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

January 28, 1975

TO: ~~White House Congressional Relations Staff~~
FROM: Bob Bonitati *MB*
RE: ~~Military Commissaries~~

The President decided in the FY 1976 Budget review to phase-out the appropriation fund subsidy for labor costs to run the Defense commissary system. This decision requires statutory approval from Congress and is expected to generate a flood of mail from citizens to the President and to the Congress. The following has been prepared to assist in answering inquiries you may be receiving:

Defense commissaries currently have annual sales close to \$3 billion. Their customers include both active and retired military personnel and their families. Savings are estimated at 20-22% below regular food store prices. Defense commissaries are currently subsidized to the extent of about \$300 million annually for personnel costs. The Defense exchanges, by contrast, have no subsidy for personnel and still offer savings of 15-20% below commercial prices.

During the years of low military pay, the subsidized commissary system helped to increase the buying power of military salaries. In recent years, however, military pay has been deliberately increased to become comparable with salaries in the civilian sector. In this context, there is no longer a need to subsidize the costs of commissary personnel with Federal funds.

The President's decision to eliminate this commissary labor subsidy would place the commissary operation on a comparable basis with the military exchanges. Commissaries will still offer meaningful savings to their customers and will be retained as a benefit to military families. The approved implementation plan calls for termination of this subsidy over a two-year period commencing October 1, 1975.

Despite criticism to the contrary, there is no intent to eliminate the Defense commissaries through this action.

cc: Jack Marsh ✓
Ron Nessen ✓

