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F14/F613

THE PRESIDENT HAS SEEN *df*

THE WHITE HOUSE

WASHINGTON

JAN 6 1975

ACTION

MEMORANDUM FOR: THE PRESIDENT  
 FROM: *[Signature]* ROY L. ASH  
 SUBJECT: FY 1976 BUDGET DECISIONS: 1977-1980 DEFENSE DEPARTMENT PROJECTION

In accordance with the Congressional Budget and Impoundment Control Act, the 1976 Budget will show projections of budget authority and outlays by major agency and function for each of the five fiscal years from 1977 through 1980 and for the transition period. Estimates for social security benefits, civil service retirement benefits, and pay for retired military personnel are tied by law to the Consumer Price Index and reflect our economic assumptions on inflation. Estimates for unemployment insurance will vary directly with our assumptions on the unemployment rate. Other programs are assumed to remain level except where there is an explicit Presidential policy to increase program levels over time. (To make the projections more realistic, we add separate lump sum adjustments for future costs of inflation and pay increases.)

Secretary Schlesinger and I agree that we should project an annual increase of 4 percent in real program value for the roughly 50 percent of Defense total obligation authority that is related to purchases. Since manpower, which comprises the balance of the defense programs, is expected to remain stable, no increase in real program value for manpower would be projected, except for retired pay costs which are uncontrollable. The annual increase for defense purchases would recognize the additional cost of increases in force structure within constant manpower levels such as moving to 16 Army divisions and the inherently higher costs to procure, operate, and maintain the more sophisticated equipment in the Defense inventory.

The following table establishes total obligation authority planning levels for Defense in constant 1976 budget dollars:

- . Retired pay costs increasing to reflect our assumptions on inflation.
- . Military and civilian compensation level.
- . Military purchases increasing at 4 percent per annum.
- . Military Assistance level.



Department of Defense  
Total Obligational Authority

(\$ in billions)

Fiscal Years	<u>1976</u>	<u>1977</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>
Retired Pay	7.5	2.0	8.5	9.1	10.0	11.0
Military and Civilian Compensation	43.4	10.8	43.4	43.4	43.4	43.4
Military Purchases	52.9	11.7	55.6	57.8	60.1	62.5
Military Assistance	<u>2.7</u>	<u>.5</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>	<u>2.3</u>
Total	106.5	25.0	109.8	112.6	115.8	119.2
 Planning Levels (nearest billion)	 106.5	 25	 110	 113	 116	 119

We recommend you approve the numbers in the above table. (Brent Scowcroft concurs.)

DECISION

Approve: \_\_\_\_\_



Disapprove: \_\_\_\_\_

