BUDGET OUTLAYS FOR DEFENSE:
A COMPARISON OF ESTIMATES BY THE ADMINISTRATION
AND THE CONGRESSIONAL BUDGET OFFICE
(MID-SESSION BUDGET REVIEW)

Special Study
October 1981

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Congressional Budget Office
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This study presents the Congressional Budget Office's reestimates of the Administration's estimates of defense outlays prepared for the July 1981 mid-session budget review. The differences between the two sets of estimates and the reasons underlying these differences are explained in this paper. The study was prepared at the request of Chairman Joseph Addabbo, Defense Subcommittee, House Committee on Appropriations. Michael Miller of the Budget Analysis Division of the Congressional Budget Office prepared the paper.

September 29, 1981
The Congressional Budget Office's estimates of national defense outlays (budget function 050) for fiscal years 1982-1984 are significantly higher than the projections made by the Administration in its mid-session review of the 1982 budget. The discrepancies (shown in Table 1) stem for the most part from technical differences concerning the rates at which appropriated funds are spent out; to a lesser degree, they also arise from the use of different economic assumptions. This paper examines the bases for the technical estimating differences.

TABLE 1. COMPARISON OF CBO AND ADMINISTRATION DEFENSE OUTLAY ESTIMATES FOR 1981 THROUGH 1986 (By fiscal year, in billions of dollars)

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</thead>
<tbody>
<tr>
<td>Administration Estimates</td>
<td>160.4</td>
<td>188.1</td>
<td>225.0</td>
<td>254.2</td>
<td>302.4</td>
<td>341.2</td>
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<tr>
<td>Reestimates Resulting from Economic Assumptions</td>
<td>(a/)</td>
<td>(a/)</td>
<td>0.1</td>
<td>0.3</td>
<td>0.5</td>
<td>0.9</td>
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<tr>
<td>Noneconomic Technical Estimates</td>
<td>0.4</td>
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<td>6.6</td>
<td>-5.9b</td>
<td>-7.6b</td>
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<tr>
<td>CBO Estimates</td>
<td>160.9</td>
<td>193.4</td>
<td>226.2</td>
<td>261.2</td>
<td>297.0</td>
<td>334.5</td>
</tr>
</tbody>
</table>

\(a/\) Less than $50 million.

\(b/\) Minus sign denotes amount of CBO estimate lower than Administration.
The Administration and CBO use comparable methods to estimate defense outlays. Computations for 1981 and 1982 are based on account-level detail, and subsequent years' estimates are based on title-level aggregations consistent with the 1981-1982 analysis. Differences may emerge in the resulting projections because of variables not easily measured, including:

- Increases in funding for spare parts,
- Advance funding to provide for contractors' working capital needs, and
- Insufficient industrial capacity to meet the demands of large program increases.

The first two of these factors can cause defense outlay projections to be too low; the third can cause them to be too high. Neither the Administration's nor CBO's estimating methods can capture the effects of such variables with full accuracy. Reliance on historical evidence is the only course possible in efforts to take heed of such influences, but different outcomes are inevitable.

Uncertainties about program composition can cause errors in outlay estimates as well, but there is no uncertainty about the 1982 program base. About 40 percent of 1984 outlays come from 1982 and prior programs and, as subsequent sections of this paper show, program shifts within the various defense budget titles cannot reasonably account for the outlay estimating differences for 1983 and 1984.

CBO outlay estimates rise steadily with the increases in budget authority; the pattern of Administration estimates is less regular. Figures 1 and 2, showing past actual and estimated future year-to-year data on both budget authority and outlays, depict the differences between the CBO and Administration computations. The time lag of outlays behind budget authority is also visible in the two figures. The year-to-year growth in outlays has risen smoothly since 1978, a pattern continued in the CBO estimates through 1984, when the increases taper off. In the Administration estimates, outlay growth breaks the pattern by falling in 1984, rising in 1985, and falling in 1986.

