

an increase of about 25 percent over the 1981 reenlistment bonus level, a percentage increase similar to the one approved in 1981. 15/

If spread broadly among skill areas, such an increase would result in a service-wide career force of about 829,000 by 1986, or 9,000 (1 percent) above numbers assuming continuation of 1981 bonus levels. (The increase would also reduce requirements for new recruits by a total of 14,000 over the next five years, given end strengths in the baseline. These reductions were considered in estimating enlistment bonuses.)

If the increase in reenlistment bonuses was targeted at specific skills rather than spread more broadly, it could improve retention in high-technology skills. Or it could allow the services to target more money toward those military specialties with manpower shortages, without having to reduce the current reenlistment bonuses for other groups.

MANNING A LARGER MILITARY

The preceding analyses assumed that end strengths would increase by only the roughly 2 percent required to man the baseline forces discussed in previous chapters. But those chapters also discussed many alternatives that could require larger force increases. Alternatives presented in Chapters IV and V, for example, envisaged the bolstering of U.S. capabilities by the addition of five armored divisions plus increases in support troops. Such a step would add about 32,000 persons a year to the Army's end strength in each year between 1982 and 1986. This alternative illustrates well the manpower effects of a decision to expand U.S. forces substantially.

The additional personnel, coupled with high recruit quality goals, would drive up pay costs substantially. Increases in costs above those needed at 1981 pay rates could amount to \$410 million in 1982, and to a total of \$6.3 billion in the period 1982-1986, if recruits were attracted with enlistment

15/ Cost estimates assume that the added bonuses do not result in more personnel at senior pay grades. If the bonuses resulted in a richer pay-grade mix, costs could be higher.

bonuses. These costs were included in the estimates presented in Chapters IV and V but are broken down here for emphasis. The added costs could be many times higher if, instead of targeted bonuses, the Congress chose across-the-board pay raises or even a combination of pay raises and bonuses. The added costs could also be much greater depending on the stringency of recruit quality goals set by the Congress and the services. 16/

Moreover, while these estimates are calculated using the best available information, they should be regarded as much more uncertain than those in preceding sections of this chapter. An expansion of the Army of the magnitude discussed here requires estimating the costs of recruiting a force larger than any maintained in the all-volunteer era. If the relationships used in estimating costs of this expansion are substantially incorrect, and the estimates prove much too low, then the costs of such a larger force could prompt the Congress to consider a return to some type of peacetime conscription.

A decision to expand the Army substantially and quickly would have the most dramatic effects on costs of military manpower. But other options discussed in previous chapters would also eventually add to the size of the military services. In many cases, the long lead times required for procuring equipment mean that the increases would not take place until beyond 1986. As the above numbers suggest, however, evaluation of the long-run manpower costs of these options using 1981 pay rates could substantially understate the probable added costs.

RECAPITULATION: RECRUITING PROBLEMS MAY BE MOST PRESSING

The analysis in this chapter suggests that the pay increases enacted by the Congress for fiscal year 1981 could result in

16/ Added recruiting costs in this section assume that the test-score objectives set by the Congress are met. Costs also assume that the percentage of Army male recruits holding high school diplomas equals 59 percent, the average over the last three years. (Costs for recruiting included in Chapters IV and V were estimated for an earlier study and used a target of 55 percent.) Costs would be higher if the Army had to meet the 65 percent target set by the Congress for fiscal year 1981.

important improvements in both recruiting and career manning. Indeed, the pay increases appear likely to reverse adverse retention patterns that CBO forecast last year. ^{17/} Thus, the most important problem that the Congress may face will be the declining recruiting trends that could occur, particularly if the size of the overall force structure were increased.

This chapter has outlined some alternative approaches to meeting these problems, concentrating on meeting them through added bonuses and education incentives or through the more expensive mechanism of across-the-board pay raises. Pay, of course, is not the only tool for meeting manpower requirements. Changes in the male-female mix of recruits, numbers of recruits with prior military service, training policy, recruiting resources and techniques, and the many intangibles that affect morale have important influences, as do many other factors. Nonetheless, compensation is a vital factor which the Congress controls.

