

CBO TESTIMONY

Statement of
Robert F. Hale
Assistant Director
National Security Division
Congressional Budget Office

before the
Committee on the Budget
United States Senate

July 16, 1991

NOTICE

This statement is not available for public release until it is delivered at 10:00 a.m. (EDT), Tuesday, July 16, 1991.



**CONGRESSIONAL BUDGET OFFICE
SECOND AND D STREETS, S.W.
WASHINGTON, D.C. 20515**

Mr. Chairman, I appreciate the opportunity to testify today about the effects on the defense budget of electing one of the two broad budgetary choices Mr. Reischauer outlined in his earlier testimony. Specifically, I will examine what the effects would be on defense of abiding by the overall caps established for discretionary spending in the Budget Enforcement Act (BEA) of 1990, while at the same time holding nondefense spending constant, in real terms, at the 1993 level.

Obviously, this approach would require reductions in defense spending beyond those the Administration proposed in the 1992 budget. My testimony today discusses the kinds of changes that would have to be made in the Administration's proposed defense plan in order to achieve the additional reductions. The Congressional Budget Office (CBO) has not, however, made an exhaustive analysis of how these additional reductions in spending would affect military capability. Furthermore, as you know, we make no recommendations about the merits of further cuts in defense spending.

To meet the BEA caps while holding nondefense spending at its 1993 level in real terms, both budget authority and outlays for defense would have to be reduced below the Administration's proposed levels in 1994 and 1995.

This testimony reaches several conclusions about the size and timing of the additional reductions:

- o The BEA caps on budget authority could be satisfied if budget authority for defense were reduced by a total of \$41 billion in 1994 and 1995, but this cut in budget authority would not reduce outlays enough to satisfy the BEA cap on outlays.
- o To accomplish the required reductions in outlays in 1994 and 1995 without severe cuts in numbers of personnel or funds available for investment, defense reductions would have to begin before 1994.
- o Under one approach that achieves the required reduction in outlays, defense budget authority would have to be cut below the Administration's proposal by a total of \$69 billion (8 percent) in 1993-1995, including a reduction of \$29 billion (10 percent) in 1995. In this example, which is designed to minimize effects on personnel, military forces in 1995 would be cut by about 5 percent more than the Administration proposed and investment funds by an additional 18 percent.

SIZE OF REQUIRED REDUCTIONS

The BEA limits total federal discretionary budget authority to \$518.1 billion in fiscal year 1994 and \$525.0 billion in 1995 (see Table 1). If the Congress makes a decision to hold budget authority for nondefense discretionary spending constant in real terms at its 1993 level, then the caps would limit budget authority available for national defense to \$279.0 billion in 1994 and \$274.1 billion in 1995.¹ Compared with the levels the Administration proposed, carrying out this decision would require reducing defense budget authority by an additional \$16.5 billion in fiscal year 1994 and \$24.4 billion in 1995, as shown in Table 1. Defense outlays would also have to be reduced below the Administration's proposed levels by **\$13.9** billion in 1994 and \$21.6 billion in 1995.

These reductions are based on CBO's reestimate of the Administration's proposed budget. The calculations assume that the Department of Defense (DoD) is not allowed credit for savings from changes it has proposed in accounting for the Military Retirement Fund. This issue is discussed more fully in Appendix A to this testimony.

1. See Scenario 2 in Testimony of Robert **Reischauer** before the Senate Budget Committee, July 16, 1991. To maintain consistency with that testimony, defense spending estimates in this testimony reflect only the discretionary spending within the national defense function (function 050).

The reductions in defense outlays specified in Table 1 are almost certainly not consistent with the specified reductions in budget authority. The reductions in outlays realized in any year depend on both the size of cuts in budget authority in that year and preceding ones, and the rate at which budget authority is spent. The rate of spending, in turn, varies among categories of DoD spending: appropriations for military personnel and day-to-day operations are spent rapidly, investment funds more slowly. To meet the targets in Table 1 for both budget authority and outlays, virtually all the reductions in budget authority would have to come out of the personnel and day-to-day operating accounts, resulting in huge cuts in numbers of personnel and funding for military readiness. Achieving the reductions in outlays in Table 1 any other way is likely to require larger reductions in budget authority than those in the table.

At the Committee's request, this testimony focuses primarily on the steps necessary to achieve the reductions in outlays, though actions necessary to meet the limits on budget authority are also examined. The testimony focuses on changes that the Administration's proposed defense plan would require in order to achieve the defense spending cuts.

