OVERVIEW OF

OPERATION AND MAINTENANCE BUDGET ACCOUNTS

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PREFACE

The readiness of the armed forces is a constant subject of debate in the Congress. At issue are both our preparedness to respond to military threats, and the adequacy of the funds that are appropriated for this purpose. At the heart of such "readiness-related" spending are the Operation and Maintenance (O&M) appropriations of the military service.

This paper describes recent trends in O&M spending, both in the aggregate and disaggregated by service and type of activity. In addition, the paper touches on the link between O&M and readiness and offers a projection of future O&M costs under the assumption of constant operating levels. This study represents the initial phase of CBO's analysis of readiness and O&M spending. The final version of the study will attempt to define what parts of the O&M appropriation most affect readiness and will make projections of requirements for O&M under assumptions other than constant operating levels. The paper was prepared at the request of Senator Lawton Chiles, Ranking Minority Member of the Senate Budget Committee. In keeping with CBO's mandate to provide objective and impartial analysis, this paper makes no recommendations.

Neil Singer of CBO's National Security Division prepared the paper under the general supervision of Robert F. Hale, with the assistance of Randall Kish, formerly an intern with the National Security Division. Michael Miller and Eugene Bryton of CBO's Budget Analysis Division provided the projections of future O&M costs. The author acknowledges helpful comments and assistance from Bonita Dombey of CBO and others within Congressional committee staffs and the Department of Defense. Francis Pierce edited the paper.

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Overview of Operation and Maintenance Budget Accounts

I. What Is O&M?

The Operation and Maintenance budget accounts collect authorization and appropriation information for a diverse group of defense support activities. The Budget Appendix states that the O&M accounts "finance the costs of operating and maintaining the Armed Forces, including the Reserve components and related support activities of the Department of Defense, except military personnel costs. Included are amounts for pay of civilians, contract services for maintenance of equipment and facilities, fuel, supplies, and repair parts for weapons and equipment."

This capsule description understates both the diversity of O&M activities and the difficulty of deciding whether they belong in O&M rather than in some other appropriations account. Table 1 presents an overview of the principal functional activities included in the O&M accounts, using the Defense Comptroller's standard budget categories.

Most of these categories involve spending for many different military programs. For example, the category of "land forces" in O&M appropriations for the Army includes the operation of active and reserve combat forces, combat support units, and combat service support (rear echelon) elements. But training for these forces, medical support for them, supply and logistics support, depot maintenance of their equipment, and other elements of their support system are budgeted in separate categories of the overall Army O&M appropriation. Owing to this cross-categorization, it is all but impossible to identify the total operating costs of force units such as individual Army divisions, Navy ships, or Air Force fighter wings without delving into the individual data entries in the O&M accounts.

Despite the variety of purposes for which O&M funds are appropriated, these funds are commonly termed "readiness accounts." The reason for this terminology is the plausible link between at least some of the functional activities in the O&M accounts and the readiness of combat units or weapon systems. Among these "readiness-related" activities could be listed flying hours, land forces, ship operations, depot maintenance, and supply and logistics operations. It could also be contended that at least elements of the training, communications, transportation, and medical categories are readiness-related. Other O&M categories--administration and perhaps recruiting--do not appear at first glance to be as closely related to readiness. In addition, some readiness-related expenditures do not appear in the O&M accounts. Notable examples are items funded in the Procurement Accounts, such as peacetime operating spares and war reserve spares.

Appropriation levels for the O&M categories are driven by factors as diverse as the categories themselves, and these driving factors include both innate characteristics of the force units or weapon systems and some policy variables. Army land forces support or Navy ship operations funding depend, at least in part, on system characteristics such as fuel and ammunition consumption rates and on policy variables such as duration of ship deployments or the frequency of Army training exercises. The categories of Base Operating Support and Real Property Maintenance reflect the costs of operating military bases and preventing deterioration of the services' physical plant, but actual appropriations levels are routinely adjusted in light of political decisions about the overall availability of funds. Depot maintenance depends on equipment overhaul schedules and costs of civilian labor and replacement parts, but the rate of overhauls is at least partly a policy decision. Administration costs perhaps are related to workload measures such as the number of contracts or purchase orders, but are not closely tied to the operational factors that drive other categories of O&M costs.

The mix of policy variables and diverse innate characteristics that drives the costs in different categories of the O&M accounts makes these costs difficult to forecast or project. As discussed in the concluding section of this paper, analysis here is limited to "constant operating level" projections, which assume that operating patterns of today's forces will persist into the future.