The area in which the estimation difference is greatest is procurement. The current fiscal year is nearly over, and actual 1981 outlays form the base for estimates of 1982 and beyond. Recent trends in budget authority and outlays indicate that outlays in 1982 will exceed Administration estimates. Outlays rise shortly after budget authority increases, and procurement budget authority grew by about 36 percent in 1981. The Administration estimates that procurement outlays for 1981 and 1982 will
total $74.1 billion. Outlays through July (10 of the 24 months) totaled $28.7 billion, averaging $2.6 billion per month for the first five months and $3.1 billion per month for the second five months. To bear out the Administration estimate, outlays over the next 14 months must average $3.242 billion per month, or only slightly more than the average of $3.152 billion for May to July, 1981. CBO concludes that monthly outlays will continue to grow, thus exceeding Administration estimates. The remainder of this paper presents:

- The rationale supporting CBO estimates
- CBO's general method for estimating defense outlays, and

**BASIS OF CBO ESTIMATES**

CBO derives its defense outlay estimates for 1981 and 1982 from recent trends in actual data; historical spending patterns and the Administration's budget authority projections are the basis for 1983-1986 estimates. Actual outlays through June are the primary basis for CBO's 1981 outlay estimates, because they represent three quarters of the fiscal year. Together with actual obligations through May, the trend in actual outlays provide a sound base for 1982 estimates of the President's 1982 request. Outlay rates consistent with the historical rates and the 1981 experience are used with the Administrations' budget authority projection to estimate outlays for 1983-1986. Table 2 provides a detailed account of the CBO reestimates of the President's Budget for National Defense for 1981 through 1986.

**Estimates for 1981 to 1982**

CBO and Administration 1981 outlay estimates are essentially the same for the total defense budget function; they differ by less than $500 million or 0.3 percent. Significant differences within the total, however, portend relatively wide differences for 1982. CBO estimates that 1981 procurement outlays will be about $1.1 billion higher than the Administration estimates and about $4.4 billion more in 1982. Outlays in 1981 for Operation and Maintenance (O&M) and the revolving funds will be lower by $0.8 billion and $0.5 billion, respectively. But CBO's 1982 estimates of both titles combined are higher by $1.2 billion.
### TABLE 2. CBO REESTIMATES OF THE PRESIDENT'S BUDGET FOR NATIONAL DEFENSE: FUNCTION 050
(As of fiscal year, budget authority and outlays in millions of dollars)

<table>
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</thead>
<tbody>
<tr>
<td>BA O</td>
<td>179,853 160,412</td>
<td>225,712 188,146</td>
<td>258,685 225,021</td>
<td>293,514 254,237</td>
<td>331,547 302,390</td>
<td>372,698 341,244</td>
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<tr>
<td>Reestimates Resulting from Economic Assumptions</td>
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<tr>
<td>Feed and Forage</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Currency Fluctuation</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Retired Pay</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Legislation</td>
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<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Subtotal</td>
<td>(87)</td>
<td>(30)</td>
<td>(24)</td>
<td>(24)</td>
<td>(138)</td>
<td>(138)</td>
</tr>
<tr>
<td>Technical Reestimates</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Military Personnel</td>
<td>98</td>
<td>179</td>
<td>201</td>
<td>201</td>
<td>201</td>
<td>201</td>
</tr>
<tr>
<td>Retired Pay</td>
<td>46</td>
<td>249</td>
<td>281</td>
<td>412</td>
<td>412</td>
<td>412</td>
</tr>
<tr>
<td>Operation and Maintenance</td>
<td>797</td>
<td>1,198</td>
<td>846</td>
<td>281</td>
<td>412</td>
<td>412</td>
</tr>
<tr>
<td>Procurement</td>
<td>66</td>
<td>1,069</td>
<td>3,002</td>
<td>7,330</td>
<td>465</td>
<td>465</td>
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<tr>
<td>Research and Development</td>
<td>-5</td>
<td>341</td>
<td>87</td>
<td>249</td>
<td>139</td>
<td>414</td>
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<tr>
<td>Military Construction</td>
<td>-20</td>
<td>275</td>
<td>-108</td>
<td>-138</td>
<td>-318</td>
<td>-392</td>
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<tr>
<td>Family Housing</td>
<td>-19</td>
<td>26</td>
<td>-100</td>
<td>-154</td>
<td>-78</td>
<td>-80</td>
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<td>Revolving and Management Funds</td>
<td>-513</td>
<td>-46</td>
<td>-355</td>
<td>-379</td>
<td>-448</td>
<td>-458</td>
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<tr>
<td>Other</td>
<td>-2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>2</td>
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<tr>
<td>Subtotal (sub-function 051)</td>
<td>(22)</td>
<td>(38)</td>
<td>(263)</td>
<td>(5,113)</td>
<td>(916)</td>
<td>(6,484)</td>
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<tr>
<td>Stockpile-Leg</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Stockpile Sales</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
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<tr>
<td>Atomic Energy</td>
<td>—</td>
<td>—</td>
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<td>—</td>
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<tr>
<td>Other</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Subtotal</td>
<td>(22)</td>
<td>(42)</td>
<td>(211)</td>
<td>(3,191)</td>
<td>(1,020)</td>
<td>(6,616)</td>
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<tr>
<td>Total Reestimates</td>
<td>109</td>
<td>453</td>
<td>107</td>
<td>3,215</td>
<td>1,158</td>
<td>6,930</td>
</tr>
<tr>
<td>Revised Estimates</td>
<td>179,961 160,863</td>
<td>225,525 193,361</td>
<td>258,490 226,179</td>
<td>293,344 261,167</td>
<td>331,304 296,995</td>
<td>372,570 339,538</td>
</tr>
</tbody>
</table>