As it assesses military compensation, the Congress will probably not consider the alternatives in this chapter as a package. It will, however, vote on initiatives pointing toward one or another of the approaches discussed here. Among those initiatives are:

- o The annual review of the size of the military pay raise, plus a possible decision on an additional pay raise in fiscal year 1981. The discussion above noted the need for pay raises to keep pace with private-sector wages if recruiting and retention projections in Tables 17 and 18 are to be realized.
- o The annual review of the Administration's proposals for changes in enlistment and reenlistment bonuses. Discussion above noted that, given pay raises that keep pace with those in the private sector, bonuses are probably a more cost-effective way to meet manpower goals than further across-the-board pay raises.
- o Consideration of improvements in military education incentives. The degree of targeting in any such benefits would influence their costs and effects on recruiting.

17/ Congressional Budget Office, Costs of Manning the Active-Duty Military.

- o Consideration of changes in military retirement benefits, possibly in the context of ways to restrain the growth of federal spending. Some shifts in retirement benefits—for example, provision of benefits to those leaving the military with fewer than 20 years of service, coupled with reductions when retirees begin receiving social security—might actually improve career retention by moving more compensation "up-front." All such changes should be assessed in terms of their retention effects.

How the Congress makes these key decisions will greatly influence the cost, and hence the viability, of the All-Volunteer Force.

CHAPTER VII. CONCLUSION

The programs reviewed in this report can generally be classified according to their short-term or longer-term effects on U.S. defense capabilities (see Table 20). Summed over five years, the funding associated with them does not exceed the levels implied by 5 percent annual real growth in defense budget authority, which the Carter Administration set as its target for the next five fiscal years (see Table 21). For individual years, of course, real growth could exceed 5 percent, and programs not considered in this paper could drive real growth in defense budget authority above 5 percent on a sustained basis. Budgetary constraints imposed by the need to reduce overall government spending, however, as well as the competing demands of other, non-defense programs, could well make it difficult to achieve more than 5 percent real growth annually. Even so, the aggregation of programs summarized in Table 20 indicates the extent to which a 5 percent ceiling could support significant enhancements of U.S. defense capability.

Strategic Forces. Although the Congress has already approved a large number of programs that would enhance strategic force capability in the longer term, some believe that near-term improvements are also needed. Of the near-term strategic alternatives considered in this report, increasing B-52 peacetime day-to-day alert rates is perhaps the most likely to improve capabilities within the next five years. Other programs, such as developing a multiple protective structure basing system for Minuteman III, could well take the better part of a decade, or even longer, to complete.

Despite the large number of longer-term strategic programs already under way, some additional initiatives could still be of interest. These include acceleration of the Trident II missile program, as a hedge against unforeseen delays in the deployment of the MX ICBM. Another major area for new Congressional action is improvements to the strategic command, control, and communications (C³) system. Strategic C³ programs would not increase baseline budget authority significantly, but could be critical to the effective use of U.S. strategic force capability.

NATO-Related General Purpose Forces. In contrast to strategic force programs, significant increases are possible for

TABLE 20. CHANGES TO THE BASELINE: COSTS OF EXAMPLES DISCUSSED IN THIS STUDY, FISCAL YEAR 1982 AND TOTAL FOR FISCAL YEARS 1982-1986 (In billions of fiscal year 1982 dollars)

Programs	1982	Total 1982-1986
Strategic Forces		
Near-term programs		
Increase B-52 alert rates	0.1	0.8
Longer-term programs		
Accelerate Trident II development	0.8	1.4
Other programs		
Enhance strategic C ³ <u>a/</u>	0.7	2.2
General Purpose Forces: NATO		
Near-term programs		
Add POMCUS-related funding	0.8	2.9
Homeport a carrier in the Mediterranean	0.3	0.7
Add funding for Air Force spare parts	0.3	1.3
Longer-term programs		
Add five fully supported armored divisions	7.5	38.9
Augment shipbuilding programs, including three aircraft carriers	4.2	16.0
General Purpose Forces: Rapid Deployment Force (RDF)		
Near-term programs		
Add 68,000 support troops	1.2	7.3
Procure lightweight armored vehicles	0.1	0.4
Longer-term programs		
Procure additional amphibious shipping	0.0	2.0
Manpower		
Targeted enlistment and reenlistment bonuses	0.5	5.4
Total Near-Term	2.8	13.4
Total Longer-Term	12.5	58.3
Total Other	1.2	7.6
Total All Programs	16.5	79.3

a/ As³ Chapter III indicated, command, control, and communications (C³) have both near- and longer-term applications and, hence, are listed as "other programs."

