from the stockpile; (2) in the shipbuilding area, where a National Security Council study then under way, could lead to an increase in the shipbuilding budget; and (3) a possible increase later in the year depending on the progress of the SALT II negotiations and our continuing assessment of Soviet ICBM programs. Indeed, there have been changes in these areas and they have been reflected in my revised budget request.

On July 14, 1976, I approved legislation authorizing 1977 appropriations for procurement and for research and development programs. At that time I indicated that in a number of important respects the Congress has not fully faced up to the nation's needs. First, the Congress has not approved a number of essential Defense programs. Second, the Congress has added programs and funds which are of a lower priority. Finally, the Congress has not yet acted upon certain of my legislative proposals which are necessary to restrain manpower cost growth and to achieve other economies. These three areas require remedial action by the Congress.

Therefore, today I am advising the Congress that failure to take the necessary remedial actions will result in a revised 1977 estimate for National Defense of \$115.8 billion. This revised estimate reflects the following adjustments;

	Budget authority <u>(\$ Billions)</u>
Amended budget request	114.9
Congressional adjustments, net	<u>-1.8</u>
Congressional action to date	113.1
Adjustments in this Message:	
(a) Resubmission of Congressional authorization reductions	+2.4
(b) Deletion of programs added by Congress	-1.1
(c) Congressional inaction on Defense Man- agement economies	+1.4
(d) Additional recruiting requirements (\$39 million)	<u>--</u>
Revised National Defense estimate	<u>115.8</u>

Resubmission of Congressional Authorization
Reductions

I am having resubmitted authorization requests for \$2.4 billion in program reductions imposed by the Congress.

Shipbuilding. Congress has not thus far authorized \$1.7 billion requested for new ship programs that are needed to strengthen our maritime capabilities and assure freedom of the seas. In particular, funds have been denied for the lead ships for two essential production programs -- the nuclear strike cruiser and the conventionally-powered AEGIS destroyer-- and for four modern frigates. The 1977 program was proposed as the first step of a sustained effort to assure that the United States, along with our allies, can maintain maritime defense, deterrence, and freedom of the seas. Therefore, I am submitting a supplemental authorization request for 1977 to provide for these ships as well as for the research and development

funds needed to provide for preliminary contract design to accelerate those systems necessary to upgrade U.S. ship capabilities in the near-term and to create longer-term alternatives to conventional surface forces.

Other Programs. The Congress has also failed to authorize over \$900 million requested for other Defense procurement and research and development programs. While some of these adjustments can be accepted due to fact-of-life program developments, I must request a supplemental authorization of \$759 million for programs which are urgently needed. In particular, I reaffirm the need for the following programs, and request restoration of the indicated amounts to the Authorization Act:

- \$19 million for the Defense Agencies research and development appropriation, principally to provide the needed resources for the Defense Advanced Research Projects Agency.
- \$20 million for civil aircraft modifications, clearly the most cost-effective option for enhancing our airlift capability. These modifications should be a part of any airlift improvement program, and the needed funds should not be denied while other airlift improvements are under consideration.
- \$171 million for the Air Force research and development appropriation. Our most urgent needs here include funds for the MAVERICK missile needed to start engineering development for advanced warhead and single rail launches and advanced ICBM technology funds needed to identify the most cost-effective option for full-scale development.
- \$136 million for the F-16 fighter aircraft, to provide full funding for 1977 in accordance with sound budgetary principles. Since Congress approved the full program, this cut is illusory and would serve only to complicate management and make potential foreign buyers less confident of this program.

- \$122 million for the Army research and development appropriation to cover urgent programs such as the STINGER missile, where the Authorization Act would impair the development effort for an improved target-seeking technique. This effort is critical to achieving the needed improvements over the current REDEYE missile.
- \$211 million for the Navy research and development appropriation to provide what is needed for several essential programs, in particular the Navy cruise missile program. The Authorization Act would prevent our moving forward at the pace needed to assure that sub, surface, and land launch options will be operational by 1980.
- \$66 million for production of the US-3A carrier delivery aircraft, necessary to replace aging aircraft and to provide the necessary numbers of aircraft with sufficient operating range to support our carrier forces. The Authorization Act does not meet our military needs, and would provide an uneconomical production rate.
- \$15 million for the MK-30 mobile target, critically needed for antisubmarine warfare training.