**NOTE:** Minus sign denotes amount of CBO estimate lower than Administration

**a/Includes research, development, testing, and evaluation.**
Procurement

Procurement outlays have grown as forecast in CBO's first resolution estimates. Average monthly outlays have risen from $2.6 billion in fiscal year 1981's first five months to $3.1 billion for the second five months. Average outlays need only increase to $3.2 billion for the final quarter to reach the CBO estimate for 1981. They must decrease to $2.8 billion to bear out the Administration's estimate. Higher, not lower, outlays are more likely, however, because budget authority has grown dramatically (about 36 percent in 1981), and obligations have grown 22.4 percent for the 12-month period ending May 31, 1981.

In 1982, CBO estimates procurement outlays to reach $44.5 billion which would represent a growth of 26.6 percent over 1981 based on the President's request. The 1981 budget authority and obligation increases are the main determinants of the outlay growth. Table 3 shows the procurement accounts in which CBO and Administration estimates differ the most; these accounts have experienced substantial increases in budget authority that will show up in 1982 outlays consistent with the historical lag from appropriations to obligations to outlays (see also Figures 1 and 2).

A high rate of outlay growth depends on the ability of the defense industry to absorb large increases in budget authority; past evidence suggests it will be able to do so. The Administration's March plan called for about 35 percent annual growth in procurement obligations and essentially no change in delivery schedules for major weapons systems. Individual procurement programs appear to be experiencing no significant slippages or speed-ups, with the exception of the Trident ballistic missile submarine. Only much lower inflation rates and much slower delivery of major purchases, resulting in slowdowns in (procurement progress) payments, could cause total procurement spending to be as low as the Administration estimates. In addition, the Administration is introducing changes in procurement policies to rebuild the defense industrial base. Although it is too early to predict the timing and magnitude of the effects, one element of the policy change will tend to increase outlays very soon after implementation—the policy to maximize progress payments to ease contractor working capital requirements in the F/A-18 program; the significance of this change will be felt most when the change is extended to other procurement programs.
TABLE 3. **ESTIMATING DIFFERENCES, BUDGET AUTHORITY GROWTH, AND OUTLAY GROWTH FOR SEVEN DEFENSE PROCUREMENT ACCOUNTS**

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Weapons Procurement, Navy</td>
<td>260</td>
<td>19.7</td>
<td>38.8</td>
<td>15.1</td>
<td>14.9</td>
</tr>
<tr>
<td>Shipbuilding and Conversion, Navy</td>
<td>1,082</td>
<td>22.9</td>
<td>16.7</td>
<td>18.3</td>
<td>3.8</td>
</tr>
<tr>
<td>Aircraft Procurement, Air Force</td>
<td>1,119</td>
<td>23.2</td>
<td>31.8</td>
<td>23.5</td>
<td>12.6</td>
</tr>
<tr>
<td><strong>Missile Procurement, Air Force</strong></td>
<td><strong>414</strong></td>
<td><strong>50.7</strong></td>
<td><strong>56.1</strong></td>
<td><strong>32.8</strong></td>
<td><strong>35.6</strong></td>
</tr>
<tr>
<td>Other Procurement, Air Force a/</td>
<td>825</td>
<td>15.5</td>
<td>18.7</td>
<td>48.9</td>
<td>20.5</td>
</tr>
<tr>
<td>Ammunition Procurement, Army</td>
<td>197</td>
<td><strong>14.2</strong></td>
<td>37.2</td>
<td>24.2</td>
<td>21.6</td>
</tr>
<tr>
<td>Missile Procurement, Army</td>
<td>197</td>
<td>42.4</td>
<td>34.3</td>
<td>44.7</td>
<td>16.0</td>
</tr>
</tbody>
</table>

