



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

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Director

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MEMORANDUM FOR THE RECORD

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SUBJECT: Budgetary Impact of Bush/Yeltsin Accord

President Bush and Russian President Yeltsin met in Washington on June 16, 1992 and agreed in principle to the most drastic arms cuts of the nuclear age. The agreement, referred to here as the Bush/Yeltsin Accord, proposes cuts of about two-thirds to current U.S. warhead totals and would cut an additional 5,000 warheads compared to the reductions from the Strategic Arms Reduction Treaty (START) signed last year, but may not guarantee large budgetary savings. Most of the additional cuts in warheads proposed by the new accord would be accomplished by simply reducing the number of warheads carried by existing missiles and bombers. The number of strategic missiles and bombers deployed under the Bush/Yeltsin Accord may not differ significantly from the numbers deployed under START, resulting in very small savings of about \$100 million annually.

By 2003, under the accord, the United States would have 3,500 warheads--18 Trident nuclear submarines will carry 1,728 warheads, the strategic bombers consisting of an uncertain mix of B-2, B-1 and B-52 aircraft will carry 1,272 warheads, and 500 Minuteman land-based missiles will each carry a single warhead. The uncertainty about the bomber mix is because the accord would not count up to 100 bombers that were never equipped for nuclear cruise missiles and that are reoriented to conventional roles. This exclusionary clause--in addition to the 75 non-nuclear bombers allowed under the START treaty--provides significant flexibility for the United States to maintain its current strategic bomber composition, but unfortunately keeps the estimate of savings low.

Savings Due to the Bush/Yeltsin Accord. CBO estimates that the planned reductions in the U.S. strategic nuclear arsenal as announced in June by President Bush and Russian President Yeltsin may save only \$100 million annually, with very little savings before 1997. As shown in Table 1, these savings would come from retiring the 50 MX missiles that the Administration has said it will eliminate to comply with the accord. Savings are relative to the Administration's fiscal year 1993 budget request for nuclear forces and are expressed in constant 1992 dollars.

Table 1. ESTIMATE OF ANNUAL SAVINGS FROM REDUCING THE STRATEGIC ARSENAL TO 3,500 WARHEADS AS PROPOSED BY PRESIDENT BUSH AND RUSSIAN PRESIDENT YELTSIN (In billions of 1992 dollars)

Savings Attributable to the Bush/Yeltsin Accord:

Eliminate the MX missile forces	0.1
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Possible Additional Savings:

Reduce Nuclear Command, Control, Communications, and Intelligence Activities	1.2
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Reduce Department of Energy Nuclear Warhead Production Activities	1.8
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Reduce Trident D-5 missile production	0.4
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Total Savings from the Bush/Yeltsin Accord:	3.5
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Source: Congressional Budget Office

Note: Numbers may not add to totals because of rounding.

The savings from the accord would be so small because, prior to the new agreement, the Administration had already canceled or drastically reduced most strategic modernization programs--including the small ICBM and the B-2 bomber. Because the accord would use the already established verification procedures from the START treaty, CBO anticipates that verification costs would also not exceed the levels already planned by the Administration. Moreover, since the accord does not require that excess warheads be dismantled, there would not necessarily be increased costs associated with dismantlement.

Possible Additional Savings. Annual savings could be several billion dollars higher if the Administration were willing to take actions that, while not required by the accord, might be consistent with a force of 3,500 strategic nuclear weapons. For example, CBO estimated in a previous study, The START Treaty and Beyond (October 1991), that the Administration could save an additional \$4 billion annually by reducing forces to about this level, including \$1 billion from reducing strategic command, control, communications and intelligence activities, \$2 billion from reducing the Department of Energy's nuclear warhead production and maintenance activities, and \$400 million from buying fewer Trident D-5 missiles. See Table 1 for further detail of these savings. (The study calculated that savings could be up to \$12 billion annually over 15 years, but actions taken by the Administration have already saved nearly \$8 billion.)