TABLE 1. DERIVATION OF ADDITIONAL DEFENSE CUTS
(In billions of dollars)

Category	Type of Spending	Spending	
		1994	1995
BEA Caps on Total Discretionary Spending	BA O	518.1 537.6	525.0 543.0
Nondefense Spending Assuming No Real BA Cuts After 1993 ^a	BA O	215.3 239.0	226.2 249.6
Spending Available for National Defense With No Real Nondefense Cuts (Category 1 Minus Category 2) ^b	BA O	279.0 276.5	274.1 270.3
National Defense Spending Under Administration's Proposal ^b	BA O	295.5 290.4	298.5 291.9
Reductions Below Administration's Proposal to Match Available Funds (Category 3 Minus Category 4) ^b	BA O	16.5 13.9	24.4 21.6

SOURCE: Congressional Budget Office.

NOTES: BA means budget authority. O means outlays.

Totals may not add because of rounding.

a. This is from Scenario 2 from Testimony of Robert D. Reischauer before the Senate Budget Committee, July 16, 1991.

b. These numbers reflect the discretionary portion of the national defense function as estimated by CBO. The CBO reestimates of the Administration's proposal assume no change in pay dates or in accounting for the accrued cost of military retirement.

THE ADVANTAGES OF BEGINNING REDUCTIONS BEFORE 1994

To achieve the required reductions in outlays in 1994 and 1995, cuts in budget authority for defense might not have to begin until 1994. If the reductions in outlays are to be achieved, however, waiting until 1994 to begin making reductions would result in large cuts in numbers of military personnel or in the budget authority available for investment.

For example, suppose that reductions in the budget authority for defense in 1994 and 1995 are sufficiently large to achieve the cuts in defense outlays in Table 1 and that all defense appropriations (that is, military personnel, procurement, and so forth) are reduced proportionately. In that case, CBO estimates that budget authority for the operating accounts (chiefly, military personnel and operation and maintenance) would have to be reduced below the Administration's proposed level by about \$13 billion in 1994 and \$16 billion in 1995 (see Table B-1 in Appendix B to this testimony).

Reducing this amount of funds for military personnel could lead to a cut of about 425,000 active-duty personnel in addition to the reductions the Administration proposed for 1994 (see Table B-2 in Appendix B). Such an enormous additional personnel **cut--about** as large as the total cut the

Administration recommended for all the years between 1990 and 1995--would require drastic cuts in military forces and large numbers of involuntary separations of career personnel. The personnel reduction in 1994 would have to be so large partly because reductions in personnel only generate limited savings in the first year. By 1995, however, the 1994 personnel reductions would yield such great savings that some of the cuts might actually be restored, despite the erratic consequences for people in uniform. The cut in the operation and maintenance appropriation, which pays for many day-to-day operating costs, would have less immediately visible but equally dramatic effects on programs such as military medical care, maintenance of equipment, and logistical support.

Cuts of this magnitude obviously would be damaging to both military capability and morale. The alternative, however, would be to make even larger cuts in funds available for procurement, research, and other investment. Assume, for example, that personnel reductions in 1994 and 1995 are held to no more than 105,000 service members per year (roughly equal to the 106,000 reduction the House now authorizes for 1992). If the reductions in outlays are to be achieved by cuts in investment appropriations, which spend out relatively slowly, then the Congress would have to cut these appropriations by about \$37 billion in 1994 and \$22 billion in 1995, a reduction of as much as

30 percent below the level the Administration proposed (see Table B-3 in Appendix B).

Both of these methods of achieving the required reductions in outlays may well be judged unacceptable. The remainder of this testimony thus assumes that budget reductions to achieve the required outlay reductions would begin in 1993.

EFFECTS OF ACHIEVING THE OUTLAY REDUCTION: AN ILLUSTRATION

There are, of course, many ways to achieve the outlay reductions specified in Table 1. At the request of the Committee, this testimony focuses on an illustrative example that emphasizes cuts in investment. Other approaches are discussed more briefly.

Illustrative Approach

Under the illustrative approach, reductions in active-duty personnel in any one year would be limited to no more than 105,000 people, roughly the reduction the House authorized for 1992. Thus, our illustration assumes cuts in active-

duty personnel, beyond those the Administration proposed, of between 14,000 and 44,000 in 1993 through 1995, bringing the total cut to 105,000 in each of those years (see Table **B-4** in Appendix B). The example also assumes that the remainder of the operating portion of the budget is cut proportionally to meet the reduced spending for active-duty personnel, thus maintaining the operating funds available for a typical military unit.

Budget authority in the investment portions of the defense budget is then reduced by enough to achieve the required reductions in outlays. Reductions in investment are assumed to be achieved through proportional cuts in appropriations that make up this **category--namely**, procurement; research, development, test, and evaluation; military construction; and atomic energy defense activities funded through the Department of Energy. CBO chose this distribution of investment cuts for simplicity. An alternative distribution is discussed later in this testimony.