TABLE 21. CHANGES TO THE BASELINE VERSUS 5 PERCENT REAL GROWTH, FISCAL YEARS 1982-1986 (In billions of fiscal year 1982 dollars)

	1982	1983	1984	1985	1986	Total 1982-1986
CBO Baseline	196.1	202.1	206.5	206.8	199.4	1,010.9
Amount by Which Baseline Falls Short of 5 Percent. Real Growth	3.4	7.4	13.4	24.1	43.1	91.4
Changes to the Baseline						
All near-term programs	2.8	3.2	2.2	2.7	2.5	13.4
All longer-term programs	12.5	13.2	14.6	8.3	9.7	58.3
Other programs	1.2	1.9	1.3	1.7	1.5	7.6
All Programs	16.5	18.3	18.1	12.7	13.7	79.3

general purpose forces, both those earmarked for operations in Europe to support NATO against an attack by the Warsaw Pact and those that would operate outside the NATO area.

The current defense baseline does include a number of new programs for theater nuclear and conventional NATO-related forces. Apart from the nuclear programs, however, many of these initiatives, most notably the POMCUS program, focus on the ability of the U.S. ground forces to reinforce NATO rapidly early in a war. These programs would add little to NATO's ability to defend all of Western Europe over the course of a sustained conflict. Additions to the baseline could include near-term programs for spare parts acquisition, to enhance the readiness of tactical air forces; homeporting arrangements in the Mediterranean, to enhance naval force readiness; and the addition of two fully supported armored divisions, as part of an alliance-wide effort to provide an elastic defense of Europe.

For the longer term, increases to the baseline could include the addition of five fully supported armored divisions as part of a NATO program to provide a steadfast defense that would cede no territory to the Warsaw Pact. Other increments to the baseline could include new construction of major warships, including three carriers, as part of a NATO program that assigned the construction of convoy escort ships to the other allies.

The effectiveness of these programs depends on allied commitments to accept their share of any force expansion. Such commitments would increase their defense spending beyond the 3 percent annual real growth level agreed upon in 1977. Without commitments of this kind, the United States would face a difficult choice between even larger NATO-related increases or a change in the relative emphasis of NATO and non-NATO requirements as the basis for defense planning.

Non-NATO General Purpose Forces. The baseline for forces operating outside the NATO area stresses funding for operating, maintaining, and manning the Rapid Deployment Force (RDF). Like the NATO baseline, the non-NATO baseline does not include force level increases. The programs in the baseline for the RDF are geared primarily to increasing operational capability for forces that might be deployed to the Persian Gulf region. Such procurement programs as are included, notably those for maritime prepositioning ships, could not be completed before the end of the decade.

Increments to the baseline could provide force level increases, however. Although such increases would depend on whom the RDF would oppose, they could, at a minimum, call for 60,000 to 70,000 additional support troops. Other increases could include additional lightweight armor to augment the RDF's firepower. A program to increase amphibious shipping levels would provide the RDF with an ability not only to respond quickly to Persian Gulf crises, but to land forces in the face of opposition. Such a situation could materialize if the United States had to operate unilaterally in a Persian Gulf contingency.

Military Manpower. Significant increases above current baseline levels are also possible for programs designed to improve the quality of active-duty military manpower. To be sure, the pay increases already enacted by the Congress, and incorporated into the baseline, will improve career manning. While some problems remain that could require increases in reenlistment bonuses, pay increases already enacted appear to have reversed adverse trends in overall career levels.

