

April 21, 1993

MEMORANDUM FOR THE RECORD

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SUBJECT: The Administration's Defense Budget For 1994

The Clinton Administration is requesting considerably less funding for defense programs than the Bush Administration had, but only about half of the reduction represents cuts to programs. For the five-year period **1994-1998**, the Clinton Administration would save about **\$163 billion** in budget **authority--** \$60 billion because it assumes **inflation** will be lower, \$18 billion because of pay policies for federal employees, and \$85 billion due to cuts in forces, weapons acquisition, and **other** programs. This memorandum describes the Administration's proposals for defense programs in 1994, the only year for which details are available.

For 1994, CBO estimates that budget authority for national defense would fall from \$280 billion, as proposed by the Bush **Administration**, to \$264 **billion--a** reduction of \$16 billion. As shown in Table 1, all major Department of Defense (DoD) accounts would be pruned in 1994 to save \$15.1 billion in budget authority. Another \$1.3 billion would be cut from Department of Energy and other **national** defense accounts.

In an earlier analysis of Clinton budget proposals, CBO suggested that weapons acquisition accounts could suffer disproportionate reductions, and that is the case now that more detail has been released. Almost **two-thirds** of the budget cuts are from accounts devoted to research, **development**, and purchase of new weapons; this is twice the share of the budget devoted to these programs. In 1994, budget authority for procurement is \$5.6 billion lower than planned by the Bush Administration and research, development, test and evaluation (RDT&E) is \$4.4 billion lower. Some of these savings are due to lower inflation assumptions, but the lion's share are program cuts. Plans for weapons acquisition beyond 1994 will not be known until late this summer or early next year.

CHANGES IN WEAPONS ACQUISITION PROGRAMS_____

What programs contribute the most to the savings in weapons acquisition? The single largest cut comes in the Strategic Defense Initiative (**SDI**) which would suffer a 41 percent reduction from the Bush plan compared to a 7 percent increase for other Defense Agency programs. Major programs of the Army increase by 11 percent on balance, but other Army programs would be clipped by 17 percent. The cuts in Navy programs are more evenly distributed with slightly greater portions being taken from the major programs. In the Air Force, major programs would lose out by 12 percent compared to 7 percent for minor programs.

Detail on the Services' weapons acquisition budgets are provided in Table 2 through Table 5. They compare the **Clinton** Administration's budget request for 1994 with the Bush Administration's plan for 1994. The changes for the major weapons programs shown in these **tables** account for about 50 percent of the \$10.0 billion in savings indicated in 1994.

Army Programs. Significant changes to the Army's modernization program include funds to improve existing Bradley fighting vehicles and Abrams (**M-1**) Tanks (see Table 2). These upgrades add about \$440 million to the 1994 budget request, but would be more than offset by reductions in other Army programs, as shown in the table. Overall, the Army's funding for weapons acquisition would fall by about \$1.8 billion or 12 percent.

Navy Ship and Aircraft Programs. There are no significant changes in the Navy's shipbuilding plans for 1994. The plan emphasizes strategic mobility and would fund a sixth **LHD** amphibious assault ship. The Navy would buy three **Arleigh** Burke destroyers, two **oceanographic** ships, and one mine warfare ship. In addition, development would continue on the next-generation Centurion attack submarine (see Table 3). There is no funding for a third **Seawolf** attack submarine, although press reports indicate that the Navy plans on asking for funding in 1995 or 1996. It is unclear if DoD will buy a new carrier in 1995.

Major program changes in Naval aviation include DoD's plan to continue funding of the Navy's **A/F-X** next-generation attack aircraft (although at roughly one-half the Bush Administration's requested funding level); to fund the V-22 tilt rotor aircraft; and to fund the AV-8 aircraft. Overall, the Navy's funding for weapons acquisition would fall by \$3.1 billion or 11 percent.

Air Force Aircraft Programs. Major program changes in Air Force aviation include DoD's plan to slow down production of the **C-17** airlift aircraft by buying only six aircraft instead of the eight requested by the Bush Administration, saving about \$600 million (see Table 4). Overall, the Air Force's funding for weapons acquisition would drop by \$3.1 billion or 8 percent.