II. Trends in O&M Spending

Table 1 presents information on trends in the O&M categories for each service during fiscal years 1980-1984. (The only 1985 estimates available at this time are those in the President's budget request for 1985, which have been superseded by Congressional action during 1984.) Appropriations are inflated to constant 1985 dollars to facilitate comparisons of spending levels in different years.

A. Overall Growth

The first point of interest is the real growth that has occurred in total O&M spending. Overall, Defense Department appropriations for O&M increased by 26 percent from 1980 to 1984, an annual real growth rate of 5.9 percent (and would have been higher but for annual caps on civilian pay raises). In comparison, the average annual real rate of growth of the total defense budget during this period was 8.9 percent. Although O&M funding

did not rise as rapidly as other defense appropriations, it is clear that there has been a significant absolute increase in the resources devoted to O&M.

The overall increases in O&M spending are distorted somewhat by changes in coverage that occur from year to year. This issue of "funds migration" has been most important in the Navy O&M accounts. From 1980 to 1984, a total of $1.88 billion from other appropriations accounts was added to Navy O&M. Of this amount, nearly half--$835 million--represented funding for depot-level reparable spare parts, which formerly had been funded in the Navy procurement accounts. Another $500 million transferred from procurement funded the purchase of aircraft modernization kits. Funds migration has been much less significant in the Army and Air Force, with 1980-1984 totals of $42 million and $284 million, respectively.

B. Growth by Service

Second, Table 1 shows that the shares of the military services in O&M funding have remained quite stable. The Army, Navy, and Marine Corps all retained their shares of total O&M funding from 1980-1984; the Air Force share fell slightly, and that of the defense agencies increased. It is not clear whether this constancy of budget shares resulted from a detailed provision of resources for changing service missions, or whether the levels of funding for the individual services were increased by equal percentages as the outcome of a political process.

C. Growth by Category

Within the budget categories for each service, it is possible to identify only a few trends. The most prominent is the relative decline in appropriations for Base Operating Support (BOS) and Real Property Maintenance (RPM). Across all services, these appropriations increased by only 14 percent from 1980-1984, an annual real growth rate of 3.3 percent (compared to 5.9 percent for O&M as a whole). The slower growth in these categories may reflect the importance of civilian workers, whose pay raises were capped throughout the period. Much of the additional funding appeared in the categories of force operations (land forces, ship operations, and flying hours), depot maintenance, and modernization. The 32 percent increase in these O&M categories during 1980-1984 equates to an annual real rate of increase of 7.2 percent.

Other categories of total O&M funding generally maintained their shares of the overall O&M budget during 1980-1984. The only other

prominent shift--the increase in "strategic" O&M appropriations in the Navy and Air Force--was the result of a definitional change that reduced "Other" funds, rather than any shift of resources. On the whole, it appears that the substantial increase in total O&M appropriations during 1980-1984 was distributed across O&M categories largely on the basis of preexisting patterns of O&M funding.

D. Growth in Pay and Other Costs

O&M appropriations let the military services buy three major types of resources: civilian manpower, contractor services, and specific goods and services. The latter category includes such items as parts and equipment used in depot maintenance, commercial transportation of personnel and articles, communications, utilities, printing, and other commodities produced in the private sector.

It is difficult to split actual O&M growth into these components because of interrelations among the various budget accounts. The chief problem is that all the services use industrial and stock funds to obtain and allocate resources for their quasi-commercial activities. For an industrially funded activity such as aircraft repair, "charges" are levied for the costs of the repair facility's work force, equipment, parts, utilities, and building space. Similarly, stock funds buy inventories of parts and equipment from the private sector and "sell" them to industrially funded activities or other military service "customers." No net monies are appropriated directly for the industrial or stock funds; instead, the funds' costs are reimbursed out of monies appropriated to one or more budgetary accounts. In practice, most of the activities financed through industrial and stock funds fall within the O&M area. Base support (laundry services, building repair), depot operations (spare parts stockage, vehicle repair), and transportation (military airlift and sealift) are leading examples of activities financed through industrial and stock funds.

