

lead to a small reestimate in that year and a larger reestimate in fiscal year 1983. The Administration's and CBO's long-term interest rate assumptions are similar in fiscal year 1983, leading to only a small reestimate in 1984. Long-term interest rate assumptions for fiscal year 1984 and beyond diverge more widely, producing \$466 million in higher interest receipts for fiscal year 1985.

Technical Reestimates

Employer's Share, Employee Retirement. The employer's share of employee retirement is the federal government's contribution to its retirement plans. About 70 percent of the payments are made to the Civil Service Retirement fund. The remaining payments are mostly to Social Security trust funds. In 1983, the Administration has proposed legislation to cover federal employees under Medicare. The estimated employer contributions for this proposal are \$619 million in 1983, \$844 million in 1984, and \$933 million in 1985.

CBO estimates lower receipts than the Administration in 1982 and 1983 for the employer's share of employee retirement. Based on recent information from the Postal Service and receipts to date, CBO estimates Postal Service contributions to the Civil Service Retirement fund of \$1.8 billion in fiscal year 1982. In contrast, the Administration estimates 1982 payments of \$2.2 billion--a 42 percent increase over the 1981 level.

Postal Service Contributions to Civil Service Retirement Fund (In millions of dollars)

	Actual		Estimate	
	1980	1981	1982	1983
Administration	1,489	1,537	2,188	2,192
CBO	1,489	1,537	1,751	1,792

From 1980 to 1981, Postal Service contributions increased by about 3 percent. The CBO estimate of a 14 percent increase from 1981 to 1982 reflects recent Postal Service pay raises. CBO estimated 1981 Postal Service contributions of \$1.5 billion, while the Administration's estimate of \$1.7 billion exceeded actual 1981 payments by about \$200 million.

From 1983 to 1985, CBO's estimates of lower Postal Service payments are offset by increased receipts resulting from the federal pay raise. While CBO includes the additional receipts from the Administration's 5 percent federal pay raise assumption each year, the Administration includes receipts only in 1982. Because of these additional receipts from the federal pay raise, CBO estimates higher receipts than the Administration in 1984 and 1985.

Interest Received by Certain Trust Funds. This technical reestimate is the counterpart of another technical reestimate discussed in function 900. As noted in that earlier discussion, CBO assumes, based on historical data, a somewhat slower pattern of redemptions of securities held by the trust funds. This procedure accords greater weight to the relatively high interest rates in current portfolios, and less weight to future purchases at declining interest rates. The two reestimates are largely offsetting.

Outer Continental Shelf Receipts. CBO estimates that receipts from leasing activities on the Outer Continental Shelf will be substantially lower than the Administration estimates in fiscal years 1982-1985. CBO's technical reestimates result largely from different projections of bonus receipts from new lease sales and royalties received from leased lands. The Administration and CBO also make different assumptions about the release of bonus receipts held in escrow as a result of boundary disputes between the federal government and certain states. The following table shows the distribution of CBO's technical reestimate among these three factors.

Components of CBO's Technical Reestimate of OCS Receipts (In millions of dollars)

	1982	1983	1984	1985
Lower Bonus Receipts	1,100	4,000	3,700	1,900
Higher Rents and Royalties	-200	-300	-400	-200
No Escrow Releases	---	1,500	1,500	1,500
Total Reestimate	900	5,200	4,800	3,200

The Administration's and CBO's estimates of bonus receipts for 1982 and 1983 are based on assessments of the likely results of individual scheduled lease sales. For 1984 and beyond, the estimates are aggregate

projections with no sale-by-sale detail. Three of the seven scheduled sales for 1982 have been held, and the resulting receipts are included in CBO's latest estimate. The February sale in the Gulf of Mexico was held after the preparation of the Administration's latest estimates. The Administration's and CBO's projections for bonus receipts are shown in the following table.

Projected Bonus Receipts from OCS Lease Sales (In millions of dollars)

	Actual		Projections			
	1980	1981	1982	1983	1984	1985
Administration	2.2	7.8	4.5	13.2	12.9	11.1
CBO	2.2	7.8	3.4	9.2	9.2	9.2

CBO's estimate of aggregate bonus receipts for 1982 is approximately \$1.1 billion lower than the Administration's estimate of \$4.5 billion as a result of different sale-by-sale bonus receipt estimates and different assumptions regarding collection of bonus payments within the fiscal year for sales occurring at the end of the year.