Strategic Defense Initiative. The Defense Agencies' weapons budget would be ratcheted down by \$2 billion primarily because of changes in SDL. The Clinton Administration has changed priorities for the SDL. The highest priority now is theater missile defenses with requested funding increasing by about \$700 million from last year's level to about \$1.8 billion. Strategic missile defense spending would decrease by roughly the same amount keeping total **SDI** funding at roughly last year's level of \$3.8 billion. In comparison with the Bush Administration's budget, however, theater missile defense funding would diminish by \$600 million, while strategic missile defense funding would plunge by \$1.9 billion. Overall, the Defense Agencies' funding would fall by \$2 billion or 14 percent.

CHANGES IN PERSONNEL AND DAY-TO-DAY COSTS

While the Clinton Administration would cut weapons acquisition by about 10 percent from the levels proposed by the previous Administration, funding for personnel and day-to-day operations would fall only about 3 percent. Even at that, the biggest part of this cut stems from revising inflation assumptions and denying pay raises to federal **employees--both** military and civilian. The rest of the cut comes from reduced personnel levels and related support costs.

Force Changes. The Administration's budget calls for shrinking military forces in 1994 by eliminating two active Army divisions, two of the Navy's aircraft carriers, 20 other ships, two active Air Force air wings, and one air wing of the reserves (See Table 6). These changes and much smaller ones slated for 1993 suffice to trim personnel needs by **42,000** active-duty troops compared to the last budget of the Bush Administration (See Table 7). Civilian employment by the DoD would shrivel by 12,000 people due in part to the force changes. In all, force changes contribute about \$1.8 billion in savings for 1994 (See Table 8).

Other Changes. An increase in the number of people serving part-time in the military (reserve personnel) causes a net increase in other personnel and operations costs. Reserve strength would rise by 90,000 people despite the loss of one air wing. Consequently, funds for pay of reservists would rise by \$0.7 billion and funds for operation and maintenance would rise by \$0.2 billion.

The budget for 1994 would not make any new cuts in funding for what has come to be known as DoD's overhead. Overhead generally refers to expenses that are relatively fixed in face of force changes including some base operations, medical, and communications programs. Overhead savings or efficiencies can take many years to realize. For example, bases can require years before they are closed and **longer** if there are environmental hazards. Also, medical care funding depends in part on the population of military retirees, and because this population will remain relatively constant during the next several years, the medical budget may frustrate efforts to reduce DoD's overhead expenses.

Nevertheless, funding for overhead would be cut sharply during the next five years due to changes already in place or planned by the Bush Administration. It is possible that the Clinton Administration can add to the reduction in overhead by 1998, but that is not evident in the budget for 1994 at least in part because of the lag between a policy change and its budget effect.

TABLE 1. CLINTON ADMINISTRATION'S 1994 BUDGET REQUEST COMPARED WITH THE BUSH ADMINISTRATION'S LAST BUDGET FOR 1994 (Budget authority, in billions of dollars)

	Clinton 1994 Budget Request	Clinton Request Less Bush Budget for 1994	
		Dollars	Percent
Military Personnel	70.1	-2.8	-4%
Operation/Maintenance	89.5	-1.8	-2%
Procurement	45.7	-5.6	-11%
RDT&E	38.6	-4.4	-10%
Military Construction	5.8	-0.4	-6%
Family Housing	3.8	-0.2	-5%
Other DoD	<u>-2.8</u>	<u>-0.2</u>	<u>-8%</u>
Subtotal DoD:	250.9	-15.1	-6%
DOE and Other Defense	<u>12.7</u>	<u>-1.3</u>	<u>-9%</u>
Total National Defense	263.5	-16.4	-6%

Source: Congressional Budget Office.

Note: This table shows the Clinton Administration's budget request as reestimated by CBO. The difference of about \$0.2 billion between the request as estimated by OMB and CBO stems primarily from the estimates for a general provision that would allow DoD to spend receipts from the sale of tanks and other armored vehicles.