Effects on Overall Budget Authority. Under these assumptions, budget authority for defense would be reduced below the Administration proposal by a total of \$69 billion (8 percent) over the 1993-1995 period (see Table 2). Reductions would range from \$16 billion (5 percent) in 1993 to \$29 billion (10 percent) in 1995. The distribution of reductions by year could vary somewhat;

the particular distribution illustrated in Table 2 was chosen to produce a smooth pattern in the resulting level of defense budget authority.

By 1995, the resulting real level of budget authority would be 36 percent lower in real terms than in 1985, at the peak of the Reagan defense buildup, and 27 percent lower than in 1990 (see Figure 1). It would be about 5 percent lower than in 1980.

The resulting level would fall within the range of spending considered during last year's debate over the defense budget, the first debate that took place after the recent political changes in the Soviet Union and Eastern Europe. After the cuts, defense budget authority in 1995 would roughly equal the level the House recommended in last year's budget resolution, but would fall about 7 percent below the resolution reported by the Senate Budget Committee.

As Table 2 makes clear, achieving the additional reductions in outlays specified in Table 1 requires larger cuts in defense programs than would be needed to accomplish the cuts in budget authority. In order to achieve the reductions in outlays, defense budget authority must be cut by \$69 billion in 1993 through 1995, compared with only \$41 billion needed to meet the budget authority caps (see the bottom two lines in Table 2). The more **far-reaching**

effects of the outlay reductions reflect the difficulty of achieving rapid reductions in defense outlays.

Effects on Investment. Because personnel reductions are limited in this illustration, the effects on the appropriations for investment would be more pronounced than those for the total budget. Budget authority for investment would be reduced \$24 billion (18 percent) below the Administration's request in 1995. In real terms, the resulting level of budget authority for investment would be 33 percent below its level in 1990, but it would still exceed the real level of investment in 1980 by about 6 percent (see Figure 2).

Achieving these additional cuts in investment might require terminating a number of the larger defense procurement and research programs and slowing acquisition of other weapon systems. Reductions in **nonmajor** procurement or some combination of these approaches could also achieve these cuts. (Table B-5 in Appendix B lists some examples of specific reductions, together with potential savings.)

The cutbacks in procurement that would occur under this example could increase long-term shortfalls in spending for procurement. During the next decade or so, the Administration plans to equip many military units with new

TABLE 2. REDUCTIONS BELOW THE ADMINISTRATION'S PROPOSAL IN NATIONAL DEFENSE BUDGET AUTHORITY UNDER ILLUSTRATIVE EXAMPLE
(In billions of dollars)

	Fiscal Year			
	1993	1994	1995	1993-1995 Total
Operating Appropriations				
Military Personnel	0.2	0.9	2.1	3.3
Operation and Maintenance	0.3	1.0	2.4	3.6
Other	<u>0.4</u>	<u>0.8</u>	<u>0.9</u>	<u>2.1</u>
Subtotal	1	3	5	9
Investment Appropriations				
Procurement	8.3	12.2	13.7	34.2
RDT&E^a	5.1	7.1	6.9	19.1
Military Construction	0.5	1.2	1.2	2.9
Atomic energy defense activities ^b	<u>1.0</u>	<u>1.5</u>	<u>1.6</u>	<u>4.1</u>
Subtotal	15	22	24	60
Total to Meet Outlay Cut	16	25	29	69
Amount Required to Meet Budget Authority Cut	0	17	24	41

SOURCE: Congressional Budget Office.

NOTES: Totals may not add because of rounding.

