

AUSA FACT SHEET

DEPARTMENT OF DEFENSE APPROPRIATIONS FOR FISCAL YEAR 1975



ASSOCIATION OF THE UNITED STATES ARMY

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The Department of Defense appropriation legislation for fiscal year 1975 was passed by both houses of Congress in the last week of September 1974. This fact sheet provides the mandated figures and accompanying comments particularly applicable to an understanding of the impact on the total defense budget and, more specifically, on the Army's budget.

The Defense Department has not been permitted in the past to budget adequately for inflationary factors, so that the purchasing power of the dollars appropriated in the FY75 budget will be considerable less than contemplated when the budget requests were developed, using FY73 dollars as the basis for estimating costs. In the case of the Army, inflation alone will create almost a billion dollar shortfall in the Army's purchasing power, exclusive of pay raises, which are funded by supplemental appropriations.

Department of Defense FY75 appropriation bill, passed by Congress, provides funding of \$82.6 billion, compared with the President's budget request of \$87.1 billion, as shown below:

Congressional Action on the FY 1975 Defense Budget

	<u>President's Budget Request</u> (\$ in Billions)	<u>Amount Appropriated</u>
Army	\$22.3	\$20.3
Navy	28.8	27.1
Air Force	27.9	25.8
Other Activities	<u>8.1</u>	<u>9.4</u>
Total	\$87.1	- \$82.6

Congressional Action on the FY 1975 Army Budget

	<u>Requested</u>	<u>Approved</u>	<u>Congressional Actions *</u>
Military Personnel, Army	\$ 7,963	\$ 7,780	- \$183
Operation & Maintenance, Army	7,049	6,138	- 911
Procurement	3,315	2,622	- 693
Research, Development, Test & Evaluation	1,986	1,787	- 199
Reserve Components	<u>2,009</u>	<u>2,021</u>	<u>+ (11)</u>
Total Army Appropriation **	\$22,322	\$20,347	- \$1,974

* Includes transfers of \$965 million (CHAMPUS - \$155 million; Defense Assistance, Vietnam appropriation - \$810 million).

** Excludes military construction funds which are appropriated separately.

Military Personnel, Army. The major reductions:

1) Reenlistment Travel Payments. Reenlistment travel, paid without the performance of travel, was eliminated. DOD has been directed to take necessary administrative measures to prevent additional permanent change of station costs as a result of this change.

2) Superior Performance Pay. The program was reduced by \$11.5 million in FY75 and the Army was directed to terminate the entire program by end FY76. Since funds available for this program will be exhausted by 31 January 1975, the Army is forced to terminate the program on this date.

3) Junior Enlisted Entitlements. \$76 million was requested to expand full travel entitlements (dependent travel, movement and storage of household goods, mileage allowances, dislocation allowance, and trailer allowance) to all enlisted personnel. All funds for the program were denied. Full entitlements are still provided for those personnel in Grades E4 with over two years and above.

4) Enlisted Degree Completion Training. Program was terminated as of 1 October 1974 for new enrollments. All personnel currently enrolled will continue to receive training.

5) Enlisted Early Release. The Congress stated that early releases are no longer justified in view of the difficulty in obtaining manpower and its high cost. The Congress directed that in the future personnel should be required to complete their overseas tours prior to ETS except in cases of extreme personal hardship.

6) Permanent Change of Station (PCS). Funds were reduced by \$5 million and the Army directed to reduce the number of PCS moves. This action combined with known rate increases causes the PCS program to be seriously underfinanced in FY75.

7) Terminal Leave Payments. The lump sum terminal leave program was reduced by \$8.4 million. DOD was directed to examine the policy of providing accumulated annual leave payments to personnel who reenlist. DOD was also directed to encourage service members to take leave rather than accumulating it to sell back at reenlistment or separation.

Operation and Maintenance, Army.

1) Total reduction was \$911 million, including transfers.

2) Transfers. \$312 million for Military Assistance Service Funded for Vietnam (MASF) was transferred to OSD, along with the mission. In similar action, \$155 million was transferred to OSD for CHAMPUS.