Both the Administration's and CBO's 1983-1985 bonus estimates are high and unprecedented. The record level to date occurred in 1981, with bonus receipts reaching \$7.8 billion. The Administration's proposed accelerated schedule, however, will offer far more acreage than has been offered in the past and will include for the first time certain frontier acreage in which the industry has expressed interest.

The 1983 estimates include partial bonus payments for four sales--two held at the end of fiscal year 1982 and two at the end of 1983--and the entire payments from seven 1983 sales. Again, there are differences in the Administration's and CBO's assumptions regarding timing of end-of-year sales' bonus receipts as well as different estimates of receipts for the various sales. Included in the Administration's 1983 bonus receipt estimate are receipts for two sales of \$5.6 billion and \$3.2 billion (of the \$6.5 billion total estimated for that end-of-the-fiscal-year sale), both in the Gulf of Mexico. Bonus receipts of this magnitude are greater than twice the record bonus receipts for any sale. (Bonuses of \$2.3 billion in September 1980 and \$2.4 billion in July 1981 were received for sales A62 and A66, respectively, both in the Gulf of Mexico.) CBO has estimated total receipts for those

sales of \$3.5 billion each. Acreage in the Gulf is generally considered attractive by industry. The last two sales in that area, however, have brought in relatively lower bonus receipts. (Sales 66 and 67 held in October 1981 and February 1982 yielded bonuses of \$1.1 billion and \$0.8 billion, respectively.) This might indicate an unwillingness by industry to bid large amounts for OCS leases under current economic conditions.

For 1984 and 1985, the Administration has estimated declining bonus receipts (\$12.9 billion in 1983 and \$11.1 billion in 1984). For purposes of estimating future OCS receipts based on the new leasing schedule, CBO has held the 1983 bonus estimate of \$9.2 billion constant for 1984 and 1985.

CBO's estimate of royalty receipts is higher than the Administration's in every year, 1982 through 1985, as the net effect of higher gas (but lower oil) price estimates for those years.

CBO's estimate differs from the Administration's with regard to assumed releases of escrowed sums. Approximately \$4 billion are currently in escrow accounts as a result of disputes between certain states and the federal government regarding potential resource drainage from state lands by lessees of federal OCS lands. In accordance with Section 8G of the OCS Lands Act, when the federal government leases a tract within three to six miles of the shore (an "8-G tract"), receipts must go into an escrow account until a decision has been reached in court regarding adequate compensation from federal royalties to reimburse states for lost resources. A release of \$348 million to the federal government of sums that had been in escrow since 1956 will occur in 1982 as a result of a boundary dispute settlement in January 1982. The Administration estimates that \$1.5 billion from sums escrowed for 8-G tracts will be released to the federal government in each year from 1983 through 1985. Because these cases have moved slowly through the courts, however, and decisions will likely be appealed once they are made, CBO has assumed no releases in any year, 1983 through 1985.

Both the Administration's and CBO's estimates for OCS receipts are subject to a wide margin of possible error. Various factors may result in lower bonus bids by industry. First, the proposed accelerated leasing schedule, which is not due to be formally in place until spring, may not be implemented exactly as introduced, or without delay. Various factors, including an October 1981 court decision regarding the existing schedule (promulgated by former Secretary of the Interior Cecil Andrus in July 1980), delayed the planned submission of a final proposed schedule by Interior Secretary James Watt from early calendar year 1982 to spring 1982. Opposition to parts of the schedule by states, environmental advocates, and other interested parties may result in further modification of the proposed schedule. Lease sale 73 off California, scheduled for January 1983 under

the new leasing schedule (and for May 1983 under the old schedule), is likely to be postponed as a result of delays in tract selection because of environmental controversy. Environmental issues, long a stumbling block for lease sales off California, promise to surface with regard to certain Alaska tracts as well. Other objections have been voiced regarding Alaskan areas in which commercial fishing occurs. If lease offerings are not modified to reflect concerns of this type, industry wary of litigation may bid moderately for these controversial tracts.

Bonus bids will also respond to oil and gas prices and interest rates. Much of the area to be offered in the revised schedule is frontier acreage with little or no drilling experience to substantiate the magnitude and location of oil and gas reserves. Many of the areas are in deep water, far offshore, or in areas with harsh seasonal weather. As a result, industry will be forced to incur greater risks and exploration and drilling costs than in the past. Unless oil and gas prices are rising steadily, industry may not believe the additional risk and expense are worthwhile. In addition, interest rates--as long as they are high--will temper the size of bonus bids. Alternatively, it is possible that, as the cost of capital rises or remains high, companies will find that taking over another company is altogether a cheaper and more attractive means of replacing reserves than leasing on the OCS. Given the various factors that may result in low bonus bids by industry, CBO believes its more conservative estimate of bonus bids to be more realistic than the Administration's.