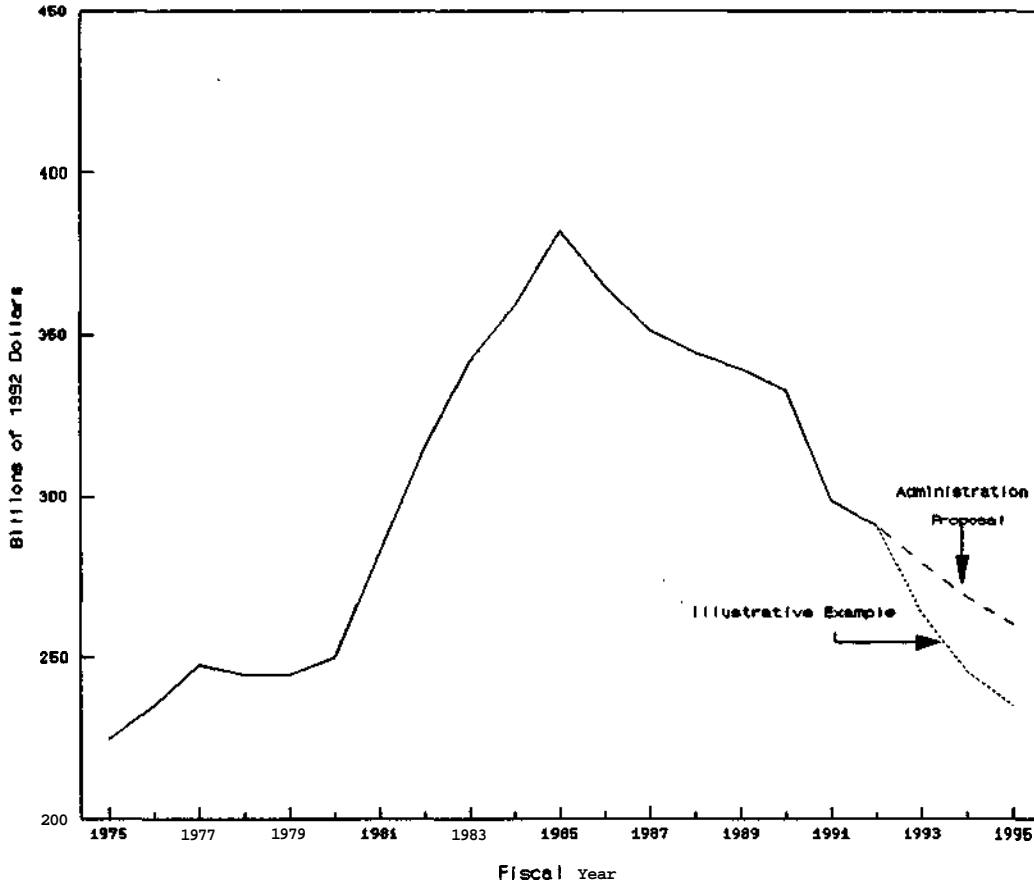
Numbers in this table assume that Budget Enforcement Act caps on outlays are met without reducing budget authority for nondefense discretionary spending below its real level in 1993.

Numbers assume that defense cuts begin in 1993 and that cuts are made with an emphasis on the investment appropriations.

a. RDT&E is research, development, test, and evaluation.

b. Environmental restoration activities are included in "other" category.

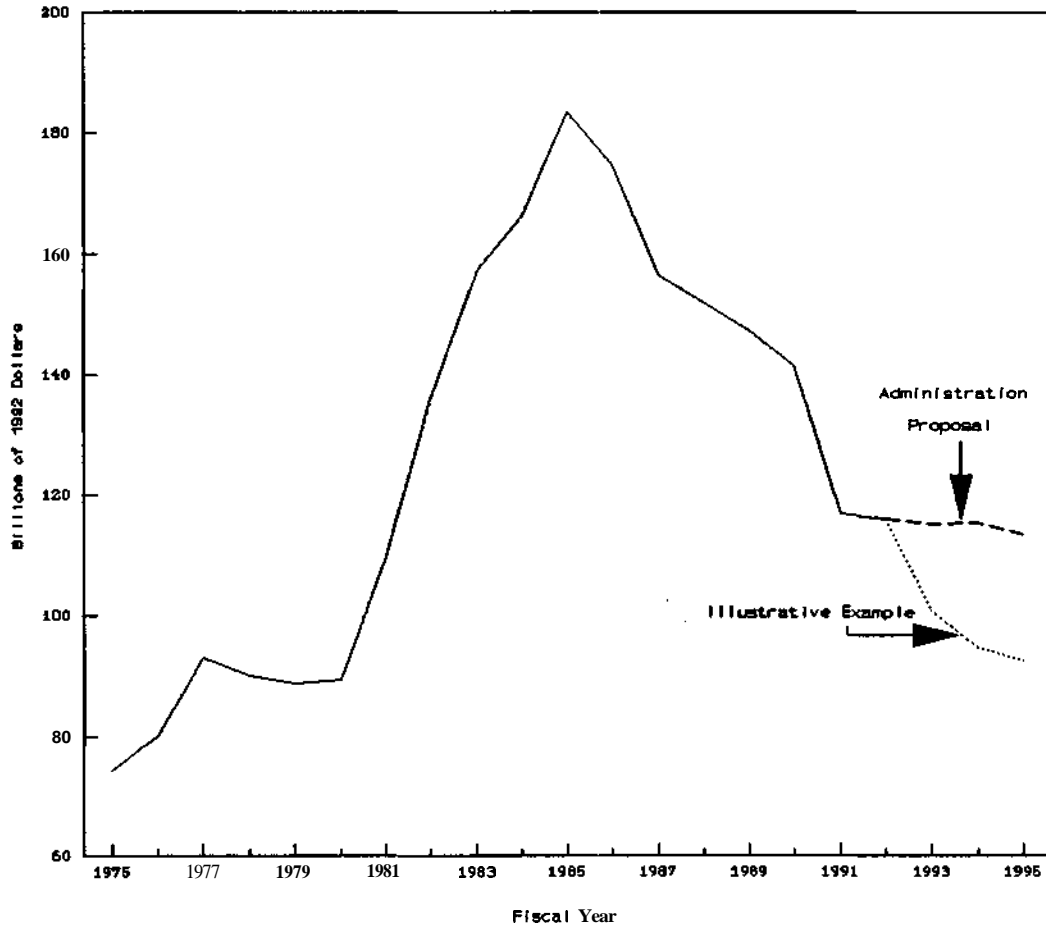
Figure 1. Real Level of National Defense Budget Authority