Programs Added by Congress

While the Congress disapproved several programs which are essential to our national security, \$1.1 billion was added to the budget request for items for which I did not request funds for 1977. Specifically, these additions included:

- Six Navy A-6E attack aircraft (\$66 million), which are not a high priority, particularly at the uneconomical production rate of six per year which the Authorization Act would provide.
- Three F-5F aircraft (\$10 million).

- Conversion of the cruiser LONG BEACH (\$371 million) which can readily be postponed.
- A fourth attack submarine (\$357 million) for which funds cannot be used in 1977 owing to shipyard capacity limitations.
- Research and development items (\$76 million)
- Repair and modernization of the cruiser BELKNAP (\$213 million) damaged in a collision, for which funds should have been authorized prior to FY 1977, as I requested.

I propose that Congress authorize funds for repair of the BELKNAP in the current transition quarter, and delete the funds for the other add-ons, which are of lower priority than the critical programs which the Congress reduced. If the Congress does not act favorably upon this request, funds would have to be added on top of my revised 1977 Defense budget request.

Congressional Inaction on Defense Management Economies

My 1977 Defense budget estimates were based upon the assumption that the Congress would act favorably upon a number of specific legislative proposals, thereby achieving major economies. These savings involve pay costs and related compensation areas and sales of certain materials from the national stockpile.

In these areas alone, the budget reflected savings of \$4.0 billion for FY 1977. For the five-year period FY 1977-81, my proposals would save \$27 billion. Of these savings, nearly \$11 billion can be realized by administrative action in revising the pay comparability process for general schedule and military personnel. I am taking the required actions. Over \$16 billion of the savings are dependent upon Congressional action, however, and these are the items which I wish to address. Let me summarize these savings proposals requiring action by the Congress:

- \$4.7 billion (including \$276 million in FY 1977) would result from revisions in the Federal wage board pay system to provide pay rates that are truly comparable with those in the private sector.
- \$1.1 billion (including \$163 million in FY 1977) would result from changing pay practices in the Reserve and National Guard, modifying training and assignment policies, and transferring 44,500 Naval reservists to a different pay category. My proposals provide the levels of reserve readiness needed, and they are equitable.
- \$1.7 billion (including \$61 million in FY 1977) would result from holding future increases in military retired pay to changes in the cost of living, eliminating the additional increment which present law provides. I am aware that the Congress has approved this change for military retirees contingent upon Congressional approval of this change for civilian retirees as well.
- \$1.4 billion (including \$92 million in FY 1977) would result from reducing the subsidy in military commissaries on a phased basis, while still providing much lower prices than are available in commercial stores. This proposal is entirely equitable considering current levels of military compensation and other relevant factors.
- \$2.6 billion (including \$746 million in FY 1977) would result from sale of items from the national stockpile, which are excess to our requirements.
- \$4.7 billion (including \$384 million in FY 1977) would result from a number of proposals which appear to be well on their way to enactment. These include employment cutbacks, a move toward a fair-market-rental-system for military personnel, and revisions in certain payments for leave.

I am deeply concerned by the apparent intent to reject a large portion of these proposed savings, and to make up the difference by cutbacks in urgently-needed defense programs. The conference report on the first budget resolution states, in fact, that other defense cuts will be made if these proposed savings cannot be realized. This would be a totally unwarranted course of action. If the laws cannot be changed so as to terminate these unjustifiable outlays, then we must pay for these items from our pocketbooks -- not by slashing our national security. We simply cannot sacrifice our national security to provide for unproductive fringe items and unwarranted levels of compensation.