TABLE 1. OPTIONS FOR THE B-2 BOMBER
(By fiscal year, in quantities and millions of current dollars)

Category	FY 1992 & Prior Years	1993	1994	1995	1996	1997	Cost to Complete	Total	Percent Change from Feb 91 Plan
1. Administration Plan, February 4, 1991 (Source: December 31, 1990 Selected Acquisition Report (SAR), submitted to the Congress on April 5, 1991):									
Quantity 1/	14	7	7	11	11	11	9	75	0%
Procurement	14,706	3,737	4,976	5,529	4,886	4,174	3,794	41,802	0%
Research & Development	20,541	830	332	155	9	6	0	21,873	0%
Military Construction	414	80	86	134	80	148	202	1,123	0%
Modifications (included above)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	42	0%
Total	35,661	4,627	5,394	5,818	4,975	4,328	3,996	64,798	0%
2. Estimate for 20 Aircraft after Congressional Action on 1992 (Based on December 31, 1990 SAR and 1992 Appropriations Conference Report):									
Quantity 1/	11	4	0	0	0	0	0	20	-73%
Procurement	14,304	2,890	100	400	27	0	0	17,720	-58%
Research & Development	20,541	830	332	155	9	6	0	21,873	0%
Military Construction 2/	394	40	57	90	53	99	134	867	-23%
Modifications (included above)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total	35,239	3,760	489	644	89	105	134	40,460	-38%
3. Administration Plan, January 1992 (Source: Air Force Congressional Data Sheet submitted to Congress on March 5, 1992):									
Quantity 1/	11	4	0	0	0	0	0	20	-73%
Procurement	14,303	2,887	1,517	789	166	171	120	19,753	-53%
Research & Development	20,500	1,261	1,056	556	807	165	68	24,212	11%
Military Construction	436	80	105	84	53	37	85	880	-22%
Modifications (not included above)	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	426	922%
Total	35,240	4,028	2,877	1,428	826	373	273	45,271	-30%
4. Administration's January 1992 Plan Less Estimate for 20 Aircraft:									
Quantity 1/	0	0	0	0	0	0	0	0	
Procurement	-0	-203	1,417	389	139	171	120	2,032	
Research & Development	-41	432	724	401	597	159	68	2,339	
Military Construction	42	40	48	-6	-0	-62	-49	13	
Modifications	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	384	
Total	1	268	2,188	784	736	268	139	4,769	

Notes: n.a. = not available; all costs were rounded to the nearest million dollars.

- 1/ Total quantity includes five of the six development aircraft that, according to the Air Force, will be modified and delivered as operational aircraft at the completion of flight testing.
- 2/ Military construction in 1993 and beyond was cut by one-third to estimate the cost of only one main operating base (MOB) and a depot maintenance facility as against 2 MOB's and a depot in the Administration's February 1991 plan.

TABLE 2. COMPARISON OF B-2 ESTIMATES CONTAINED IN DOD BUDGET JUSTIFICATION DOCUMENTS
 (By fiscal year, in quantities and millions of current dollars)

Category	1992	1993
Administration Plan, January 1992 (Source: Air Force Congressional Data Sheet submitted to the Congress on March 5, 1992):		
Quantity	1	4
Weapon system cost	2,246	3,434
Less advance procurement prior year	-165	-747
Add advance procurement current year	717	0
Procurement cost excluding initial spares	2,798	2,687
Administration Plan, January 1992 (Source: Procurement Programs (P-1) DoD Budget for FY 1993, January 29, 1992):		
Quantity	1	4
Weapon system cost	1,499	4,151
Less advance procurement prior year	-165	-1,464
Add advance procurement current year	1,464	0
Procurement cost excluding initial spares	2,798	2,687
Congressional Data Sheet less P-1:		
Quantity	0	0
Weapon system cost	747	-717
Less advance procurement prior year	0	717
Add advance procurement current year	-747	0
Procurement cost excluding initial spares	0	0

Note: All costs were rounded to the nearest million dollars.