UNEVALUATED ADMINISTRATION ESTIMATES

Federal Surplus Property Disposition

The Administration's February budget estimates include anticipated receipts of \$1 billion in fiscal year 1983 and \$4 billion in both 1984 and 1985 through the sale of surplus property. This proposal is in addition to significant increases in estimated receipts included in function 800 for the disposal of excess real property controlled by the General Services Administration (GSA).

The most important aspect of this proposal is the Administration's plan to establish a Real Property Review Board to oversee federal property acquisition, utilization, and disposal practices. This board would identify unnecessary and underutilized federal property and encourage its disposal. The Administration's receipt estimates for this activity include \$1 billion in receipts from GSA surplus property in 1983. In fiscal years 1984 and 1985, \$2 billion each year is attributed to GSA and \$2 billion to the Army Corps of Engineers and the Departments of Agriculture and the Interior. Under current procedures, it takes GSA an average of 18 months to dispose of

surplus property. GSA's estimated annual receipts from this activity, which are recorded in function 800, already have been estimated to increase from \$18 million in fiscal year 1981 to more than \$250 million in 1983 and future years. Based on past experience, estimates of additional receipts of \$5 billion over the 1983-1985 period from GSA disposal activities would appear to be very optimistic.

Because of the time involved in identifying and declaring property surplus, and because the Corps of Engineers and the Departments of Agriculture and the Interior do not have programs in place to facilitate this volume of property disposal, CBO believes that an estimate of significant receipts from surplus property disposition activity in those departments is also very optimistic.

OUTLAYS OF OFF-BUDGET FEDERAL ENTITIES

(Outlays in millions of dollars)

	1982	1983	1984	1985
President's February Budget	19,689	15,701	14,285	10,950
Preliminary CBO Reestimates				
Different economic assumptions	---	---	---	---
Technical reestimates				
Federal Financing Bank	552	776	931	1,082
Total Reestimates	552	776	931	1,082
President's Budget Reestimated	20,241	16,477	15,216	12,032

EXPLANATION OF PRELIMINARY CBO REESTIMATES

Different Economic Assumptions

There are no reestimates for off-budget entities resulting from different economic assumptions.

Technical Reestimates

The CBO reestimate of net outlays for the Federal Financing Bank (FFB) is the result of the reestimate to the Agricultural Credit Insurance Fund (Function 350). CBO assumes that net lending from the ACIF in the disaster loan program will result in additional loan asset sales to the FFB. This increase in sales will require additional borrowing from the Treasury and will result in additional net FFB outlays.



CHAPTER V. THE ADMINISTRATION'S DEFENSE BUDGET

The President's 1983 budget projects rapid real growth in defense spending over the next five years. As a consequence, the defense share of the federal budget would climb steadily. Defense spending relative to the size of the economy would also grow, but would still remain below past levels of peacetime spending.

The Administration's defense budget proposes close to a doubling of annual appropriations over the next five years. New budget authority for national defense is projected to increase from \$263 billion in 1983 to \$408 billion in 1987, for a five-year total of approximately \$1.7 trillion. In real terms, measured in constant 1983 dollars, this represents an average annual real growth of 7.4 percent using Administration assumptions about future rates of inflation.

Despite the fact that the Administration has requested a significant increase in resources for national defense, the Administration may in fact have underestimated projected funding for its program. Two major elements of this risk are the possibilities of higher inflation and of higher real cost growth than the Administration has assumed. For example, on the basis of CBO economic assumptions, maintaining the real growth assumed by the Administration for 1983-1987 would require additional budget authority of about \$61 billion. Moreover, defense purchases have experienced significant cost growth in real terms in recent years. Recent Department of Defense (DoD) data suggest that real cost growth since 1975 for major weapons systems alone has averaged 3.5 percent per year. If such cost growth continues, the Administration's 1983-1987 funding estimates just to procure major weapons systems would have to be increased by a total of about \$48 billion. Together, these items would increase aggregate 1983-1987 outlays for national defense by \$62 billion.

This chapter discusses defense budget trends, proposed force structure changes, and the risks of underpricing. To illustrate the point that initial outlay effects of defense budget authority reductions can be relatively small and that realizing the total outlay savings typically requires several years, the last section of the chapter briefly examines the structure of 1983 defense outlays.