Pay increases, which were targeted on careerists, did less to improve recruiting. Moreover, any expansion in force levels would increase demands on recruiting, as will declining levels of the youth population. Furthermore, the Congress might wish to ensure that the services can meet more demanding targets for high school diploma graduates. Meeting those targets would be difficult within the constraints of Congressionally imposed limits on the number of persons who can be recruited after scoring in the lowest acceptable category on the entrance examination for enlistees. Thus, recruiting problems may be the most pressing ones facing the Congress.

Additions to the current baseline for military manpower compensation therefore focus on solving recruiting problems that are likely to arise in the 1980s. Across-the-board pay raises would involve much greater cost than cash bonuses targeted at recruiting personnel into specific skill areas, and would have a much greater impact on the cost of increased force levels, such as those discussed in this paper. The Congress could also consider increases in military education benefits as a way of improving recruiting, although their effectiveness depends on factors not analyzed in this report.

The Congress therefore confronts a series of key, interacting decisions on allocating funds for different types of forces and systems, and for compensating the personnel that will man them. How the Congress reaches those decisions will significantly influence the U.S. force posture over the next decade.

APPENDIXES

APPENDIX A. OVERVIEW OF DEFENSE EXPENDITURES, FISCAL YEARS
1964-1980

The following tables present an overview of defense expenditures in both budget authority and outlays for selected years within the period fiscal years 1964-1980. Tables A-1 through A-5 present budget authority and outlays for the major appropriations accounts--military personnel; procurement; operations and maintenance; research, development, test, and evaluation; and military construction--as allocated to each service and to defense agencies.

Tables A-6 through A-10 present budget authority and outlays for each service and the defense agencies, as allocated among the major appropriations accounts. Finally, Table A-11 presents the share of each budget allocated to the appropriations accounts. 1/

Military personnel steadily increased its share of defense budget authority until the mid-1970s. While procurement claimed the largest share of defense budget authority in the 1960s, its share declined markedly in the early 1970s. Budget authority for procurement rose sharply after 1976, however, and by 1978 it claimed a larger share of total budget authority than military personnel. Procurement has claimed the largest share of Navy budgets throughout the period under review, however, reflecting the capital-intensive nature of that service.

Since the mid-1970s, the largest share of the overall budget has been allocated to operations and maintenance (which includes the pay of civilian personnel who work for DoD). This account has also received nearly twice the funding of procurement in Army budgets throughout the period under review. It has also claimed a larger share of Navy budgets than has the military personnel account since fiscal year 1968.

1/ This table includes the share of defense budgets allocated to civil defense and family housing. Separate tables are not provided for these accounts.

Research and development has accounted for approximately 11 percent of the total defense budget since fiscal year 1968. It has tended to represent a slightly higher percentage in Air Force budgets, ranging between 12 and 14 percent since 1968.

TABLE A-1. MILITARY PERSONNEL: BUDGET AUTHORITY AND OUTLAYS, BY SERVICE, FOR SELECTED FISCAL YEARS 1964-1980 (In billions of current dollars)

Service	1964	1968	1972	1974	1976	1978	1979	1980
Army <u>a/</u>								
Budget authority	4.46	8.43	8.95	8.84	9.61	10.48	11.06	12.07
Outlays	4.60	8.33	9.00	8.73	9.52	10.45	10.94	11.99
Navy <u>a/</u>								
Budget authority	2.95	4.28	5.23	5.81	6.11	6.67	7.03	7.62
Outlays	3.07	4.25	5.27	5.70	6.02	6.60	6.98	7.52
Air Force <u>a/</u>								
Budget authority	4.49	5.84	7.26	7.80	7.56	7.99	8.43	9.00
Outlays	4.55	5.81	7.28	7.66	7.44	7.94	8.35	9.02
Marine Corps <u>a/</u>								
Budget authority	0.76	1.47	1.53	1.73	1.93	2.10	2.19	2.33
Outlays	0.76	1.47	1.48	1.64	1.88	2.09	2.14	2.32

a/ Includes active and reserve forces.