After adjusting for industrial fund activities, 1/ Table 2 shows how overall O&M growth within each service has resulted from rising civilian

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1. To make this adjustment, the proportion of civilian pay costs in each service's overall industrial fund operations was assumed to apply to the O&M-related industrial fund activities. These estimated indirect O&M civilian pay costs were then added to the direct civilian pay costs shown in the O&M accounts, and subtracted from the other industrial fund purchases in the O&M accounts.

payrolls, increased costs of contractor services, and "other" factors. Civilian pay has been the slowest growing component of overall O&M costs. In the Navy, Marine Corps, and Air Force, contractor-furnished services have been the fastest growing component, perhaps reflecting the increasing importance of "contracting out." In the Army and the defense agencies, neither civilian pay nor contractor services has grown as rapidly as other O&M elements.

III. Changes in Readiness Indicators

Given the diversity of objectives of O&M spending, it clearly is not possible to develop and measure any single indicator of overall readiness or military capability. But in principle, the rapid growth in O&M spending should be related to observable readiness improvements. In practice, readiness can only be defined and measured with respect to some of the many dimensions of military activity.

If available measures of readiness do not show improvement in response to additional O&M funding, readiness may nonetheless have been improved in other dimensions. Full analysis of this issue must await more comprehensive measures of readiness than are presently available. Changes in current measures of readiness and their relation to increased O&M funding are discussed in this section.

A. Personnel Readiness

Although the most critical factor in attracting and retaining military personnel certainly is the level of military compensation, some activities funded through O&M appropriations contribute to meeting manpower goals--for example, recruiting support, training, medical facilities, administration, base operating support, and property maintenance, to cite a few. Thus, it is appropriate to credit O&M funding with some of the dramatic improvement in personnel readiness that has been achieved since fiscal year 1980.

Recruiting has improved in all services since 1979-1980, when it registered the poorest performance of the All-Volunteer Force era. In the Army, where the improvement has been most striking, the percentage of new enlistees holding high school diplomas has risen from 54 percent in 1980 to 91 percent in 1984. Over the same period the share of Army recruits scoring in the lowest acceptable mental test category has fallen from 50 percent to 10 percent. In all the services, the quality of new enlistees now is generally agreed to be at its highest level ever, under either the draft or the All-Volunteer Force.

Reenlistment rates among senior personnel have also risen dramatically since 1980. Across all services, 52 percent of enlisted members who reached the end of their initial terms of service reenlisted in 1984, compared with 39 percent in 1980. Career personnel--those with more than one term of service--also are reenlisting at higher rates, 83 percent in 1984 as against 71 percent in 1980. The result of these trends is that all the services now have larger peacetime percentages of career personnel than ever before, with attendant improvements in experience and productivity.

B. Training and Equipment Readiness

The O&M appropriations support training and equipment readiness through operational activities such as flying hours, ship operations, land forces, and modernization. (In addition, some non-operational activities such as training loads may contribute to readiness.) Although these O&M categories have shown the largest rates of funding increase, changes in readiness measured by these indicators are slight and mixed. For example, the number of Army training days (per battalion, per year) has remained unchanged from 1982 to 1984. Navy flying hours (per aircraft, per month) fell by 2 percent (from 24.2 to 23.7) from 1980 to 1984. Air Force flying hours rose 6.4 percent (from 20.2 to 21.5 over the same period). It is possible, of course, that the quality of training may have been improved--for example, through instrumented flying ranges, more sophisticated simulators, or more realistic training sites such as the Army's National Training Center. It is also worth noting in this context that expansions in force structure would generate additional O&M costs even without any improvements in measures of unit readiness.

Equipment readiness is difficult to measure because of the rapid pace of modernization. One measure is "mission capable" aircraft--that is, those aircraft that, in the judgment of the unit commander, are capable of performing their primary assigned mission on any given day. Actual mission capable rates are classified, but the Department of Defense reported (in "Improvements in U.S. Warfighting Capability, FY 1980-1984") that "mission capable and full mission capable rates have been generally steady or improving slightly during FY 1980-84." A second measure of equipment readiness, included in the so-called UNITREP indicators, "exhibits trends very similar to the mission capable/fully mission capable rates."

C. Maintenance

Substantial funding increases have also occurred in the O&M categories closely related to maintenance--depot maintenance, supply and other

logistics, and even base operations and real property maintenance. But in general, these dollar increases have failed to reduce backlogs of maintenance requirements.