TABLE 2. CHANGES TO ARMY PROGRAMS AS PROPOSED BY THE CLINTON ADMINISTRATION
(Budget authority in millions of dollars and numbers of weapons)

System	1994 Clinton Plan		Changes from Bush Plan		
	Quantity	Dollars	Quantity	Dollars Amount	Percent
Specific Programs:					
New Systems:					
UH-60 Blackhawk Helicopter	60	419	-	-38	-8%
Multiple Launch Rocket System (MLRS)	34	280	-10	-37	-12%
Upgrades:					
Longbow Apache Helicopter Upgrade	-	278	-	-13	-4%
Bradley Fighting Vehicle Upgrade	-	238	-	238	a
M1 Tank Upgrade	-	294	-	196	207%
Major Systems in Development:					
RAH-66 Comanche Helicopter	-	367	-	-78	-18%
Javelin (AAWS-M) (Army)	1,000	252	-394	-2	-1%
SADARM Munition	1,213	119	-20	-3	-2%
Armored Gun System	-	101	-	-1	-1%
Armored System Modernization (ASM)	-	148	-	-15	-9%
Subtotal Specific Programs:	-	2,496	-	249	11%
Other Army Programs:	-	10,201	-	-2,037	-17%
Total Army Programs:	-	12,697	-	-1,788	-12%

Source: Congressional Budget Office

Note: Dollars shown include procurement and research, development, test and evaluation funding only.

a. New program proposed by the Clinton Administration.

TABLE 3. CHANGES TO NAVY PROGRAMS AS PROPOSED BY THE CLINTON ADMINISTRATION
(Budget authority in millions of dollars and numbers of weapons)

System	1994 Clinton Plan		Changes from Bush Plan		
	Quantity	Dollars	Quantity	Dollars Amount	Percent
Specific Programs:					
Shipbuilding:					
New Procurement/Construction:					
DDG-51 Aegis Destroyer	3	2,858	-	75	3%
LHD Amphibious Assault Ship	1	910	-	-26	-3%
MSC(C) Mine Warfare C2 Ship	1	133	-	1	1%
AGOR/TAGS Oceanographic Ship	2	113	-	-3	-3%
New Development:					
New Attack Submarine/Centurion	-	449	-	-24	-5%
LX Amphibious Assault Ship	-	16	-	-7	-30%
CGN Refueling Overhaul:	b	b	-1	-394	-100%
Naval Aviation:					
New Procurement:					
F/A-18 C/D Aircraft	36	1,901	-	-37	-2%
SH-60B Helicopter	7	271	-	11	4%
SH-60F Helicopter	8	225	-4	-52	-19%
HH-60H Helicopter	9	145	-3	-41	-22%
T-45TS Aircraft	12	340	-	-5	-1%
New Development:					
F/A-18 E/F Aircraft	-	1,414	-	-74	-5%
A/F-X Aircraft	-	399	-	-473	-54%
V-22 Tilt Rotor/CH-46 Replacement	-	78	-	-173	-69%
Remanufacture:					
AV-8B Remanufacture	4	168	4	168	a
EA-6B Remanufacture	-	124	-	5	4%
Missiles:					
Trident D-5 Missile	24	1,132	-15	-293	-21%
Standard Missile	220	222	-117	-126	-36%
Subtotal Specific Programs:	-	10,898	-	-1,468	-12%
Other Navy Programs:	-	15,238	-	-1,611	-10%
Total Navy Programs:	-	26,136	-	-3,079	-11%

Source: Congressional Budget Office

Note: Dollars shown include procurement and research, development, test and evaluation funding only.

a. New program proposed by the Clinton Administration.

b. Program cancelled by the Clinton Administration.

TABLE 4. **CHANGES TO AIR FORCE PROGRAMS AS PROPOSED BY THE CLINTON ADMINISTRATION** (Budget authority in **millions of dollars** and **numbers of weapons**)

System	1994 Clinton Plan		Changes from Bush Plan		
	Quantity	Dollar*	Quantity	Amount	Percent
Specific Programs:					
Air Force Aviation:					
New Procurement:					
F-16 Aircraft	24	914	-	-40	-4%
C-17 Aircraft	6	2,558	-2	-634	-20%
E-8B Joint STARS Aircraft	1	704	-	-31	-4%
B-2 Aircraft	-	1,680	-	-83	-5%
C-130H Aircraft	-	55	-8	-263	-83%
New Development:					
F-22 Aircraft	-	2,252	-	-95	-4%
Missiles:					
AMRAAM Missile	749	510	-25	-82	-14%
Subtotal Specific Programs:	-	8,673	-	-1,228	-12%
Other Air Force Programs:	-	<u>24,626</u>	-	<u>-1,858</u>	-7%
Total Air Force Programs:	-	33,299	-	-3,086	-8%

Source: Congressional Budget Office

Note: Dollar* shown include procurement and research, development, test and evaluation funding only.

