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Sep 6, 68

MEMORANDUM FOR DR. FLAX

SUBJECT: MOL Development Costs

Forwarded for your review are a proposed Memorandum for the Secretary of Defense from Dr. Brown which summarizes a proposal to fund certain elements of MOL out of the Missile Procurement Appropriations in FY 1970 (Tab A) and a paper entitled MOL Development Costs (Tab B) which discusses this proposal in some depth.

The basic paper has been reviewed by [redacted] and all of his suggestions and observations have been incorporated. Mr. Palley is aware of this undertaking and generally supports the concept. I will discuss it in detail with him in the near future to insure DDR&E support.

I feel that this proposal offers a means whereby MOL funding requirements can be met while reducing some of the pressures on the RDT&E budget. I recommend we try this approach before the FY 70 Budget Estimate is too firmly established.

JAMES T. STEWART
Major General, USAF
Vice Director, MOL Program

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a/s

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Page 1 of 1 page 6 Sep 68/shw
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MEMORANDUM FOR THE SECRETARY OF DEFENSE

SUBJECT: MOL Program Funding

The purpose of this memorandum is to recommend that certain elements of the MOL Program be budgeted in the Missile Procurement rather than the RDT&E Appropriation beginning in Fiscal Year 1970. Such a change in budgeting would logically follow the transfer of MOL from Program Structure Code 6 to Code 3 at the beginning of FY 69; is legally proper and consistent with the intent of these appropriations; is based on ample precedent; and further, would relieve an onerous problem in the RDT&E Appropriation.

To date, the MOL Program has been funded solely in the RDT&E Appropriation and is projected to remain there through completion of the presently approved seven-launch undertaking. It now is and will continue to be a sizable burden on this account for some time. MOL will utilize approximately one-sixth of the Air Force RDT&E Appropriation in FY 69, one-fifth in FY 70, and approximately one-sixth again in FY 71. Since the RDT&E budgets are relatively stable from year to year, this severely limits the initiation and/or development pace of numerous other important and desirable R&D projects.

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Page 1 of 5 pages
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Although the cover story depicts MOL as purely an R&D venture to develop technology for manned and unmanned space applications and to determine the extent of man's military utility in space, and thus appears to justify only RDT&E funding, from the outset the MOL has been expected to perform an operational reconnaissance mission beginning with the first manned launch. Further, with the exception of the camera system which does represent a considerable extension of technology, the MOL system is comprised largely of modified and repackaged subsystems and components already in limited production for NASA and/or the Air Force. For example, the Gemini B is a minimum-modification version of the basic NASA spacecraft which was flown twelve times; the Titan IIIM is a modified growth version of the Titan IIIC and will be man-rated after the first two launches; the MOL space suit is a modification of the NASA Gemini article (in turn, a modification of the Mercury suit which was based on X-15 technology); the auxiliary propulsion thrusters are identical to those used in the Apollo Program, etc.

In light of the above, it would be completely consistent with other DoD practices (for example, in the National

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Page 2 of 5 pages
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Reconnaissance Program) to fund the Gemini B, Titan IIIM, their AGE and associated launch and on-orbit contractor support services, the MOL space suits, and various other items in the Missile Procurement Appropriation. This can be done in one of two ways. Either, specific items can be identified on a scheduled acquisition basis and dollars segregated accordingly, or items can be designated as "operational" and funded in the procurement account beginning in FY 70. The latter is the simpler approach, has more management flexibility, and would not represent an unreasonable division of funds at that time. For example, by end FY 69, approximately 38 percent of the total T-IIIM effort for the present program will have been funded, and approximately 40 percent of the total Gemini B effort.

If the Titan IIIM, Gemini B, and MOL space suit efforts are transferred to the Missile Procurement Appropriation beginning in FY 70, the MOL requirement on the RDT&E Appropriation will be decreased by more than \$100 million in that year alone. Through completion of the Program in 1973, the burden on the RDT&E Appropriation will be decreased more than \$450 million. However, to lessen the impact on the

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Page 3 of 5 pages
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Missile Procurement Appropriation in FY 70, it probably would be advisable to waive the full program funding policy normally followed and budget only the increment actually required.

There is one additional factor pertinent to this proposal, namely, security protection of the reconnaissance aspects of MOL. As you know, the camera system and those components directly related to the reconnaissance objective are being developed and produced under covert RDT&E contracts. Approximately 30 percent of the FY 69 funds available for MOL will be applied to these "black" contracts, and a similar percentage in FY 70. However, the overall total and public information policies are such that the amount and purpose of these funds have been adequately shielded. Dr. Flax assures me that no significant security risk will be incurred by this proposal to divert some of the "white" funds to the Missile Procurement Appropriation and thus increase the relative percentage of RDT&E funds applied to covert contracts.

Attached is a paper which describes this proposal in more detail (the problem, possible solutions, precedent, benefits, necessary actions, etc.). This subject has been

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Page 4 of 5 pages
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discussed with Dr. Foster's people and they generally concur.
I have not had an opportunity to discuss it with the OSD
Comptroller; however, the Air Force budget people assure me
it is within DoD authority to make this change.

If you concur in principle, we will work out the
necessary details in coordination with the appropriate people,
offices, and agencies.

H. BROWN

Incl
a/s

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Page 5 of 5 pages
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