Once again I urge the Congress to take the necessary actions I have proposed in order to achieve real economies in the national defense program, and not to add the new requirements now under consideration. While I am not now requesting additional appropriations for these items, I want to make it clear that if the Congress fails to take the proper action, I will request again that the additional appropriations be provided. Failure to do so would result in an unbalanced national defense program which would be unacceptable.

Additional Requirements

Finally, I have approved an amendment in the amount of \$39 million to the 1977 Defense budget to provide additional funds for enlistment bonuses to recruit the required numbers of high school graduates for the Army. Recruiting success, particularly as measured in terms of quality, has proven to be sensitive to the level of resources available, and any significant reduction of resources reduces program effectiveness in the long run. We must reverse the recent practice of curtailing budget dollars devoted to recruiting and invest this amount as a contribution towards the relatively small additional resources necessary to maintain a successful program over the long term.

Submission of Legislative Proposals and Appropriation Requests

Proposals for authorizing legislation and appropriation requests will be submitted to the Congress as necessary to provide for these requirements. Requests covering weapons procurement, RDT&E and recruiting activities are being transmitted now. The remainder of the additional appropriation requests -- principally those relating to the compensation area -- will, in accordance with the normal budgetary cycle, be transmitted in January 1977. There is yet time for the Congress to act upon my restraint proposals so that this large additional January submission will not be necessary. Once again, I urge the Congress to act. If the Congress does not take the necessary action, the additional funds will be required and I will request that the Congress provide them.

In withholding my approval from the Military Construction Authorization Bill (H.R. 12384), I noted several points that are also germane here. Section 612 of that Bill would impose severe restrictions and delays upon base closures or employment reductions at certain military installations. As I stated at that time, the nation's taxpayers rightly expect the most defense possible for their tax dollars. Provisions such as Section 612 would add arbitrarily and unnecessarily to the tax burden of the American people. We must have the latitude to take actions to cut unnecessary defense spending and personnel. Congress should reenact this otherwise acceptable legislation without the objectionable base closure provision.

As I have consistently indicated, I am determined that the national security efforts of the United States shall be fully adequate. This message indicates what is necessary to ensure that adequacy. It is up to the Congress to act promptly to provide the resources necessary to do the job, and to eliminate provisions which make defense spending higher than it should be.

THE WHITE HOUSE

ACTION MEMORANDUM

WASHINGTON

LOG NO.:

Date: July 31, 1976

Time:

FOR ACTION:

Max Friedersdorf
Alan Greenspan
Bob Hartmann

cc (for information): Jim Cannon
Jack Marsh Phil Buchen
Dave Gergen
Jim Lynn

FROM THE STAFF SECRETARY

DUE: Date: Tuesday, August 3

Time: 10 A.M.

SUBJECT:

Brent Scowcroft memo 7/31/76 re
Defense Budget Message

ACTION REQUESTED:

For Necessary Action

For Your Recommendations

Prepare Agenda and Brief

Draft Reply

For Your Comments

Draft Remarks

REMARKS:

The Council of Economic Advisers has no substantive comments on the Defense Budget message and the Scowcroft memo.

*John Mc Davis for
Alan Greenspan*

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Jim Connor
For the President

THE WHITE HOUSE

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REMARKS:

OPTION #2

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For the President

THE WHITE HOUSE

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FROM THE STAFF SECRETARY

DUE: Date: Tuesday, August 3

Time: 10 A.M.

SUBJECT:

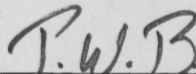
Brent Scowcroft memo 7/31/76 re
 Defense Budget Message

ACTION REQUESTED:

 For Necessary Action For Your Recommendations Prepare Agenda and Brief Draft Reply For Your Comments Draft Remarks

REMARKS:

I favor the middle option of forwarding a message
 that outlines only a more limited supplemental.



Philip W. Buchen
 Counsel to the President

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 telephone the Staff Secretary immediately.

Jim Connor
 For the President