DEFENSE BUDGET GROWTH IN PERSPECTIVE

The Administration's defense budget for 1983-1987 is summarized in Table 28. The President has requested 1983 defense appropriations of \$263 billion, a \$44 billion or 20 percent increase over the 1982 estimated level. The February budget also includes a \$2.6 billion supplemental appropriation for defense programs for fiscal year 1982.

Further large increases in defense appropriations are projected for 1984-1987. New budget authority to be provided through annual appropriations would rise to \$291 billion in 1984, \$338 billion in 1985, \$375 billion in 1986, and \$408 billion in 1987. Together with the requested 1983 appropriations, this represents close to a \$1.7 trillion defense program over the next five years. This is almost \$900 billion more for national defense funding than was provided by the Congress during the past five years (1978-1982). In real terms, this represents a 50 percent increase in defense appropriations over the next five years (1983-1987) in comparison to the past five years. Figure 11 portrays graphically the proposed rapid real growth in future Department of Defense appropriations.

Over the 1983-1987 period, Administration estimates of defense outlays would total \$1.5 trillion. This represents a real increase of over 44 percent over total 1978-1982 outlays. In dollar terms, this is the largest peacetime five-year increase in defense outlays since World War II.

Relative to the total economy, Administration data indicate that the national defense function would increase from 6.1 percent of GNP in 1982 to 7.3 percent in 1986 and 1987. Figure 12 shows the post-World War II trends for defense outlays as a share of GNP and of total federal outlays. Over the 1983-1987 period, the Administration's proposed defense outlays would average 6.9 percent of GNP. This is higher than the average for the preceding five years, 1978-1982, during which the average defense share of GNP was 5.4 percent. It is lower, however, than the 10 percent average for several years following the Korean War.

Relative to total federal unified budget outlays, national defense outlays from 1978 to 1982 were about 25 percent--the lowest share since World War II. The Administration's 1983 budget indicates that this share would increase to about 37 percent by 1987--a level last reached in 1971. In the post-World War II period, national defense as a percent of unified budget outlays exceeded 37 percent each peacetime year from 1954 to 1970.

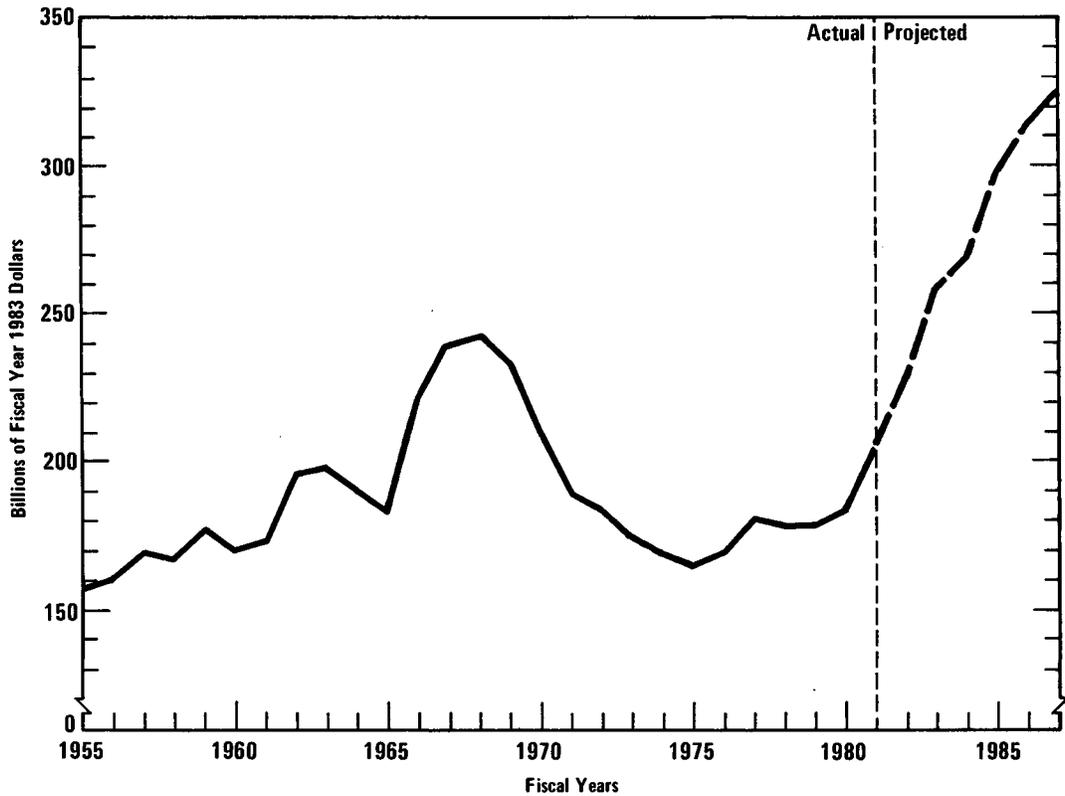
TABLE 28. THE ADMINISTRATION'S DEFENSE BUDGET (By fiscal year, in billions of dollars)

