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For
Mr. Harrold
file FY70
Budget
7 MAR 1969

Office of the Secretary of Defense
Chief, RDD, ESD, WHS
Date: 10 JAN 2012 Authority: EO 13526
Declassify: X Deny in Full: _____
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Reason: _____
MDR: 12-M-0410

THE SECRETARY OF DEFENSE
WASHINGTON

(22)

Honorable Robert P. Mayo
Director, Bureau of the Budget

Dear Bob:

In response to your letter of January 24, 1969, a comprehensive review has been made of the 1969 and 1970 budget proposals which were transmitted to the Congress in January.

The attached schedules summarize the adjustments which I recommend for consideration at this time. The effect of these adjustments is to reduce the FY 1969 Supplemental estimate of budget authority from \$3,011,900,000 to \$2,885,000,000 and reduce the FY 1970 estimate of budget authority from \$80,645,197,000 to \$78,453,147,000.

As a result of information developed during the review of the budget, several significant cost overruns have been revealed. In order to develop the full scope of cost overruns that currently exist or are projected against presently approved programs, Secretary Laird has directed the Secretaries of the Military Departments and Directors of Defense Agencies to make a report of all such overruns to him by March 8, 1969. These reports will be evaluated and may result in revisions to the budget adjustments as contained in the attached statements. You will be advised of any such changes at the earliest possible date.

These amounts do not include provision for the Uniformed Services Pay Reform Act of 1969 which will require approximately \$1.2 billion additional NOA in FY 1970 above the amounts presently included in the government-wide contingency for pay raises. It is understood that the added cost of the Pay Reform Act will be included in a revised government-wide contingency for pay raises. While Defense outlays will increase by about \$1.2 billion in FY 1970 as a result of the proposed military pay reform, because of the conversion to a salary system, governmental tax receipts will increase by about \$1.0 billion (assuming continuation of the tax surcharge). Thus, the net outlays from the Treasury as a result of the pay reform will be a little less than \$200 million. Under Secretary Charles E. Walker of the Treasury has agreed that these estimates are reasonable and that income tax revenues should be increased accordingly.

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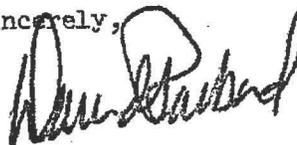
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Our review included a reappraisal of outlay forecasts based upon these adjustments and to take into account refinements due to experience since the estimates were submitted in January. While adjustments to FY 1969 programs would indicate possible reduced outlays of about \$130 million, the late date of the changes and current outlay experience mitigate against any revision of the current estimate of \$78.4 billion for FY 1969. The current FY 1970 estimate of outlays is \$79.0 billion. The presently identified program changes would result in outlay reductions of about \$668 million. Because of certain assumptions made in reaching the \$79.0 billion estimate, it is believed that a more reasonable reduction to be anticipated is about \$500 million; revising FY 1970 Defense outlays to \$78.5 billion.

Our review was conducted jointly with representatives of your staff and they are familiar with the details and basis for each adjustment proposed. We are available, however, to provide such additional information you may require.

Sincerely,



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Enclosures

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