a/ The growth in outlays is attributable to an **exceptionally** high first year spendout rate (49.1 percent) and a 64.9 percent increase in budget authority between 1981 and 1982.
Finally, discussions since March with the Administration have addressed the composition of the defense program and how changing the mix of purchases affects defense spending estimates. CBO and the Administration compute outlays based on similar levels of detail: account-level in 1981 and 1982, and appropriation title-level in 1983 and beyond. Both sets of estimates do capture changing emphasis between appropriation titles like Military Personnel, Operation and Maintenance, and Procurement. But neither CBO nor the Administration has precise methods for measuring changing emphases within accounts. Table 4 shows the extent to which, in CBO's estimation, any change within the procurement account will favor higher outlay estimates. Procurement funding appears to grow by 95 percent between 1980 and 1982, but within that total, relatively fast spending programs increase by 276 percent, slower spending programs increase by 84 percent, or one-third as much.

TABLE 4. FAST SPENDING AND SLOW SPENDING PROGRAMS IN THE PROCUREMENT BUDGET (By fiscal year, in millions of dollars)

<table>
<thead>
<tr>
<th>March Year</th>
<th>March Budget</th>
<th>March Actual</th>
<th>March Estimates</th>
<th>Percentage Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faster</td>
<td>4,189 7,059</td>
<td>11,569</td>
<td>68.5 63.9 276.2</td>
<td></td>
</tr>
<tr>
<td>Spending</td>
<td>Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Slower</td>
<td>31,094 41,139</td>
<td>57,255</td>
<td>32.3 39.2 84.1</td>
<td></td>
</tr>
<tr>
<td>Spending</td>
<td>Programs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>35,283 48,198</td>
<td>68,824</td>
<td>36.6 42.8 95.1</td>
<td></td>
</tr>
</tbody>
</table>

Outlays for spare parts programs will not be faster than for major end items when the spare parts programs are only big enough to fund initial provisioning. However, when the programs expand to make up for past shortfalls in replenishment spares, as in the 1982 budget, one could expect these spare parts programs to be executed well ahead of the major end item program. The CBO estimates do not anticipate an acceleration in outlay
rates for this shift in program composition; to that extent, CBO's computations might underestimate 1982 outlays.

**Operation and Maintenance, and Revolving Funds**

Operation and Maintenance and revolving fund outlays through June have averaged $4.3 billion per month compared with $4.6 billion needed to reach the CBO estimate and $5.0 billion to reach the Administration estimate. Combined outlays for these two accounts are fairly stable during the year, so increases in these areas are less likely than in procurement. The increase assumed in the CBO estimate is associated mostly with outlays from the 1981 program supplemental appropriation, which will be obligated in the fourth quarter.

In the past, the regular O&M outlay rates have sufficed for estimating the outlay impact of the supplemental appropriation, even though the supplemental often comprises slower spending purchases and is obligated late in the fiscal year. The 1981 program supplement poses a significant outlay estimating problem because of the unusually large increases ($2.3 billion). CBO has compensated for this by lowering its previous outlay estimate (which matches the Administration's March estimate) by $600 million in 1981 and showing the increase in 1982 outlays.

**Estimates for 1983 to 1986**

The CBO estimates of defense outlays for the 1983-1986 period are based on the following three assumptions:

- The mix of slow and fast spending programs through 1986 for each budget title will be consistent with the programs for 1981 and 1982;
- The budget authority shown in the budget represents the distribution between titles that the Administration uses for estimating outlays; and
- Most future budget authority will be spent—otherwise it would not be requested or appropriated. (CBO recognizes that not all of past appropriations will in fact be spent; that is to say, certain funds will lapse. See the following section on CBO methods).