	Administration Estimates						
	Actual 1981	1982	1983	1984	1985	1986	1987
Budget Authority							
Department of Defense-							
Military							
Operations	58.2	62.7	70.3	73.8	83.1	92.4	101.0
Procurement	48.0	65.7	89.5	101.9	125.5	142.8	155.1
Other	72.2	85.7	97.7	109.0	122.3	131.6	143.8
Subtotal, DoD	<u>178.4</u>	<u>214.1</u>	<u>257.5</u>	<u>284.7</u>	<u>330.9</u>	<u>366.8</u>	<u>399.9</u>
Other National							
Defense	<u>4.0</u>	<u>4.8</u>	<u>5.6</u>	<u>6.4</u>	<u>7.1</u>	<u>8.0</u>	<u>8.5</u>
Total	182.4	218.9	263.0	291.0	338.0	374.9	408.4

Outlays							
Department of Defense-							
Military							
Operations	52.0	60.5	67.2	72.4	80.5	89.8	98.5
Procurement	35.2	41.3	55.1	70.0	88.3	106.9	119.4
Other	68.9	81.0	93.6	104.6	116.7	127.3	138.1
Subtotal, DoD	<u>156.1</u>	<u>182.8</u>	<u>215.9</u>	<u>247.0</u>	<u>285.5</u>	<u>324.0</u>	<u>356.0</u>
Other National							
Defense	<u>3.7</u>	<u>4.7</u>	<u>5.2</u>	<u>6.0</u>	<u>6.6</u>	<u>7.7</u>	<u>8.2</u>
Total	159.8	187.5	221.1	253.0	292.1	331.7	364.2

Source: Office of Management and Budget.

Figure 11.
Budget Authority for the Department of Defense



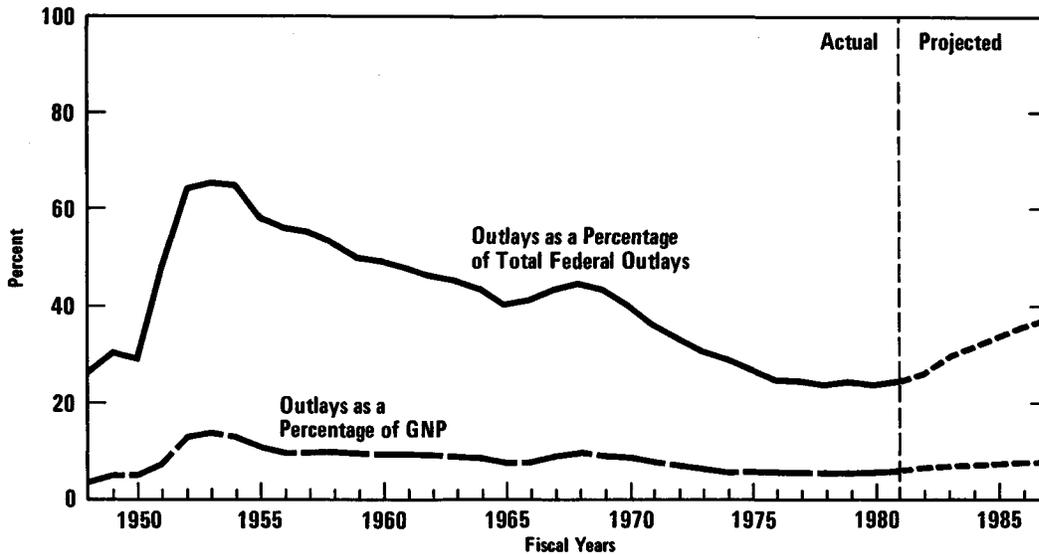
SOURCE: CBO calculations based on data from the Department of Defense.

GROWTH IN FORCES, MAJOR PURCHASES, AND DEVELOPMENT

In the short term, major changes are slated for the strategic nuclear forces and for general-purpose naval forces. Major strategic force changes for 1983 are the retirement of three squadrons of B-52D strategic bombers and eight Titan II intercontinental ballistic missile launchers, to be offset by delivery of one Trident submarine and deployment of 50 Minuteman III missiles in place of 50 Minuteman II missiles. In naval forces, there is to be a substantial increase in ships in 1983, with the planned delivery of the first reactivated battleship, plus increases in cruisers, destroyers, frigates, and nuclear attack submarines. In the longer term, major planned increases in force structure are consistent with the Administration goal of expanding Navy resources from the current 514 ships to over 600 ships by 1992.