As tabulated in the House Armed Services Committee's report on the fiscal year 1985 defense authorization bill, funding for depot maintenance increased from $7 billion to $12 billion (in nominal dollars) from fiscal year 1981 to fiscal year 1985, but depot maintenance backlogs actually rose roughly threefold during this period. More detailed statistics presented by the Department of Defense make essentially the same point. The Navy's depot backlog of ships awaiting overhaul remained constant in nominal dollars from 1980-1984 (and thus fell in real terms and number of ships), but its aircraft backlog increased by 49 percent in nominal dollars in a period in which funding more than doubled. Army and Air Force depot level funding roughly doubled with no reductions in those services' small backlogs.

The services' backlog of maintenance and repair, an indicator of real property maintenance, declined slightly in real terms over the 1981-1985 period. But funding for these activities increased at a real rate of 6.2 percent per year without bringing the backlog appreciably closer to the target level specified by the Congress in its O&M authorization.

In summary, the most substantial readiness improvement has been in the personnel area, which appears to depend more on military pay and civilian employment than it does on O&M funding. Along the dimensions of readiness most heavily dependent on O&M appropriations--training, equipment, and maintenance--there is improvement in many indicators but it is usually modest. Given the available measures of readiness, it is difficult to link the sizeable increases that have occurred in O&M funding to measurable improvements in most categories of readiness.

IV. Projections of O&M Funding

It is impossible to project future O&M requirements with any precision because policy decisions are so important in determining actual O&M costs. Some of these policy decisions can reflect political factors--such as overall funding ceilings--but others may lead to changes in readiness in response to changing military requirements--for example, deployment schedules.

A. Defining the Projection

It is possible, however, to project O&M spending under the "constant operating level" assumption that in the future the factors that drive O&M

costs remain stable at their present levels, with adjustments for inflation. This assumption holds for readiness-related O&M categories as well as others such as administration and recruiting.

A "constant operating level" projection can be made using the Defense Resources Model (DRM) employed by CBO to analyze the overall defense budget. The DRM bases its projections on the current and projected inventory of major items of equipment (ships, planes), force structure (Army divisions), or facilities (military bases). In turn, the DRM's projections of O&M costs rest on several key assumptions. First, O&M funding for additions to the current inventory of force structure is determined by CBO's best estimate of O&M costs per unit (often derived with the help of the military services). Deletions from the inventory lead to elimination of associated O&M. As much as possible, support accounts' (training, supply) funding is related to inventories of equipment and facilities. The basis for all these calculations--inventories of new and existing equipment, facilities, and units of force structure--is adjusted to be consistent with levels proposed by the Defense Department, as amended by the Congress.

Thus, the DRM projects O&M spending by assuming that funding per unit remains at currently approved levels, adjusted for changes in force composition and inflation. The model is not designed to estimate changes in spending that might be needed if readiness objectives (e.g., additional flying hours) or other policy variables (such as quality of life programs) were changed. Neither does the model estimate the cost of achieving an "optimal" degree of readiness.

B. O&M Projections

The "constant operating level" projections in Table 3 show that little growth in O&M would be required by the services' plans to modernize and expand their force structures (as amended and approved through the end of the 98th Congress). The DRM captures cost differentials associated with much of DoD's force modernization (for example, replacing F-4s with F-15s) because in the Air Force, Navy, and parts of the Marine Corps, force structure is clearly linked to weapon systems. In the Army, however, divisions can incorporate a wide variety of old and new equipment whose operating cost differentials are not reflected in the DRM.

Inasmuch as the Army's force structure is planned to remain stable through 1990, the DRM projects no growth at all for the Army. For the Navy, with growth to roughly 600 major ships, and the Air Force, which plans to deploy new missile systems and expand its tactical forces, the DRM

projects average annual real growth of 1.5 percent each. These results suggest that, to maintain the same levels of readiness as at present, only modest real growth in O&M would be needed.

C. Historical Trends vs. "Constant Operating Level" Projections

History suggests that these projections are low. Over the years 1980-1984, as shown in Table 1, O&M has grown at 5.9 percent annually. 2/ Some analysts claim that a steady proportionality exists between O&M costs and either military investment or the aggregate value of military equipment. 3/ O&M in Table 3 is projected to grow at less than 1 percent per year (in constant dollars); in contrast, current Administration plans call for higher rates of real growth in procurement. Proportionality thus would imply more O&M funding than shown in Table 3.

Whether or not there is proportionality between O&M and equipment value or investment, there does appear to be ample historical precedent for O&M spending to rise faster than DRM projections. Several plausible explanations for such increases can be posited.

