

AN ALTERNATIVE BUDGET PATH ASSUMING A REDUCTION IN SPENDING FOR MILITARY OPERATIONS IN IRAQ AND AFGHANISTAN AND IN SUPPORT OF THE GLOBAL WAR ON TERRORISM

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The Congressional Budget Office's (CBO's) January 2006 baseline includes only part of the spending that CBO anticipates the Congress will appropriate in this fiscal year for U.S. military operations in Iraq and Afghanistan and for other efforts in the war on terrorism. To date, the Congress has provided \$50 billion for those purposes in 2006. The statutory rules that govern such baseline projections direct that discretionary spending should be projected by assuming that the most recent year's discretionary budget authority is provided in each future year, with adjustments to reflect projected inflation—using specified indexes—and other factors (such as the cost of annualizing adjustments to federal pay). However, relative to those levels, additional funding will probably be needed to finance military activities in 2006 and 2007, CBO expects. In subsequent years, the Department of Defense (DoD) may need less money than the amount included in the baseline if it is able to significantly reduce the number of deployed troops.

To illustrate the potential effect on the deficit from changes in spending for those military activities relative to the current baseline, CBO estimated the budgetary impact of one possible scenario for future military operations in Iraq and Afghanistan and the global war on terrorism. This scenario is one of many possible scenarios regarding future spending for those activities and should not be regarded as an estimate of actual war costs or a prediction of how much budget authority DoD will need or request for those activities in the future.

This scenario assumes that military operations in Iraq and Afghanistan and other activities related to the global war on terrorism decline gradually from their current levels during 2006, reaching a steady state after 2010. Under such assumptions, discretionary outlays in 2006 would be \$20 billion more than the baseline figures presented in CBO's January 2006 *Budget and Economic Outlook*; over the 2007-2016 period, however, outlays would be \$140 billion less (see the table, below). Interest on debt would initially increase because of higher spending over the 2006-2008 period, but lower spending in later years would reduce debt-service costs relative to the amount in the current baseline. Over the 2007-2016 period, debt-service costs would add \$5 billion to the projected deficit.

In estimating the spending for this scenario, CBO assumed that about 185,000 active-duty and reserve personnel would be deployed to Iraq, Afghanistan, and other overseas locations in 2006, declining to 160,000 in 2007. CBO assumed that the number of troops deployed in support of the global war on terrorism would continue to decline—to about 50,000 by 2010—and remain at that level for the remainder of the period. While the assumptions about deployed troops for 2006 are based on current force levels and known DoD plans, the assumptions for subsequent years are hypothetical. CBO assumed that, throughout the 10-year projection period, some troops would be deployed overseas in operations supporting the global war on terrorism, but not necessarily in Iraq and Afghanistan.

For 2006, CBO assumed that, in addition to reserve military personnel serving overseas, about 62,000 reservists would be serving on active duty in the United States, performing domestic military operations for homeland security or performing the stateside duties of some of the active-duty personnel who are deployed overseas. CBO further assumed that the number of such reservists would decline to about 23,000 by 2010 and remain at that level through 2016. Finally, CBO assumed that the personnel levels for the armed services would remain above levels provided for by regular military personnel appropriations contained in Title I of the Department of Defense Appropriations Act, 2006 (Division A of Public Law 109-148). The costs associated with maintaining those “over-end-strength” levels—about 10,000 active-duty personnel for 2006, declining to zero by 2009—are included in CBO’s projections of spending for this alternative path.

CBO based its projection of the costs for this alternative path on obligations reported by DoD for the global war on terrorism in fiscal year 2005—\$83.6 billion over the 12-month period from October 2004 to September 2005. In constructing the alternative path’s budget authority, CBO adjusted those obligation data to account for inflation and the changes in personnel levels assumed to occur in the alternative scenario through 2016. The budget authority figures include almost \$60 billion to procure additional equipment as well as to repair and replace equipment that has been worn out, damaged, or destroyed. CBO estimated costs for repair and replacement using a methodology that accounts for the potential effects of operational tempo on equipment wear (discussed in a CBO letter to Congressman Ike Skelton, *The Potential Cost Resulting from Increased Usage of Military Equipment in Ongoing Operations*, March 2005).

**ADDITIONAL INFORMATION ABOUT THE POLICY ALTERNATIVE FOR CONTINUED SPENDING IN SUPPORT OF THE GLOBAL WAR ON TERRORISM IN CBO'S JANUARY 2006
BUDGET AND ECONOMIC OUTLOOK^a**

(By fiscal year, in billions of dollars)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	Total 2007- 2016
Current Funding for Military Operations in the January 2006 Baseline												
Budget authority	50	51	52	53	54	55	56	57	58	60	61	557
Outlays	33	46	50	52	53	55	55	57	58	59	60	544
Possible Spending Path^b												
Budget authority	95	75	55	40	27	27	28	29	29	30	31	371
Outlays	53	77	64	51	35	30	29	29	29	30	30	404
Difference Between Current Baseline and Possible Spending Path												
Budget authority	45	24	3	-13	-27	-28	-28	-28	-29	-30	-30	-186
Outlays	20	31	13	-1	-18	-24	-26	-28	-29	-29	-30	-140
Debt service	*	2	3	3	3	2	1	*	-2	-3	-5	5
Memorandum:												
Assumed Troop Levels (Number of personnel)												
Deployed personnel ^{c,d}	186,000	158,000	119,000	83,000	50,000	50,000	50,000	50,000	50,000	50,000	50,000	n.a.
Reserve backfill ^e	62,000	52,000	41,000	30,000	23,000	23,000	23,000	23,000	23,000	23,000	23,000	n.a.
Over end strength ^f	10,000	10,000	10,000	10,000	0	0	0	0	0	0	0	n.a.

Source: Congressional Budget Office.

Notes: * = between -\$500 million and \$500 million; n.a. = not applicable.

a. This alternative assumes an eventual slowdown of U.S. military activities in Iraq and Afghanistan but continued spending for the global war on terrorism throughout the projection period. It also includes funding for replacing damaged, destroyed, or worn out equipment and domestic military operations for homeland security.

b. Includes budget authority and outlays from \$50 billion appropriated in December 2005.

c. Assumes 157,000 troops deployed in and around Iraq and 29,000 troops deployed in and around Afghanistan in 2006.

d. During the 2010-2016 period, includes approximately 40,000 Army and Marine Corps personnel and 10,000 Air Force and Navy personnel.

e. Reserve backfill includes reservists activated to replace deployed active-duty personnel as well as reservists activated as part of Operation Noble Eagle.

f. Personnel on active duty in excess of Army end strength (482,400) funded in Title I of the the Department of Defense Appropriations Act, 2006 (Division A of Public Law 109-148).