Figure 12.

National Defense Outlays as a Percentage of Total Outlays and of GNP



SOURCES: For historical data, Department of Defense; for projections, *Budget of the United States Government, Fiscal Year 1983*.

The procurement budget for 1983 would rise over the 1982 level of \$65.7 billion in budget authority by \$24 billion--54 percent of the total \$44 billion proposed defense increase in budget authority. The Administration's \$89.5 billion program for 1983 contains 26.4 percent real growth over 1982 and is more than double the level of \$43.6 billion projected by the previous Administration for 1983. Similarly, proposed 1983 research and development budget authority would increase by \$4.2 billion over 1982 levels. This represents a real increase of 14.6 percent according to the Administration's economic assumptions and 12.8 percent using CBO's economic assumptions.

The Administration's 1983 budget stresses investment in major weapons systems, with 43 percent of the total budget allocated for the development and production of weapons systems, compared to 39 percent in 1982. The percentage is projected to increase each year, reaching 47 percent in 1987. Funding for Navy shipbuilding has real growth of 89 percent, with orders for two nuclear-powered aircraft carriers, two Trident submarines, and 21 other ships. The 1983 shipbuilding budget is the first installment of a five-year, 149-ship acquisition plan costing \$85 billion, leading to a 600-ship Navy. A total of 654 aircraft would be procured in 1983, 33 more than 1982

and 48 percent more than planned for 1983 by the previous Administration. Major programs just getting under way include the second-year order of seven B-1 bombers, part of a \$29 billion, 100-aircraft program, and the initial order of 50 C-5N cargo aircraft, part of a \$4.6 billion program. The Administration has chosen to follow a "two strategic bomber" concept and is developing the so-called "Stealth" bomber to be operational in the early 1990s. In 1983, the Administration plans to procure 852 strategic and theater nuclear missiles. Table 29 summarizes major force, manpower, and procurement levels for 1982 and 1983.

TABLE 29. SUMMARY OF MAJOR FORCES, MANPOWER, AND PROCUREMENT LEVELS (By fiscal year, in units)

	1982	1983
Forces		
Strategic bomber squadrons	25	22
Land-based intercontinental ballistic missiles	1,052	1,044
Sea-based intercontinental ballistic missiles	544	568
Active divisions	19	19
Major warships	369	385
Tactical airwings	41	42
Manpower		
Active duty endstrength (personnel in thousands)	2,110	2,148
Civilian endstrength (personnel in thousands)	1,033	1,035
Procurement		
Navy ships	24	25
Aircraft	621	654
Strategic and theater nuclear missiles	675	852
Tactical missiles	27,699	53,984
Armored vehicles	1,509	3,000

SOURCE: Compiled by CBO from data supplied by the Department of Defense.

Ships

The Administration has developed an ambitious shipbuilding and conversion program. As Table 30 shows, this plan calls for 149 ships to be

constructed, converted, modified, or leased between 1983 and 1987. The CBO estimates that more than \$85 billion in Shipbuilding and Conversion (SCN) funds will be needed over the next five years to finance this plan. At an annual average of \$17 billion, this is roughly double the level of SCN funds of recent years. At least a similar level of SCN funds will be needed in 1988 to ensure that the required 600-plus ships are available in the early 1990s.

A decision to fund two nuclear carriers in 1983 implies a commitment to 15 carrier battle groups and over 600 deployable ships. Beyond the large financial commitments this implies, it could also limit future operational decisions, because less money might be available to fund other forces before 1989 or 1990.

TABLE 30. ADMINISTRATION'S NAVY SHIPBUILDING PROGRAM FOR 1983-1987 (By fiscal year, in units procured)

	1983	1984	1985	1986	1987	Total
Trident Submarines	2	1	1	1	1	6
Nuclear Carrier Ships	2	--	--	--	--	2
Other Major Warships <u>a/</u>	7	7	10	10	14	48
Amphibious Ships	1	2	2	2	3	10
Frigates	2	2	2	3	3	12
Mine Warfare	4	5	5	5	5	24
Auxiliaries	<u>7</u>	<u>6</u>	<u>9</u>	<u>12</u>	<u>13</u>	<u>47</u>
Total	25	23	29	33	39	149

SOURCE: Compiled by CBO from data supplied by the Department of Defense.

a/ Includes Service Life Extension Program for one conventional carrier in 1983, 1985, and 1987.

