

Lebray

DEC 12 1975

MEMORANDUM FOR THE PRESIDENT

SUBJECT: Defense Department Reclama of FY 77 Budget Target

This memorandum addresses the Department of Defense reclama to the FY 77 budget target of \$110B in TOA, \$99B in outlays. Both the Defense reclama and the OMB alternative aim to support your overall budget objectives as follows:

- * Present the Congress with an overall budget which would keep Federal spending at or below \$395B in FY 77.
- * Provide a five percent "real growth" in Defense purchases between 1976 and 1977 after Congressional actions, in order to maintain force levels, modernization rates, and overall readiness. This will assure a worldwide perception of U.S. resolve.
- * Wherever possible, reduce programs that contribute marginally to combat capabilities.
- * Do not defer spending this year which would require larger spending in the future and prevent achieving a balanced budget by FY 1979.

Moreover, the Defense Department recognizes that trends in defense capabilities and the perception of those trends, as well as the capabilities themselves, are important. In this connection, beyond providing the necessary funds, the budget should demonstrate a steadiness of purpose and consistency of effort over time. For this reason, the Department considers to be particularly important the objective of real program growth, in the aggregate and within each military Service.

In addition, the Department's proposals continue the pursuit of cost efficiency programs such as improving teeth-to-tail ratios, headquarters adjustments, and base closure or realignment actions. Effort will be continued to improve conventional capabilities and operational readiness of the forces, to reduce maintenance backlogs, to maintain and modernize force structure, and improve strategic capabilities consistent with SALT agreements. Finally, the Department will continue efforts to support the All Volunteer Force both in terms of quality and professional standards. These objectives underlie the Defense reclama.

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AUTHORITY EO 12958

JUN 13 2003

Chief, Declass Br
Dir. & Rec. Div, WHS

Classified SECRETARY OF DEFENSE
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 EXECUTIVE ORDER 11652. EXEMPTION CATEGORY 2A3.
 DECLASSIFY ON MP TO D&T.



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SEC DEF CONTR No. X- 3724

S. J. P.

The following table summarizes your tentative decisions on the Defense budget and the Defense Department reclama.

	<u>TOA</u>	<u>Outlays</u>
Presidential decision (base)	\$108.7	\$99.1
Add: Full funding of shipbuilding and ASTF	<u>1.3</u>	<u>-</u>
Total	\$110.0	\$99.1
Appealed by Defense		
Maintenance of force structure and readiness	1.0	.5
Program Issues	<u>1.6</u>	<u>.7</u>
Defense Proposed Level	\$112.6	\$100.3

Items Potentially Unacceptable to the Congress

You should be aware that the \$112.6B level proposed by Defense excludes at least \$.8 billion which will be needed if the Congress fails to enact certain of your legislative proposals. The items included are the pay cap for wage board and retired personnel, the phaseout of the commissary subsidy, and the proposal to implement fair market rental.

OMB and Defense agree that these items should be highlighted in the budget message. Congress should be advised that an increase of \$.8 billion will be needed if the required legislation is not approved.

A supplemental request may have to be considered in the event of a breakdown in the SALT negotiations.

Congressional Reductions and Real Growth

Both the Defense Department and OMB recognize that Congressional reductions will be applied to the budget request. The question at issue is how much reduction by the Congress can be sustained without impairing the minimum of 5% real growth in purchases.

In the tentative decision level of \$110 billion, a Congressional reduction of about \$4 billion would provide 5% real growth in purchases. The Defense proposed level of \$112.6 billion would provide 5% real growth in purchases after a Congressional reduction of up to about \$6 billion. (See Tab A)

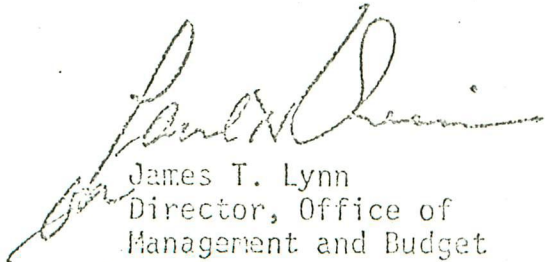


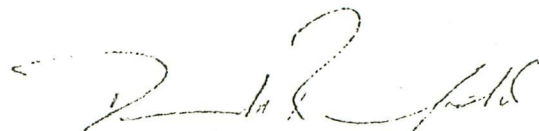
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Tentative Presidential Decisions

Your tentative decisions included a reduction of \$8 billion from an anticipated Defense level of \$118 billion to arrive at a level of \$110 billion. The Defense request of \$112.6 billion includes appeal of \$1.6 billion of your tentative decisions plus an additional \$1.0 billion for improved readiness and maintenance of force structure. The specific issues being appealed are at Tab B. The issues accepted by the Department of Defense are listed at Tab C.


James T. Lynn
Director, Office of
Management and Budget


Donald H. Rumsfeld
Secretary of Defense



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OFFICE OF THE SECRETARY OF DEFENSE

12/19/75

Memo For MGen Wickham

John

Attached is a copy of Defense budget memo of December 12, 1975, with both OMB and Defense signatures, which I received from OMB yesterday. Sully indicated you wanted it for your records.

John

John D. Christie

Attachment

UPON REMOVAL OF ATTACHMENTS THIS DOCUMENT BECOMES UNCLASSIFIED

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