TABLE 5. **CHANGES TO DEFENSE AGENCY PROGRAMS AS PROPOSED BY THE CLINTON ADMINISTRATION** (Budget authority in **millions of dollars** and **numbers of weapons**)

System	1994 Clinton Plan		Changes from Bush Plan		
	Quantity	Dollars	Quantity	Amount	Percent
Strategic Defense Initiative (SDI):					
Theater Missile Defenses	-	1,808	-	-633	-26%
Strategic Missile Defenses	-	1,950	-	-1,934	-50%
Subtotal SDI:	-	3,758	-	-2,567	-41%
Other Defense Agency Programs:	-	<u>8,432</u>	-	<u>524</u>	7%
Total Defense Agency Programs:	-	12,190	-	-2,043	-14%

Source: Congressional Budget Office

Note: Dollar* shown include procurement and research, development, test and evaluation funding only.

TABLE 6. CHANGES IN MAJOR FORCE LEVELS BETWEEN THE TWO **ADMINISTRATIONS'** PLANS FOR **1993** AND **1994** (By fiscal year. In numbers of units)

Major Forces	President Bush's		President Clinton's		Difference	
	January 1993 Proposal	1994	March 1993 Request	1994	1993	1994
Land Forces:						
Army Divisions:						
Active	14	14	14	12	0	-2
Reserve/Guard	8	8	8	8	0	0
Marine Corps Divisions:						
Active	3	3	3	3	0	0
Reserve	1	1	1	1	0	0
Navy Forces:						
Ship Battle Forces:						
Active	(448)	(435)	(443)	(413)	(-5)	(-22)
Reserve	430	419	425	397	-5	-22
	18	16	18	16	0	0
Carriers:						
Deployable	13	13	13	12	0	-1
Training	1	1	0	0	-1	-1
Carrier Air Wings:						
Active	11	11	11	11	0	0
Reserve	2	2	2	2	0	0
Marine Corps Wings:						
Active	3	3	3	3	0	0
Reserve	1	1	1	1	0	0
Air Forces:						
Fighter Wing Equivalents:						
Active	16	15	16	13	0	-2
Reserve/Guard	12	12	12	11	0	-1
Bombers	202	191	201	191	-1	0
ICBMs	852	667	787	667	-65	0

Source: Congressional Budget Office

TABLE 7. CHANGES IN MANPOWER LEVELS BETWEEN THE TWO ADMINISTRATIONS' PLANS FOR 1993 AND 1994 (By fiscal year. In thousands of people by the end of the year)

Major Forces	President Bush's January 1 1993 Proposal		President Clinton's March 1993 Request		Difference	
	1993	1994	1993	1994	1993	1994
Active Duty Military:						
Army	588	558	575	540	-13	-18
Navy	526	502	526	481	0	-21
Marine Corps	182	176	182	174	0	-2
Air Force	450	427	445	426	-5	-1
Total Active Duty:	1,746	1,663	1,728	1,621	-18	-42
Reserve Military:						
Army	702	575	702	670	0	95
Navy	134	117	134	113	0	-4
Marine Corps	42	37	42	37	0	0
Air Force	202	201	202	199	0	-2
Total Reserves:	1,080	930	1,080	1,020	0	90
Civilians:						
Army	308	298	308	290	0	-8
Navy	282	272	283	269	1	-3
Air Force	206	200	207	199	1	-1
Defense Wide	167	162	167	161	0	-1
Total Civilians:	964	931	964	919	0	-12

Source: Congressional Budget Office

Note: Numbers may not add to totals because of rounding.

TABLE 8. PERSONNEL AND DAY-TO-DAY COSTS IN THE DEFENSE BUDGET FOR FISCAL YEAR 1994 (Budget authority. In billions of dollars)

	Military Personnel	Operations and Maintenance	Family Housing	Total
Bush Budget (January 1993)	72.9	91.3	4.0	168.2
Changes:				
Pay Policies and				
Inflation Assumptions	-2.4	-1.3	-0.1	-3.8
Force Changes				
Active	-1.1	-0.7	0	-1.8
Reserve	a	a	0	a
Other Changes				
Active	0	a	-0.1	-0.1
Reserve	07	02	0	09
Total Change:	-2.8	-1.8	-0.2	-4.8
Clinton Budget	70.1	89.5	3.8	163.4

Source: Congressional Budget Office