Supporting and defending each carrier battle group require additional ships, aircraft, and weapons. The CBO estimates that the acquisition cost of one carrier battle group is over \$13 billion in 1983 budget authority. Of all carrier battle group components, the production of carriers requires the longest lead time; supporting ships and aircraft require less lead time. The additional costs of some of these elements are reflected in the 1983-1987 program. Additional funding will be required after 1987.

Aircraft

The Carter Administration's January 1981 plan for aircraft orders for 1982 and 1983 contained 780 aircraft. As a result of modifications to the 1982 budget, plus expanded order levels in 1983, total aircraft orders for the two years are now projected at 1,275. The largest single recipients of these increases are the Navy and Marine Corps, whose orders increase 94 percent. Air Force orders rise 65 percent. Overall, this increase of 495 aircraft for the two years is 63 percent higher than the level planned in January 1981, but it is a reduction of 96 aircraft from this Administration's first plans of March 1981. Table 31 shows the aircraft acquisition plan of the previous Administration (January 1981) as compared with the plans submitted by the current Administration.

TABLE 31. COMPARISON OF CARTER AND REAGAN ADMINISTRATION AIRCRAFT ACQUISITION PLANS, BY SERVICE (By fiscal year, in units procured)

	President's Program for 1982			President's Program for 1983		
	January 1981 Budget (Carter)	March 1981 Revisions (Reagan)	February 1982 Budget (Reagan)	January 1981 Budget (Carter)	March 1981 Revisions (Reagan)	February 1982 Budget (Reagan)
Army	86	110	127	145	179	156
Navy/Marine Corps	121	283	287	175	339	288
Air Force	<u>130</u>	<u>254</u>	<u>207</u>	<u>123</u>	<u>206</u>	<u>210</u>
Total	337	647	621	443	724	654

SOURCE: Compiled by CBO from data supplied by the Department of Defense.

Aside from the number of aircraft ordered, the start of two major new aircraft procurement programs distinguishes this Administration's plan markedly from that of the previous Administration.

- o The first eight orders in 1982-1983 for 100 B-1B strategic nuclear bombers, with an initial operational capability of 1986, at a total cost estimated by the Administration at more than \$29 billion. The major strategic bomber decision is to acquire the B-1B now and to develop the so-called "Stealth" bomber (also called the Advanced Technology Bomber, or ATB) for deployment in the early 1990s.
- o The first two orders of 50 C-5N transport aircraft at a total cost of at least \$4.6 billion. The major airlift decision is to abandon the CX(C-17) aircraft now, in favor of the C-5N.

In addition to these two new programs, the Administration has decided to increase significantly the total purchases, or "buys," of several other aircraft. For example, the F-15 fighter aircraft buy is increased by 610, the F-16 buy is increased by 937, and the KC-10 tanker buy is increased by 44. The impact of these increased buys will be felt both in the near and outyear periods, as the size of the annual orders rises and as production extends for several years.

The Administration's decision to acquire 44 additional new KC-10 tanker aircraft, while continuing to re-engine 300 KC-135 tanker aircraft, will yield a significant improvement in aerial tanker support capability plus some increase in airlift capability.

Missiles

Long range missile programs are greater than 1982 levels and equal to or greater than the levels projected by the previous Administration. An exception is the Army's Pershing II missile, for which the current Administration proposes to slow production in both 1982 and 1983 (see Table 32).

The MX missile is the only major new program in this area, with \$4.5 billion in 1983 to continue development and initial production of nine missiles. Late in 1986, the first 40 of 100 MX missiles are to be initially deployed in existing Minuteman silos. Research will proceed on the long-term basing options, which include deep underground basing, continuous patrol aircraft, and ballistic missile defense. Since the indecision on long-term basing creates great uncertainty about the ultimate cost of the program, total basing costs may not be fully reflected in the Administration program.

TABLE 32. COMPARISON OF CARTER AND REAGAN ADMINISTRATION PLANS TO ACQUIRE STRATEGIC AND THEATER NUCLEAR MISSILES, BY SERVICE (By fiscal year, in units procured)

	President's Program for 1982			President's Program for 1983		
	January 1981 Budget (Carter)	March 1981 Revisions (Reagan)	February 1982 Budget (Reagan)	January 1981 Budget (Carter)	March 1981 Revisions (Reagan)	February 1982 Budget (Reagan)
Army	39	39	21	134	134	91
Navy	120	160	160	135	165	192
Air Force	<u>494</u>	<u>494</u>	<u>494</u>	<u>569</u>	<u>569</u>	<u>569</u>
Total	653	693	675	838	868	852

SOURCE: Compiled by CBO from data supplied by the Department of Defense.