SOURCE: Congressional Budget Office

NOTE: Illustrative example assumes that Budget Enforcement Act caps on outlays are met without reducing budget authority for nondefense spending below its real level in 1993. The example assumes that defense cuts begin in 1993 and that cuts are made with an emphasis on the investment appropriations.

Figure 2. Real Level of National Defense Budget Authority for Investment



SOURCE: Congressional Budget Office

NOTE: Illustrative example assumes that Budget Enforcement Act caps on outlays are met without reducing budget authority for nondefense discretionary spending below its real level in 1993. The example assumes that defense cuts begin in 1993 and that cuts are made with an emphasis on the investment appropriations.

weapons that are quite expensive. CBO estimates that, under the Administration's plan, procurement budgets in the next decade will have to rise substantially above levels planned for the early 1990s.² The additional reductions in funding for procurement under this alternative could exacerbate this problem. Mitigating the problem somewhat is the further reduction in numbers of forces under this alternative, which reduces long-term procurement needs. The reductions in procurement under this example might also prompt the services to hold down the cost of new weapons, thus helping to minimize long-term shortfalls in procurement funding.

Near-term effects of this alternative on the defense industrial base may be of even greater concern. Procurement budgets have fallen sharply in recent years, the legacy of large budgets in the 1980s combined with the reductions in forces and tight budgets expected in the 1990s. Coupled with the high prices of many new weapons, the lower procurement budgets of the 1990s will yield planned purchases that are small or nonexistent for many types of weapons. The predictable result is that the industrial base for weapons production will shrink, perhaps jeopardizing the ability of the United States to produce weapons in large quantities later in the 1990s, if they should

2. See Testimony of Robert F. Hale before the House Armed Services Committee, March 19, 1991.

be needed. The substantial reductions in procurement in this illustrative approach could heighten concern over this problem.

Effects on Personnel and Forces. Compared with effects on investment, the reductions in military personnel below the level the Administration proposed would be relatively modest in this example. By the end of 1995, the active-duty personnel level would be about 82,000, or 5 percent, lower than the level in the Administration's proposal. The additional reduction would bring the total cut in military personnel since 1990 to about 470,000 or approximately 23 percent. The additional reductions in military personnel, though relatively modest, could increase the number of career personnel to be separated involuntarily, adding to separation costs and exacerbating the problems associated with meeting the outlay caps.

Additional reductions in military forces should also be modest. For example, if the added reduction of 82,000 military personnel is distributed in the same way as the cuts the Administration proposed, then by 1995 the number of active Army divisions could fall to about 11 (down 1 from the Administration's proposed level for 1995 and 7 from the 1990 level), tactical fighter wings in the active-duty Air Force could drop down to about 13 (down

2 from the Administration's proposed level for 1995 and 11 from the 1990 level), and Navy ships could fall to about 430 (down about 20 from the Administration's proposed level and about 115 from the 1990 level).

After a period of transition, adverse effects on the readiness for combat of those units that remain in the military should be minimal. The Administration's plan to reduce force size will bring with it personnel turbulence, reassignments that reduce capability as new personnel are integrated into existing units, and some loss of training time because many service members will have to perform the tasks of deactivating existing units and redistributing their equipment. The larger cuts under this alternative could exacerbate these problems. Once this period of turbulence is past, however, the operating funds available to a typical unit under this illustrative example should remain roughly unchanged in real terms from current levels, so that training and readiness activities could be carried out much as they are at present.

Other Approaches

Of course, many other approaches are available to achieve the reductions in defense outlays specified in Table 1. For example, the Congress could seek

some added efficiencies in day-to-day operating expenditures that are paid for out of the operation and maintenance (O&M) appropriation. In addition, the Congress could mandate that, within the categories of investment appropriations, funds for research and development should be cut by a disproportionate amount, perhaps in reaction to the recent growth in these funds as a percentage of the investment budget. Since O&M and research funds are relatively "fast spending" accounts that generate outlays quickly, cutting these categories would mitigate the cuts in budget authority required to meet the outlay caps in 1993 through 1995. Table B-6 provides a specific example of this approach. Compared with the illustrative example in Table 2, the reductions in budget authority below the Administration request are smaller in Table B-6 (by about \$7 billion or 10 percent in 1993-1995), as are the reductions in investment spending (by about **\$11** billion or 18 percent).