The Administration has argued that CBO estimates do not account adequately for outyear program content. In 1982, for which there is no question about program content, the estimating difference nonetheless is $5.2 billion. Table 5 shows CBO estimates of procurement outlays by
TABLE 5. **CBO OUTLAY ESTIMATES FOR PROCUREMENT BASED ON MIDSESSION BUDGET REVISIONS** (By fiscal year, budget authority and outlays in billions of dollars, outlay rates in percent)

<table>
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</thead>
<tbody>
<tr>
<td><strong>Budget Authority</strong></td>
<td>48.0</td>
<td>68.8</td>
<td>82.3</td>
<td>97.5</td>
<td>114.5</td>
<td>133.7</td>
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<tr>
<td><strong>Outlays</strong></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1981 and prior</td>
<td>35.1</td>
<td>35.9</td>
<td>21.5</td>
<td>8.4</td>
<td>4.3</td>
<td>2.3</td>
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<tr>
<td>1982</td>
<td>8.6</td>
<td>25.9</td>
<td>20.9</td>
<td>8.1</td>
<td>4.0</td>
<td></td>
</tr>
<tr>
<td>1983</td>
<td>10.2</td>
<td>31.6</td>
<td>24.5</td>
<td>8.5</td>
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<td></td>
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<tr>
<td>1984</td>
<td></td>
<td></td>
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<td>12.1</td>
<td>37.0</td>
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<tr>
<td>1985</td>
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<td></td>
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<td></td>
<td>14.1</td>
<td>43.4</td>
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<tr>
<td>1986</td>
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<td>16.3</td>
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<tr>
<td><strong>Total</strong></td>
<td>35.1</td>
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<td>57.6</td>
<td>73.0</td>
<td>88.0</td>
<td>104.2</td>
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<td><strong>Implicit Outlay Rates</strong></td>
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<td>1982</td>
<td>12.5</td>
<td>37.6</td>
<td>30.4</td>
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<td>12.4</td>
<td>38.4</td>
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<tr>
<td>1984</td>
<td>12.4</td>
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program year. Outlays from known programs (1982 and prior) account for 40 percent of projected 1984 outlays. If, for example, program content accounts for the estimating difference, then roughly 18 percent of the procurement budget in 1983 would have to shift from the five fastest-spending to the five slowest-spending procurement accounts, relative to 1982. (In terms of 1982, this shift would imply that $12 billion of the $16 billion requested for the five fastest-spending accounts would be transferred). The critical year is 1983, because all programs prior to that date are known, and outlays from 1984 budget authority will account for so little of 1984 outlays. In a more extreme example, the slowest spending account—Shipbuilding and Conversion, Navy—must grow from $10.3 billion or 15 percent of the 1982 procurement budget to $40.4 billion, or 50 percent of the 1983 procurement budget to eliminate the estimating difference if it is caused only by program content.

The effects of composition changes are less evident within Operation and Maintenance accounts. All categories of O&M spending appear to increase, but the absence of any clear criteria for separating fast-spending from slow-spending programs prevents decisive outlay analysis. Between 1981 and 1986, CBO estimates for O&M are $8.0 billion less than Administration estimates, which exhibit a very peculiar pattern. The Administration estimates show outlays less than budget authority in every year through 1984, as has been the case historically. In 1984, outlays are $3.1 billion less than budget authority, compared with $2.1 billion and $1.3 billion in 1982 and 1983, respectively. In 1985, outlays exceed budget authority by $1.4 billion; in 1986, outlays are $0.2 billion greater. Program content cannot account for this variation.

The differences in CBO and Administration outlay estimates could narrow if, in fact, the Administration’s outlay estimates are based on a program that contains substantially more procurement funding and less O&M funding. CBO baseline projections tend to support such a reallocation, but the Administration has not officially reallocated budget authority between budget titles since March.

ESTIMATING METHODS--SIMILARITIES AND DIFFERENCES

Given a fixed budget authority projection and a set of economic assumptions, CBO and the Administration use essentially the same methods for estimating defense outlays. Both estimate outlays from prior year budget authority with the constraint of unexpended balances. Outlays from current and future budget authority are estimated based on historical outlay patterns. But both parts of the outlay estimate—outlays from new and prior-year budget authority—require analytical judgments that can cause the estimates to differ by billions of dollars.
Outlays From Prior Budget Authority

About 30 percent of total defense outlays result from budget authority appropriated in prior years. Over half of the prior-year outlays are in procurement (about 85 percent of procurement outlays).