Unlike its plans for other weapons programs, the current Administration's 1983 program to purchase tactical missiles is not significantly different from that projected by the previous Administration. The proposed 1983 procurement plan for both the Air Force and the Navy is substantially lower than the 1983 program projected in January 1981 by the previous Administration, while that for the Army and Marine Corps is higher (see Table 33).

Armored Vehicles

Armored combat vehicles include tanks, fighting vehicles, light armored personnel carriers, and ancillary armored recovery vehicles. The Administration's armored combat vehicle program emphasizes acquisition of two "families" of vehicles:

- o Heavy combat vehicles dedicated for use by Army forces in Europe committed to NATO; and

TABLE 33. COMPARISON OF CARTER AND REAGAN ADMINISTRATION PLANS TO ACQUIRE TACTICAL MISSILES, BY SERVICE (By fiscal year, in units procured)

	President's Program for 1982			President's Program for 1983		
	January 1981 Budget (Carter)	March 1981 Revisions (Reagan)	February 1982 Budget (Reagan)	January 1981 Budget (Carter)	March 1981 Revisions (Reagan)	February 1982 Budget (Reagan)
Army	17,102	19,274	17,896	41,970	46,350	42,243
Navy	2,622	3,456	2,810	3,733	3,898	2,982
Marine Corps	561	3,806	3,542	370	370	2,773
Air Force	<u>2,030</u>	<u>3,986</u>	<u>3,451</u>	<u>7,296</u>	<u>7,796</u>	<u>5,986</u>
Total	22,315	30,522	27,699	53,369	58,414	53,984

SOURCE: Compiled by CBO from data supplied by the Department of Defense.

- o Light armored vehicles for both the Army and the Marine Corps to strengthen the Rapid Deployment Force, primarily for deployment in the Middle East.

The major 1982 change with respect to heavy combat vehicles is the continued buildup in production levels of the new M-1 tank and its companion fighting vehicle (notwithstanding steadily escalating unit cost estimates and criticism about the technical performance of the vehicles). The fiscal year 1983 budget contains the first Army order of 258 light armored vehicles, plus second-year Marine Corps orders for 134 vehicles. The highly transportable light armored vehicle is a joint Army-Marine Corps effort to select an "off-the-shelf" vehicle for rapid delivery. As shown in Table 34, the Administration plans significant growth in armored vehicle procurement, compared with 1982 and previous plans for 1983.

Readiness Procurement

Readiness procurement programs include the spare parts, support equipment, and munitions necessary in peacetime to keep military forces

TABLE 34. COMPARISON OF CARTER AND REAGAN ADMINISTRATION PLANS TO ACQUIRE ARMORED COMBAT VEHICLES, BY SERVICE (By fiscal year, in units procured)

	President's Program for 1982			President's Program for 1983		
	January 1981 Budget (Carter)	March 1981 Revisions (Reagan)	February 1982 Budget (Reagan)	January 1981 Budget (Carter)	March 1981 Revisions (Reagan)	February 1982 Budget (Reagan)
Army	1,033	1,500	1,415	1,054	1,582	2,698
Marine Corps	<u>102</u>	<u>102</u>	<u>94</u>	<u>226</u>	<u>226</u>	<u>302</u>
Total	1,135	1,602	1,509	1,280	1,808	3,000

SOURCE: Compiled by CBO from data supplied by the Department of Defense.

ready for combat and to sustain their operation once combat begins. In past years, funding for readiness has often been traded off for aircraft, tanks, and ships. Both the current and previous Administrations made a commitment to raise funding levels for readiness.

As shown in Table 35, the funding level for readiness, when compared to the growth in funding for high-priced items, suggests that, the Air Force may have reduced readiness funding in favor of major new weapons--notably aircraft and strategic missiles. Although the Air Force has experienced significant improvements in spare parts and support equipment between 1981 and 1982, data reflect a real decline of 15 percent for these items between 1982 and 1983. The Air Force also will experience a 24.8 percent decline in munitions funding in these years. The growth in Army and Navy spare parts and support equipment is primarily the result of increased funding for aircraft parts and equipment. The increase in Navy/Marine Corps ammunition reflects 100 percent nominal growth in funding for Marine Corps ammunition, which may be the result of a one-time investment in prepositioned ammunition.