The Congress could also decide that emphasizing investment cuts is not advisable. Instead, it could elect to make larger cuts in personnel and smaller cuts in investment. This approach, however, would result in larger reductions in the number of military forces and almost certainly would force substantially more involuntary separations of defense military and civilian personnel.

AN EXAMPLE OF THE EFFECTS OF ACHIEVING THE BUDGET AUTHORITY REDUCTION

Yet another alternative might be to consider smaller cuts in defense combined with some reductions in nondefense spending. Using this approach, minimizing cuts in some categories of defense spending (such as force size and readiness) might be possible without having to impose draconian reductions on other spending categories (such as investment).

As an illustration, suppose that, rather than achieving the additional reductions in outlays specified in Table 1, defense cuts were designed to achieve only the added cuts in budget authority. In this case, defense reductions would not have to begin until 1994. Also, total budget cuts would be **smaller--\$41 billion** compared with budget cuts of \$69 billion necessary to achieve the reduction in outlays under the illustrative example in this testimony (see Table B-7 in Appendix B). Investment cuts would also be substantially smaller under this approach even if the cuts were achieved in the investment-intensive manner assumed in the illustrative example.

Achieving the required cuts in budget authority would not, however, reduce defense outlays by enough to meet the BEA caps and maintain nondefense discretionary spending at its 1993 level in real terms. In order to meet the overall outlay caps under this approach, nondefense outlays would

have to be cut by about \$8 billion in 1994 and \$7 billion in 1995, a reduction of about 3 percent in each year.

SHOULD DEFENSE SPENDING BE CUT FURTHER? _____

So far my testimony has focused on the size of possible defense reductions and how those reductions would affect the Administration's defense proposal. This begs the fundamental question of whether further cuts in defense spending are desirable.

The answer to that question hinges on a number of factors. One consideration certainly is the importance of the nondefense spending that would be reduced without additional cuts in defense. Nondefense discretionary spending includes a wide range of domestic programs that affect virtually all segments of American society, as well as foreign aid. In the view of many observers, unmet social, environmental, educational, and infrastructure needs demand added funds, not reductions.

Whether defense funds can safely be cut beyond the level the Administration proposed, however, depends first and foremost on the external threat the United States faces. There is general agreement that the threat has

declined markedly in the last two years, chiefly because of changes in the Soviet Union. Progress on a number of fronts -- political changes in Eastern Europe, the shift toward democracy and market economic forces in the Soviet Union, and movement on conventional and strategic arms **agreements--has** fueled the consensus that underlies the defense reductions the Administration proposed.

Further cuts below these levels could be taken with the expectation that the Soviet Union will continue on its current path. Markers on this road might include ratifying the CFE treaty and agreement on the START treaty, together with additional cuts in Soviet defense spending. Economic changes could include making the ruble convertible and legalizing property **ownership--steps** needed to encourage trade and integrate the Soviet economy with the West.

Defense cuts below the Administration's proposal would also be consistent with the expectation that the United States will not face other crises that could demand large deployments of American forces. Further cuts in defense spending would certainly make it more **difficult--although** still **possible--to** accommodate a future Operation Desert Storm. Fortunately, the list of plausible adversaries who could generate a deployment on the scale of Operation Desert Storm is short.

Alternatively, one could argue that cuts in defense below the Administration's proposal are premature. This view might hold that events around the world and in the Soviet Union itself are too unpredictable for the United States to undertake further unilateral defense cuts. Indications that the United States should go slowly down the road toward greater defense cuts might include arms buildups in the Middle East or South Asia. Other signals might include instances of Soviet repression of nationalistic or separatist movements in the republics and possible instability in Eastern Europe.

CONCLUSION

CBO can make no judgment about the desirability of further cuts in the defense funds the Administration requested. Clearly, substantial changes will be required in that request if real reductions in nondefense spending are to be avoided while still meeting the caps in the Budget Enforcement Act. If, for example, the outlay caps are to be met, and additional reductions in personnel and day-to-day operating funds are to be relatively modest, then the defense reductions would probably have to begin before 1994 and could involve cuts of as much as about one-fifth in the level of funds the Administration has requested for investment.

APPENDIXES

APPENDIX A: EFFECTS OF CHANGES IN ACCOUNTING FOR
MILITARY RETIREMENT

The Department of Defense has recommended changes in the method it uses to calculate its contributions to the Military Retirement Fund. The department recommends these changes, which would take effect in 1994, as a vehicle for improving personnel management. The changes would reduce the level of budget authority and outlays in the defense function. If DoD were to receive credit for the changes, then the reductions in budget authority and outlays required to meet the BEA caps without reductions in nondefense spending would be lower than those shown in Table 1 of this testimony by \$3.1 billion in 1994 and \$2.8 billion in 1995.