Table 6 shows how budget authority and unexpended balances affect the estimates for prior year outlays. The table shows, for example, that $15.7 billion of the $31.4 billion appropriated in 1979 remained unexpended (that is, still available for expenditure) at the start of 1981. Based on actual outlays from 1979 budget authority and historical spending patterns, CBO estimates that $9.2 billion of the $15.7 billion available will be spent in 1981, leaving $6.5 billion available in 1982. Continued extrapolations based

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<td>35.9</td>
<td>21.5</td>
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a/ Less than $50 million.

b/ Details may not add to totals because of rounding.
on historical experience show that annual outlays from the 1979 program will decline through 1986. In such cases, nothing more will be spent because either all authority will have been exhausted or funding lapsed (that is, it will remain unspent).

Although Table 6 shows a procurement total, the actual analysis is done account by account, for example, the Air Force's Aircraft Procurement and the Army's Missile Procurement. Current year estimates are influenced by what has been spent to date and what historical experience suggests will be spent for the remainder of the year from spending authority for each relevant program year. Depending on the account and the program year in question, outlays can be expected to increase, stay level, or decrease. For all procurement accounts, monthly outlays from the 1981 appropriation bill will increase through the end of 1981 and into 1982. Most accounts will either continue to increase through 1982 or begin to level off before beginning a decline in 1983. Historical experience is a fairly reliable guide in estimating this pattern, but considerable room for judgment remains in estimating when the turning points will come, to what extent it will occur, and especially, how much spending authority will not be used.

**Outlays from Current and Future Budget Authority**

CBO and the Administration estimate outlays from current and future budget authority assuming outlay rates for individual accounts. History shows that the outlay rates for an account change from year to year because program and economic factors (for instance, program composition and materiels prices) change affecting contractor execution and, consequently, progress payments (outlays). Lacking the precise measurements of these programmatic and economic influences, CBO and the Administration assume outlay rates consistent with historical patterns, tempered by analytical judgment.

Secondly, 1983 and beyond pose a special estimating difficulty in that the Administration does not specify program composition below aggregate title levels, such as procurement: this causes CBO to use aggregate outlay rates for outyear estimates unlike 1981 and 1982, for which full account-level detail is available.

Presumably, the Administration uses the same technique, but this is not clear. For example, outlays will be below budget authority when program levels are rising and composition fairly homogeneous (as it is in the O & M title). Administration estimates for operation and maintenance
follow this historical pattern, but in 1984, Administration estimates show a significant drop of outlays relative to budget authority in 1984, and then in 1985 such an increase that outlays would actually exceed budget authority. (Outlays exceed budget authority in 1986, also.) Changes in program composition cannot reasonably explain this phenomenon.

CHRONOLOGY OF ESTIMATES

How CBO and Administration estimates have changed since the January program is displayed in Table 7. The changes are divided between those in which policy has changed budget authority (and consequently, outlays) and those in which the changes developed out of perceived estimating error. All estimates in the table are based on the Administration's economic assumptions.

TABLE 7. COMPARATIVE CHRONOLOGY OF DEFENSE BUDGET AUTHORITY AND OUTLAY ESTIMATES FOR 1981 AND 1982 (By fiscal year, in billions of dollars)

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</tr>
<tr>
<td>O</td>
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<td>-2.2</td>
<td>-2.2</td>
<td>-2.2</td>
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NOTE: Minus sign denotes reductions from previous estimates.
The policy changes from January to March were the Administration's increases to President Carter's January request. The policy changes from March to July reflect primarily Congressional action on the 1981 supplemental appropriation, including nonenactment of the proposed July military pay raise.

Changes attributable to perceived estimating error since March have been relatively slight in 1981 and especially 1982. Currency fluctuation accounts for about $300 million of the 1981 error, because the relative strength of the U.S. dollar reduces outlays to overseas suppliers. Lower anticipated receipts from stockpile sales raises the estimates by about $400 million in 1981 and $200 million in 1982. Most of the remaining error in the CBO estimate results from overestimating the 1981 outlay impact of the program supplemental and underestimating the 1982 impact. The Administration attributes its estimating error to a lower general inflation rate, lower fuel prices, and lower prices and disposal rates for stockpile sales.