TABLE A-2. PROCUREMENT: BUDGET AUTHORITY AND OUTLAYS, BY SERVICE, FOR SELECTED FISCAL YEARS 1964-1980 (In billions of current dollars)

Service	1964	1968	1972	1974	1976	1978	1979	1980
Army								
Budget authority	2.91	6.40	3.11	2.48	2.97	5.19	6.07	6.44
Outlays	2.31	5.84	0.92	2.78	1.35	3.22	4.46	5.42
Navy								
Budget authority	6.12	6.88	8.51	8.42	9.83	13.70	14.02	15.57
Outlays	5.80	7.20	6.99	6.90	7.85	8.89	11.39	12.03
Air Force								
Budget authority	6.37	9.36	6.01	5.86	7.70	9.88	10.71	12.80
Outlays	6.96	9.41	6.05	5.37	6.48	7.33	8.91	10.90
Marine Corps								
Budget authority	0.20	0.73	0.10	0.21	0.28	0.44	0.36	0.28
Outlays	0.24	0.78	0.14	0.13	0.19	0.31	0.40	0.37
Defense Agencies								
Budget authority	0.04	0.04	0.05	0.07	0.20	0.33	0.27	0.29
Outlays	0.03	0.04	0.05	0.06	0.10	0.22	0.24	0.30

TABLE A-3. OPERATIONS AND MAINTENANCE: BUDGET AUTHORITY AND OUTLAYS, BY SERVICE, FOR SELECTED FISCAL YEARS 1964-1980 (In billions of current dollars)

Service	1964	1968	1972	1974	1976	1978	1979	1980
Army ^{a/}								
Budget authority	3.53	8.37	7.17	7.40	8.27	9.79	10.81	12.29
Outlays	3.63	8.17	7.55	7.04	7.93	9.62	10.36	11.89
Navy ^{a/}								
Budget authority	2.91	4.97	5.31	6.79	8.59	11.38	12.32	15.25
Outlays	2.89	4.73	5.42	6.11	8.21	10.63	11.58	14.73
Air Force ^{a/}								
Budget authority	4.56	6.16	6.82	7.69	8.71	9.84	10.82	14.15
Outlays	4.70	6.21	7.16	7.34	8.61	9.76	10.48	13.61
Marine Corps ^{a/}								
Budget authority	0.19	0.43	0.37	0.45	0.53	0.68	0.77	0.87
Outlays	0.18	0.43	0.39	0.40	0.50	0.64	0.72	1.32
Defense Agencies								
Budget authority	0.48	0.97	1.22	1.56	2.55	2.96	3.16	3.64
Outlays	0.47	0.96	1.22	1.54	2.51	2.86	3.18	3.57

^{a/} Includes only active forces in 1964 and 1968; includes active and reserve forces from 1972 on.

TABLE A-4. RESEARCH, DEVELOPMENT, TEST, AND EVALUATION: BUDGET AUTHORITY AND OUTLAYS, BY SERVICE, FOR SELECTED FISCAL YEARS 1964-1980 (In billions of current dollars)

Service	1964	1968	1972	1974	1976	1978	1979	1980
Army								
Budget authority	1.40	1.56	1.80	1.94	1.96	2.41	2.64	2.85
Outlays	1.34	1.43	1.78	2.19	1.84	2.34	2.41	2.71
Navy								
Budget authority	1.56	1.87	2.37	2.68	3.26	4.02	4.48	4.57
Outlays	1.58	2.00	2.43	2.62	3.22	3.82	3.83	4.38
Air Force								
Budget authority	3.54	3.39	2.90	3.07	3.61	4.17	4.40	5.06
Outlays	3.72	3.80	3.21	3.24	3.34	3.63	4.08	5.02
Defense Agencies								
Budget authority	0.48	0.46	0.45	0.46	0.60	0.75	0.89	1.04
Outlays	0.38	0.51	0.47	0.50	0.51	0.69	0.81	0.98

TABLE A-5. MILITARY CONSTRUCTION: BUDGET AUTHORITY AND OUTLAYS,
 BY SERVICE, FOR SELECTED FISCAL YEARS 1964-1980 (In
 billions of current dollars)