- To the extent that O&M funding is determined by reliance on budget shares, real growth in the defense budget will make available additional funds for O&M that will be allocated for purposes not incorporated in the DRM, such as reductions in depot and property maintenance backlogs.

- Administration budget estimates of prospective support costs for new equipment, which underlie DRM costing, may be understated, either in error or out of a desire to make the new items fiscally attractive.

- Civilian maintenance and support personnel may receive real wage increases rather than the constant real wages assumed in the DRM.

2, For analysis of more recent years, see Congressional Budget Office, An Analysis of the President's Budget for Fiscal Year 1986, February 1985.

3. For example, William W. Kaufman, The 1985 Defense Budget (The Brookings Institution, 1984), p. 38.

- Similarly, the unit costs of maintenance and support supplies and equipment may increase in real terms.

- The policy variables discussed in Section II of this memorandum may lead to higher O&M costs because of readiness improvements or enhanced support services.

There are also reasons why the DRM might overstate O&M funding. Real wages of maintenance personnel or unit costs of equipment might fall. DoD management reforms might increase the efficiency of O&M activities. One-time funding to erase backlogs might not need to be repeated, and marginal programs could be cancelled.

Some or all of these sources of changing O&M costs can be viewed as discretionary, unlike the DRM's estimates of the costs of operating and maintaining existing and planned military forces. Thus, even if the DRM's projections of O&M costs should prove to be too low because they ignore upward pressures, at least the DRM offers a baseline against which future O&M spending can be measured. Specifically, if requests for O&M funding above this baseline are scrutinized for their contribution to readiness or other identifiable improvements in support, the Congress can satisfy itself that increases in O&M appropriations are related to important military goals and are balanced against other priorities in the overall defense budget.

TABLE 1. O&M OVERVIEW: FISCAL YEARS 1980 TO 1984 BY SERVICE AND CATEGORY

Service/Category	In Millions of Fiscal Year 1985 Dollars					Percent of Total				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Army										
Flying hours	216	265	289	319	301	0.02	0.02	0.02	0.02	0.02
Land forces	2,050	1,798	2,321	2,790	3,135	0.15	0.12	0.14	0.16	0.17
Depot maintenance	915	1,000	1,123	1,248	1,314	0.07	0.07	0.07	0.07	0.07
Modernization	78	83	96	81	84	0.01	0.01	0.01	0.00	0.00
BOS & RPM	4,399	4,934	5,442	5,179	5,341	0.32	0.33	0.33	0.30	0.30
Training & education	673	744	805	898	951	0.05	0.05	0.05	0.05	0.05
Medical	974	1,070	1,094	1,157	1,172	0.07	0.07	0.07	0.07	0.07
Communications	487	547	548	674	752	0.04	0.04	0.03	0.04	0.04
Transportation	807	830	865	843	924	0.06	0.06	0.05	0.05	0.05
Supply operations	869	981	1,088	1,088	1,065	0.06	0.07	0.07	0.06	0.06
Other logistics	1,008	1,211	1,292	1,423	1,359	0.07	0.08	0.08	0.08	0.08
Administration	663	712	946	853	888	0.05	0.05	0.06	0.05	0.05
Recruiting	206	217	238	229	239	0.01	0.01	0.01	0.01	0.01
Other	794	427	364	385	421	0.06	0.03	0.02	0.02	0.02
Total a/	13,848	14,783	16,445	17,235	17,964	0.24	0.23	0.24	0.24	0.24
Navy										
Strategic		792	917	1,672	1,918	0.00	0.04	0.04	0.08	0.08
Flying hours	1,609	1,741	1,846	1,735	1,632	0.09	0.09	0.09	0.08	0.07
Ship operations	1,923	2,572	2,877	2,837	2,781	0.10	0.13	0.13	0.13	0.12
Depot maintenance	4,514	4,979	5,305	5,989	6,419	0.24	0.25	0.25	0.27	0.28
Modernization	1,079	1,247	1,231	1,185	1,349	0.06	0.06	0.06	0.05	0.06
BOS & RPM	2,579	2,834	2,763	2,952	2,862	0.14	0.14	0.13	0.13	0.12
Training & education	442	523	620	634	679	0.02	0.03	0.03	0.03	0.03
Medical	344	365	401	446	466	0.02	0.02	0.02	0.02	0.02
Communications	303	313	502	520	527	0.02	0.02	0.02	0.02	0.02
Transportation	466	481	476	470	484	0.02	0.02	0.02	0.02	0.02
Supply operations	671	703	704	753	804	0.04	0.03	0.03	0.03	0.03
Other logistics	1,590	1,925	2,447	2,187	2,165	0.08	0.09	0.11	0.10	0.09
Administration	354	341	480	498	680	0.02	0.02	0.02	0.02	0.03
Recruiting	90	92	87	81	77	0.00	0.00	0.00	0.00	0.00
Other	3,807	1,418	1,408	1,857	2,141	0.20	0.07	0.07	0.08	0.09
Total a/	18,827	20,304	21,471	22,285	23,102	0.32	0.32	0.32	0.31	0.31

