

October 28, 2003

Honorable John M. Spratt Jr.  
Ranking Member  
Committee on the Budget  
U.S. House of Representatives  
Washington, DC 20515

Dear Congressman:

In response to your request of October 9, 2003, the Congressional Budget Office (CBO) has estimated the costs of four illustrative scenarios for the occupation of Iraq. The scenarios are based on the specifications in your request, as well as CBO's current understanding of planned force-rotation schedules. For the scenarios you outlined, CBO estimates the cost of occupying Iraq could range from \$85 billion to \$200 billion over the 2004-2013 period, depending on the size and length of the occupation. All estimates assume the \$52 billion requested by the Administration for the occupation of Iraq in fiscal year 2004 will be provided without significant changes, as per the instructions in your request. The estimates exclude costs associated with reconstruction or classified intelligence activities, since we do not possess enough data to appropriately quantify these costs. As requested by your staff, the estimates also do not include costs associated with Operation Enduring Freedom, Operation Noble Eagle, and other activities associated with the war on terrorism. Details regarding CBO's estimates are discussed below.

### **Estimates of Occupation Scenarios**

CBO has estimated the cost of four illustrative scenarios for the occupation of Iraq. The length of the occupation and force levels associated with each scenario are based on the guidelines prescribed in your request letter. Assumptions about air operations, force rotations, and the number of mobilized reservists are based on the most recent data provided by the Department of Defense (DoD), as well as CBO's analysis of past contingency operations.

**Scenario 1.** Under this scenario, the size of the occupation force would decline in a linear fashion from about 102,000 personnel in 2005 to about 50,000 personnel in fiscal year 2008 and then remain at that level through 2013. After accounting for the personnel involved in air operations, the requirement to train reserve units before they deploy, and the need to use reservists to fill administrative positions vacated by deployed active-duty personnel (commonly called “backfill” within DoD), CBO estimates that the actual number of personnel associated with the occupation of Iraq would total about 138,000 in fiscal year 2005 and decrease to about 74,000 by fiscal year 2008.

CBO estimates this option would require about \$22 billion in budget authority in 2005, declining to about \$14 billion by 2008, after which the annual costs would increase with inflation. Assuming enactment of the President’s request for supplemental appropriations, the total budget requirement associated with the occupation of Iraq under scenario 1 would be about \$200 billion over the 2004-2013 period. (See Table 1 for year-by-year personnel levels and estimated costs for each scenario.)

**Scenario 2.** Under this scenario, the size of the occupation force would remain at about 106,000 personnel in fiscal years 2005 and 2006, and then decline to about 64,000 by 2008. These levels are similar to those estimated by CBO in a recent report on the ability of the military to sustain an occupation in Iraq.<sup>1</sup> After 2008, forces would begin leaving Iraq so that all U.S. forces would be withdrawn by the start of fiscal year 2011. After accounting for the personnel involved in air operations, the requirement to train reserve units before they deploy, and the need for reserve “backfill,” CBO estimates the number of personnel associated with the occupation of Iraq would total about 145,000 in 2005, and decline to about 31,000 in fiscal year 2010.

CBO estimates this option would require about \$23 billion in budget authority in 2005, decreasing to about \$7 billion in 2010. Assuming enactment of the supplemental appropriation request, the total budget requirement associated with the occupation of Iraq under scenario 2 would be about \$155 billion over the 2004-2013 period.

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1. Congressional Budget Office, *Letter to the Honorable Robert Byrd Regarding the U.S. Military’s Ability to Sustain an Occupation of Iraq* (September 3, 2003).

**Scenario 3.** Under this scenario, the size of the occupation force would decline to about 76,000 personnel in fiscal year 2005, and then decline to about 64,000 in 2006. After 2006, forces would begin leaving Iraq so that all U.S. forces would be withdrawn by the start of fiscal year 2009. After accounting for the personnel involved in air operations, the requirement to train reserve units before they deploy, and the need for reserve “backfill,” CBO estimates the number of personnel associated with the occupation of Iraq would total about 101,000 in 2005, and then decline to about 31,000 in fiscal year 2008.