DoD's proposed changes represent accounting revisions that would not affect benefits to retirees or the federal deficit. Under the provisions of the **BEA**, caps on spending are to be adjusted to avoid giving budgetary credit for such accounting changes. The Office of Management and Budget, which is charged with adjusting the caps to reflect accounting changes, has stated that it believes that it may be appropriate to adjust the caps if the funding changes for retirement are enacted into law. This testimony assumes that DoD would not receive credit for the accounting revisions.

APPENDIX B: SUPPLEMENTARY TABLES

TABLE B-1. REDUCTIONS BELOW THE ADMINISTRATION'S PROPOSAL IN NATIONAL DEFENSE BUDGET AUTHORITY, ASSUMING PROPORTIONAL CUTS BEGINNING IN 1994 (In billions of dollars)

	Fiscal Year		
	1994	1995	1994-1995 Total
Operating Appropriations			
Military Personnel	5.7	7.1	12.8
Operation and Maintenance	6.3	8.0	14.3
Other	<u>0.9</u>	<u>1.2</u>	<u>2.1</u>
Subtotal	13	16	29
Investment Appropriations			
Procurement	5.1	6.9	12.1
RDT&E^a	3.0	3.5	6.5
Military Construction	0.5	0.6	1.1
Atomic energy defense activities ^b	0.6	0.8	1.4
Subtotal	9	12	21
Total	22	28	50

SOURCE: Congressional Budget Office.

NOTES: Totals may not add because of rounding.

Numbers in this table assume that Budget Enforcement Act caps on outlays are met without reducing budget authority for nondefense discretionary spending below its real level in 1993.

Numbers assume that defense cuts begin in 1994 and that cuts in each appropriation are proportional to their size in the Administration's proposal.

a. **RDT&E** is research, **development**, test, and evaluation.

b. Environmental restoration activities are included in "other" category.

**TABLE B-2. ADDITIONAL REDUCTIONS IN ACTIVE-DUTY
MILITARY PERSONNEL ASSUMING PROPORTIONAL
CUTS BEGINNING IN 1994**
(Changes in end strength in thousands)

	Fiscal Year		
	1994	1995	1994-1995 Total
Reductions in Administration Proposal	81	61	142
Additional Reductions	425	<u>0</u>	425
Total	506	61	567

SOURCE: Congressional Budget Office.

NOTES: Numbers in this table are based on dollar cuts that assume that Budget Enforcement Act caps on outlays are met without reducing budget authority for nondefense discretionary spending below its real level in 1993.

Numbers assume that defense cuts begin in 1994 and that cuts in each appropriation are proportional to their size in the Administration's proposal.

TABLE B-3. REDUCTIONS BELOW THE ADMINISTRATION'S PROPOSAL IN NATIONAL DEFENSE BUDGET AUTHORITY, ASSUMING INVESTMENT-HEAVY CUTS BEGINNING IN 1994 (In billions of dollars)

	Fiscal Year		
	1994	1995	1994-1995 Total
Operating Appropriations			
Military Personnel	0.3	1.6	1.9
Operation and Maintenance	0.3	1.8	2.1
Other	<u>12</u>	<u>0.8</u>	<u>2.0</u>
Subtotal	2	4	6
Investment Appropriations			
Procurement	20.6	13.0	33.6
RDT&E^a	12.0	6.5	18.6
Military Construction	2.1	1.1	3.2
Atomic energy defense activities ^b	<u>2.5</u>	<u>1.5</u>	<u>4.0</u>
Subtotal	37	22	59
Total	39	26	66

SOURCE: Congressional Budget Office.

NOTES: Totals may not add because of rounding.

Numbers in this table assume that Budget Enforcement Act caps on outlays are met without reducing budget authority for nondefense discretionary spending below its real level in 1993.

Numbers assume that defense cuts begin in 1994 and that cuts are made with an emphasis on the investment appropriations.

a. **RDT&E** is research, development, test, and evaluation.

b. Environmental restoration activities are included in "other" category.

TABLE B-4. ADDITIONAL REDUCTIONS IN ACTIVE-DUTY MILITARY PERSONNEL ASSUMED UNDER ILLUSTRATIVE EXAMPLE
 (Changes in end strength in thousands)

	1993	1994	1995	1993-1995 Total
Reductions in Administration's Proposal	91	81	61	233
Additional Reductions	<u>14</u>	<u>24</u>	<u>44</u>	82
Total	105	105	105	315

SOURCE: Congressional Budget Office.