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Service/Category	In Millions of Fiscal Year 1985 Dollars					Percent of Total				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Marine Corps										
Land forces	185	280	266	333	352	0.17	0.22	0.21	0.21	0.22
Depot maintenance	58	64	75	93	95	0.05	0.05	0.06	0.06	0.06
Modernization	0	1	2	16	15	0.00	0.00	0.00	0.01	0.01
BOS & RPM	572	629	462	725	748	0.52	0.51	0.36	0.46	0.46
Training & education	30	34	45	48	51	0.03	0.03	0.03	0.03	0.03
Communications	14	15	18	21	19	0.01	0.01	0.01	0.01	0.01
Transportation	45	35	36	41	60	0.04	0.03	0.03	0.03	0.04
Supply operations	62	50	50	117	101	0.06	0.04	0.04	0.07	0.06
Other logistics	18	19	18	19	21	0.02	0.02	0.01	0.01	0.01
Administration	57	59	66	73	92	0.05	0.05	0.05	0.05	0.06
Recruiting	49	50	48	52	52	0.04	0.04	0.04	0.03	0.03
Other	60	18	9	11	11	0.05	0.01	0.01	0.01	0.01
Total a/	1,106	1,244	1,295	1,578	1,620	0.02	0.02	0.02	0.02	0.02
Air Force										
Strategic		2,180	842	2,069	1,917	0.00	0.13	0.05	0.11	0.10
Flying hours	3,268	3,616	3,865	3,509	3,054	0.21	0.21	0.22	0.19	0.17
Depot maintenance	1,828	2,126	2,310	2,620	2,732	0.12	0.13	0.13	0.14	0.15
Modernization	289	349	416	448	497	0.02	0.02	0.02	0.02	0.03
BOS & RPM	3,802	3,322	4,078	4,084	3,917	0.24	0.20	0.23	0.22	0.21
Training & education	549	563	668	701	683	0.04	0.03	0.04	0.04	0.04
Medical	441	477	509	678	686	0.03	0.03	0.03	0.04	0.04
Communications	563	833	901	1,009	1,124	0.04	0.05	0.05	0.06	0.06
Transportation	871	1,010	876	629	646	0.06	0.06	0.05	0.03	0.04
Supply operations	822	825	854	922	936	0.05	0.05	0.05	0.05	0.05
Other logistics	574	650	686	741	711	0.04	0.04	0.04	0.04	0.04
Administration	410	404	384	422	551	0.03	0.02	0.02	0.02	0.03
Recruiting	44	50	49	47	50	0.00	0.00	0.00	0.00	0.00
Other	5,786	3,538	1,496	1,800	2,132	0.37	0.21	0.08	0.10	0.12
Total a/	15,604	16,829	17,690	18,334	18,374	0.27	0.27	0.26	0.26	0.25

TABLE 1. O&M OVERVIEW: FISCAL YEARS 1980 TO 1984 BY SERVICE AND CATEGORY

Service/Category	In Millions of Fiscal Year 1985 Dollars					Percent of Total				
	1980	1981	1982	1983	1984	1980	1981	1982	1983	1984
Defense Agencies										
BOS & RPM	246	317	284	286	316	0.05	0.06	0.05	0.05	0.05
Training & education	21	25	29	29	31	0.00	0.01	0.00	0.00	0.00
Medical	894	973	1,243	1,326	1,416	0.20	0.19	0.22	0.21	0.21
Communications	163	159	230	322	372	0.04	0.03	0.04	0.05	0.05
Transportation	34	33	323	287	322	0.01	0.01	0.06	0.05	0.05
Supply operations	363	369	368	407	434	0.08	0.07	0.06	0.07	0.06
Other logistics	714	723	808	772	819	0.16	0.14	0.14	0.12	0.12
Administration	269	315	346	382	438	0.06	0.06	0.06	0.06	0.06
Recruiting	1	16	23	25	23	0.00	0.00	0.00	0.00	0.00
Other	874	1,029	1,212	926	1,058	0.19	0.21	0.21	0.15	0.16
Total a/	4,584	4,995	5,750	6,176	6,802	0.08	0.08	0.08	0.09	0.09
Other b/	4,580	4,909	5,342	5,628	5,730	0.08	0.08	0.08	0.08	0.08
TOTAL DEFENSE	58,549	63,065	67,993	71,237	73,592					

