

EMBARGCED FCF RELEASE UNTIL 3:00 P.M., EDT
MONDAY, AUGUST 23, 1976

Office of the White House Press Secretary

THE WHITE HOUSE

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:

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	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	-.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.

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- \$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 and surface launch options can 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:

- 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.

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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.

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- \$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.

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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.

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