TABLE B-5. SAVINGS UNDER ILLUSTRATIVE OPTIONS THAT REDUCE INVESTMENT SPENDING (In billions of dollars)

Option	Reduction Compared with Administration Proposal		
	1993	1994	1995
Reduce Funding for Modernization of Armored Systems ^a	0.5	0.6	0.4
Cancel C-17 Airlift Aircraft ^{a b}	4.2	4.0	4.0
Terminate Production of New B-2 Bomber	1.9	4.9	5.4
Reduce Spending for Strategic Defense Initiative ^a	3.2	3.5	4.1
Cancel National Aerospace Plane ^a	0.3	0.3	0.3
Cut Development and Testing of Nuclear Warheads by One-Third ^a	1.5	2.5	3.0
Cancel F-22 Program ^b	2.3	2.5	2.3
Cancel Aircraft Carrier Purchase	0.9	0.0	3.3
Cancel SSN-21 Submarine Program ^b	2.7	2.8	2.9
Reduce Nonmajor Procurement by 20 Percent ^c	4.4	4.6	4.5
Reduce RDT&E Funding (Less SDI/TMDI) to 1976-1991 Share ^d	6.0	4.6	1.0

SOURCE: Congressional Budget Office.

NOTE: These options are presented as illustrations, not: as recommendations.

- For a discussion of pros and **cons**, see Congressional Budget Office, Selected Spending and Revenue Options (June 1991).
- Some of the savings might have to be devoted to purchases of other systems to meet mission needs.
- Nonmajor procurement is defined here as the "other procurement" accounts, Army ammunition, and defense agency procurement.
- This option reduces funding for research, development, test, and evaluation (RDT&E) to 10 percent of the national defense budget, its average share in 1976-1991. The option assumes that the total national defense budget is at the level suggested in the illustrative example in this testimony (with current caps). RDT&E for **the** Strategic Defense Initiative (**SDI**) and the Tactical Missile Defense Initiative (**TMDI**) is assumed to be unchanged under this option.

TABLE B-6. REDUCTIONS BELOW THE ADMINISTRATION'S PROPOSAL IN NATIONAL DEFENSE BUDGET AUTHORITY, UNDER ILLUSTRATIVE EXAMPLE EXCEPT LARGER FAST-SPENDING CUTS
(In billions of dollars)

	Fiscal Year			
	1993	1994	1995	1993-1995 Total
Operating Appropriations				
Military Personnel	0.2	0.9	2.1	3.3
Operation and Maintenance	0.9	2.5	4.3	7.8
Other	<u>0.2</u>	<u>0.7</u>	<u>0.8</u>	<u>1.8</u>
Subtotal	1	4	7	13
Investment Appropriations				
Procurement	3.5	7.9	9.0	20.4
RDT&E^a	4.3	8.9	8.7	21.9
Military Construction	0.2	0.8	0.8	1.8
Atomic energy defense activities ^b	<u>0.9</u>	<u>1.9</u>	<u>2.0</u>	<u>4.7</u>
Subtotal	9	20	21	49
Total	10	24	28	62

SOURCE: Congressional Budget Office.

NOTES: Totals may not add because of rounding.

Numbers in this table assume that Budget Enforcement Act caps on outlays are met without reducing budget authority for nondefense discretionary spending below its real level in 1993.

Numbers assume that defense cuts begin in 1993 and are made with an emphasis on investment (especially **RDT&E**) and operation and maintenance.

a. RDT&E is research, **development**, test, and evaluation.

b. Environmental restoration activities are included in "other" category.

TABLE B-7. REDUCTIONS BELOW THE ADMINISTRATION'S PROPOSAL IN NATIONAL DEFENSE BUDGET AUTHORITY, ASSUMING INVESTMENT-HEAVY APPROACH THAT MEETS BUDGET AUTHORITY CAPS (In billions of dollars)

	Fiscal Year		
	1994	1995	1994-1995 Total
Operating Appropriations			
Military Personnel	0.3	1.6	1.9
Operation and Maintenance	0.3	1.8	2.1
Other	<u>0.5</u>	<u>0.7</u>	<u>1.2</u>
Subtotal	1	4	5
Investment Appropriations			
Procurement	8.5	11.9	20.4
RDT&E^a	5.0	6.0	10.9
Military Construction	<u>0.9</u>	1.0	1.9
Atomic energy defense activities ^b	<u>1.0</u>	<u>1.4</u>	<u>2.4</u>
Subtotal	15	20	36
Total	17	24	41

SOURCE: Congressional Budget Office.

NOTES: Totals may not add because of rounding.

Numbers in this table assume that Budget Enforcement Act caps on budget authority are met without reducing budget authority for nondefense discretionary spending below its real level in 1993. Numbers assume that defense cuts begin in 1994 and are made with an emphasis on the investment appropriations.

a. RDT&E is research, development, test, and evaluation.

b. Environmental restoration activities are included in "other" category.