Service	1964	1968	1972	1974	1976	1978	1979	1980
Army <u>a/</u>								
Budget authority	0.21	0.48	0.60	0.65	0.90	0.63	0.81	0.83
Outlays	0.23	0.68	0.42	0.69	0.91	0.73	0.70	0.95
Navy <u>a/</u>								
Budget authority	0.20	0.52	0.36	0.63	0.81	0.49	0.78	0.60
Outlays	0.19	0.09	0.34	0.41	0.67	0.63	0.76	0.80
Air Force <u>a/</u>								
Budget authority	0.49	0.50	0.31	0.28	0.63	0.47	0.54	0.63
Outlays	0.55	0.49	0.33	0.29	0.41	0.54	0.61	0.70
Defense Agencies								
Budget authority	0.05	0.04	0.01	--	0.02	0.05	0.18	0.22
Outlays	0.05	0.01	0.01	0.01	0.02	0.02	--	-0.01

a/ Includes active and reserve forces.

TABLE A-6. U.S. ARMY BUDGETS FOR SELECTED FISCAL YEARS 1964-1980
(In billions of current dollars)

Program	1964	1968	1972	1974	1976	1978	1979	1980
Military								
Personnel <u>a/</u>								
Budget authority	4.46	8.43	8.95	8.84	9.61	10.48	11.06	12.07
Outlays	4.60	8.33	9.00	8.73	9.52	10.45	10.94	11.99
Operations and Maintenance <u>b/</u>								
Budget authority	3.53	8.37	7.17	7.40	8.27	9.79	10.81	12.29
Outlays	3.63	8.17	7.55	7.04	7.93	9.62	10.36	11.89
Procurement								
Budget authority	2.91	6.40	3.11	2.48	2.97	5.19	6.07	6.44
Outlays	2.31	5.84	0.92	2.78	1.35	3.22	4.46	5.42
Research, Development, Test, and Evaluation								
Budget authority	1.40	1.56	1.80	1.94	1.96	2.41	2.64	2.85
Outlays	1.34	1.43	1.78	2.19	1.84	2.34	2.41	2.71
Military Construction <u>a/</u>								
Budget authority	0.21	0.48	0.60	0.65	0.90	0.63	0.81	0.83
Outlays	0.23	0.68	0.42	0.69	0.91	0.73	0.70	0.95
Total								
Budget authority	12.51	25.24	21.31	21.30	23.71	28.50	31.39	34.48
Outlays	12.11	24.45	19.67	21.43	21.55	26.36	28.87	32.96

a/ Includes active and reserve forces.

b/ Includes only active forces in 1964 and 1968; includes active and reserve forces from 1972 on.

TABLE A-7. U.S. NAVY BUDGETS FOR SELECTED FISCAL YEARS 1964-1980
(In billions of current dollars)

Program	1964	1968	1972	1974	1976	1978	1979	1980
Military								
Personnel <u>a/</u>								
Budget authority	2.95	4.28	-5.23	5.81	6.11	6.67	7.03	7.62
Outlays	3.07	4.25	5.27	5.70	6.02	6.60	6.98	7.52
Operations and Maintenance <u>b/</u>								
Budget authority	2.91	4.97	5.31	6.79	8.59	11.38	12.32	15.25
Outlays	2.89	4.73	5.42	6.11	8.21	10.63	11.58	14.73
Procurement								
Budget authority	6.12	6.88	8.51	8.42	9.83	13.70	14.02	15.57
Outlays	5.80	7.20	6.99	6.90	7.85	8.89	11.39	12.03
Research, Development, Test, and Evaluation								
Budget authority	1.56	1.87	2.37	2.68	3.26	4.02	4.48	4.57
Outlays	1.58	2.00	2.43	2.62	3.22	3.02	3.83	4.38
Military Construction <u>a/</u>								
Budget authority	0.20	0.52	0.36	0.63	0.81	0.49	0.78	0.60
Outlays	0.19	0.09	0.34	0.41	0.67	0.63	0.76	0.80
Total								
Budget authority	13.74	18.52	21.78	24.33	28.60	36.26	38.63	43.61
Outlays	13.54	18.27	20.45	21.74	25.97	30.58	34.54	39.46

a/ Includes active and reserve forces.

b/ Includes only active forces in 1964 and 1968; includes active and reserve forces from 1972 on.