a. Direct Obligations. Columns may not add to total due to inclusion of reserve component support in a number of categories.

b. Includes reserve and guard components and claims.

TABLE 2. O&M GROWTH IN SELECTED AREAS (By fiscal year, in thousands of 1985 dollars)

	Direct Obligations						Average % Real Growth
	1979	1980	1981	1982	1983	1984	
Army							
Civilian	4,395	4,093	4,073	4,447	4,761	4,755	1.6
Contract	2,770	2,774	3,076	3,770	4,265	3,736	6.2
Other	6,775	6,981	7,632	8,228	8,209	9,378	6.7
Total	13,940	13,848	14,782	16,445	17,235	17,869	5.1
Navy							
Civilian	2,667	2,535	2,588	2,719	2,845	2,778	0.8
Contract	2,339	3,692	4,946	5,320	5,920	6,487	22.6
Other	12,390	12,601	12,769	13,432	13,520	13,715	2.1
Total	17,396	18,828	20,304	21,471	22,285	22,980	5.7
Marine Corps							
Civilian	344	318	315	328	349	355	0.6
Contract	209	178	229	266	334	388	13.2
Other	537	609	700	701	895	862	9.9
Total	1,089	1,106	1,244	1,295	1,578	1,605	8.1
Air Force							
Civilian	3,493	3,185	3,147	3,238	3,335	3,139	-2.1
Contract	2,228	2,186	2,852	3,201	3,803	3,465	9.2
Other	8,117	10,234	10,830	11,251	11,196	11,723	7.6
Total	13,838	15,604	16,829	17,690	18,334	18,327	5.8
Defense Agencies							
Civilian	2,091	2,005	2,024	2,117	2,238	2,375	2.6
Contract	1,124	1,055	586	714	701	850	-5.4
Other	1,383	1,524	2,386	2,919	3,237	3,555	20.8
Total	4,598	4,584	4,995	5,750	6,176	6,780	8.1

TABLE 3. PROJECTED O&M COSTS (In billions of constant 1985 dollars)

	1985	1986	1987	1988	1989	1990
Army						
Active	18.6	18.6	18.6	18.6	18.6	18.6
Reserve	2.2	2.2	2.2	2.2	2.2	2.2
Total	20.8	20.8	20.8	20.8	20.8	20.8
Navy						
Active	25.3	25.6	25.9	26.3	26.6	27.2
Reserve	0.8	0.8	0.9	0.9	0.9	0.9
Total	26.1	26.4	26.8	27.2	27.5	28.1
Marine Corps						
Active	1.7	1.7	1.7	1.8	1.8	1.8
Reserve	0.1	0.1	0.1	0.1	0.1	0.1
Total	1.8	1.8	1.8	1.9	1.9	1.9
Air Force						
Active	19.2	19.5	19.9	20.4	20.7	20.7
Reserve	2.7	2.7	2.7	2.8	2.9	2.9
Total	21.9	22.2	22.6	23.2	23.6	23.6
Defense Agencies	7.6	7.6	7.6	7.6	7.6	7.6
Defense Department						
Active	72.4	73.0	73.7	74.7	75.3	75.9
Reserve	5.8	5.8	5.9	6.0	6.1	6.1
Total	78.2	78.8 a/	79.6	80.7	81.4	82.0

a. Since all the numbers in this table are in constant 1985 dollars, they cannot be compared to 1986 budget figures. The 1986 President's budget requests $82.5 billion for operation and maintenance for all of the Department of Defense. The "constant operating level" estimate comparable to the President's request would be $79.8 billion (this assumes, as does the President's request, a 5 percent pay cut for civilians). The $79.8 billion reflects $0.4 billion in real growth over the 1985 level plus costs of annualizing the January 1985 pay raise and other inflation.