3) Stock Fund Acquisition Lead Time. DOD requested funds to finance a change in accounting procedure to require customer appropriations to finance order and shipping time for stock fund items which are not maintained in instal-

lation inventories. The total DOD request was denied and OMA reduced by \$80 million. This will have no adverse impact on the field, since the accounting procedures will not change.

4) Civilian Personnel. Funds for civilian personnel were reduced by \$250 million and 19,900 end strength. Unfortunately, Congress appears to have underestimated the remaining costs by \$127 million, and this is one of the major causes of the funding problem in FY 1975.

5) Other Reductions. The Congress reduced \$40 million for maintenance of real property, \$35.4 million for fuel increases and Military Airlift/Sealift rate increases, and \$2 million for Unit of Choice/Station of Choice Recruiting.

Procurement. Major items for which funding was eliminated or reduced included: \$41.4 million for 19 CH-47C helicopters; \$18.5 million related to numerous items of signal equipment; and \$6.3 million general reduction in procurement of ammunition. The bill provides funds for tactical teletype equipment (FATT); however, language in the committee report specifically directs the Army to compete the contract rather than give it to the single bidder qualified now. Unless relief is obtained from this language, introduction of this new equipment will be delayed up to four years.

Research, Development, Test and Evaluation. The SAM-D antiaircraft missile system was reduced by \$7.0 million; however, this amount is to be applied to the programmed amount for alternative guidance systems. The bill provides \$27.7 million for the Advanced Forward Area Air Defense Program, \$18.2 million of which is for the Short-Range Air Defense Missile System. A total of \$52.7 million was provided for the Utility Tactical Transport Aircraft and \$32.7 million for the Heavy Lift Helicopter for the development of components and a single prototype. The Site

Defense Anti-Ballistic Missile System was funded at \$118.0 million. The Attack Helicopter, the XM-1 Tank, and the Mechanized Infantry Combat Vehicle received the funds requested.

Reserve Components. The bill provides \$8.0 million to the Army Reserve to fund authorized strength increases. A reduction of \$3.0 million was made for Army Reserve personnel temporary duty travel on the basis that the account had increased by \$15 million since FY73. The committee failed to consider the changes that have taken place since FY 1973, such as the establishment of Readiness Regions and the change in mission in the CONUS armies, both of which result in increased demands for TDY travel. The conference committee report directs that all overseas training travel be terminated except for aircraft and ship operations.

A number of general provisions contained in the bill address significant policy considerations. The following are of special interest:

- a. Overseas Dependent Schooling. Funds available for overseas dependent schooling were limited to \$202.3 million.
- b. Major General and Brigadier General Officer Limitations. The law decreased the number of major generals and brigadier generals, DOD-wide, from 441 and 591, respectively, to 436 and 576.
- c. Military Personnel Stationed Overseas. The bill provides for a reduction of 12,500 DOD military personnel stationed overseas by 31 May 1975. The provision limits world-wide overseas deployments excluding personnel assigned to Navy vessels to 425,500.
- d. Support and Headquarters Manpower. The conference committee permitted the Army to retain the full savings (manpower and dollars) it had achieved as a result of reductions in support and headquarters activities. All committee re-

ports were complimentary of the Army's actions to convert support and headquarters spaces to combat. However, it was emphasized that permitting the Army to do this did not constitute approval of the sixteen division force plan. DA estimates that the sixteen division force plan will be the major issue before Congress in 1975.

There is no question that double digit inflation is the single greatest force affecting our defense structure. Inflation was vastly underestimated in this year's budget. An estimate of approximately 3.5% inflation was assumed by the Office of Management and Budget. The actual inflation figure turned out to be closer to 11% for procurement and 8.2% for research, development, testing and evaluation. Secretary of Defense Schlesinger has indicated that more realistic inflation figures will be used henceforth, even though they will cause a dramatic increase in the total dollar requests.

In a report just sent to the Congress, DOD reported that the 42 key military projects it keeps track of to measure inflation are now forecast to cost \$16 billion more than the estimate made last March.

AUSA will be addressing many of these points during the coming year through resolutions, testimony, position papers and in articles in ARMY. It is important that the implications of some of these actions be widely understood.