
Defense Report

AUSA



FY '77 Defense Budget; Less than 100 Billion?

Much hue and cry has been raised in the Congress and in the news media over the fact that Defense spending in FY 1977 will exceed \$100 billion—probably by about \$4 billion. However, as pointed out by the Senate Appropriations Committee final report on the DOD FY '77 Appropriations Bill, real defense spending will only be approximately \$96 billion.

The Committee reaches this conclusion by deducting the \$8 billion dollars requested for retired military pay. The report says that "notwithstanding its (military retired pay) impact on the Defense Budget, it contributes absolutely nothing toward the goal of national defense. It provides no services, equipment, weapons, systems or capabilities. Since no other agency budget comparably displays the total costs of its retired employees, inclusion of the program within the Defense Budget also distorts perception of both the actual and relative magnitude of spending for this function at a time when such considerations are very much in debate."

The Report goes on to say that, "In recent years, as much controversy over Defense matters has been generated by relative budget magnitude as by budget substance. Removing the "non-defense" costs of Retired Pay would aid in gaining a better and more comparable perspective of defense costs within the total federal budget."

The Committee solution to the problem is to insert retired pay costs into a more appropriate functional area such as Income Security or Veterans Benefits.

The Committee proposal, if adopted, would also have major impact on the much publicized theory that personnel costs within DOD are too high and must be significantly reduced, a theory which has caused the current serious attack on military benefits and compensation. For example, the FY '77 DOD proposed budget allocated 51.7% of its proposed fund outlays to personnel costs. Deducting the \$8 billion for retired pay, this figure would drop to 43.3%, the same percentage of personnel costs in the FY 1964 pre-Vietnam DOD budget.

Many, probably most, military retirees want their pay to remain under DOD control, primarily because they believe that DOD can administer payments better and will take a more personal interest in the matter. However, there is no apparent reason to assume that another agency will not do a good job, and many experts believe that the Senate Appropriations Committee proposal should receive very serious attention.