CBO estimates this option would require about \$16 billion in budget authority in 2005, decreasing to about \$7 billion in 2008. Assuming enactment of the supplemental appropriation request, the total budget requirement associated with the occupation of Iraq under this scenario would be about \$100 billion over the 2004-2013 period.

**Scenario 4.** Under this scenario, the size of the occupation force would decline to about 76,000 personnel in fiscal year 2005, after which troops would begin leaving Iraq so that all U.S. forces would be withdrawn by the start of fiscal year 2008. After accounting for the personnel involved in air operations, the requirement to train reserve units before they deploy, and the need for reserve “backfill,” CBO estimates the number of personnel associated with the occupation of Iraq under this scenario would be about 101,000 in 2005, and decline to about 31,000 in fiscal year 2007.

CBO estimates this option would require about \$16 billion in budget authority in 2005, decreasing to about \$7 billion in 2007. Assuming enactment of the supplemental appropriation request, the total budget requirement associated with the occupation of Iraq under this scenario would be about \$85 billion over the 2004-2013 period.

### **Effect of Shortening the Phaseout Period**

As requested, CBO also analyzed variations of scenarios 2, 3, and 4 in which the phaseout of U.S. troops would be accomplished one year earlier. In each of these variations, the number of personnel in Iraq would be 38,000 in 2009, 2007, and 2006 respectively for each of the scenarios, and then drop to zero by the start of the next fiscal year (see Table 2). Shortening the phaseout period

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by a year in each of these scenarios would decrease the total budget requirement over the 2004-2013 period by about \$7 billion, so that the total costs of scenarios 2, 3, and 4 would be \$145 billion, \$95 billion, and \$80 billion, respectively.

Your letter also requested that CBO reconcile the estimates of potential occupation costs that it has made over the past year with DoD's supplemental request for 2004. As I stated in my testimony before the House Budget Committee on October 16, 2003, CBO currently lacks sufficient information to perform the reconciliation that you request. As promised at the hearing, I have provided your staff a list of questions to which DoD would need to provide answers in order for CBO to attempt to make an independent estimate of potential occupation costs in fiscal year 2004.

If you would like further details on the information provided in this letter, we would be pleased to provide them. The staff contacts are Matthew Schmit of CBO's Budget Analysis Division and Adam Talaber of CBO's National Security Division.

Sincerely,

Douglas Holtz-Eakin  
Director

Enclosures

cc: Honorable Jim Nussle  
Chairman

TABLE 1. PERSONNEL ASSUMPTIONS AND ESTIMATED COSTS OF IRAQ OCCUPATION SCENARIOS  
(By fiscal year, personnel levels in thousands, estimated budget authority in billions of dollars)

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>SCENARIO 1</b>											
Number of Personnel in Occupation Force	a	102	84	67	50	50	50	50	50	50	50
Air Force and Additional Reserve Personnel <sup>b</sup>	<u>a</u>	<u>37</u>	<u>40</u>	<u>32</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>	<u>24</u>
Total Personnel Requirement	a	138	125	99	74	74	74	74	74	74	74
Estimated Budget Authority <sup>c</sup>		51.5	21.6	21.1	17.6	13.9	14.3	14.7	15.2	15.7	16.1
<b>SCENARIO 2</b>											
Number of Personnel in Occupation Force	a	106	106	76	64	38	19	0	0	0	0
Air Force and Additional Reserve Personnel	<u>a</u>	<u>39</u>	<u>46</u>	<u>32</u>	<u>28</u>	<u>19</u>	<u>12</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Personnel Requirement	a	145	152	108	92	57	31	0	0	0	0
Estimated Budget Authority		51.5	22.7	25.4	18.6	16.7	11.5	7.4	0	0	0
<b>SCENARIO 3</b>											
Number of Personnel in Occupation Force	a	76	64	38	19	0	0	0	0	0	0
Air Force and Additional Reserve Personnel	<u>a</u>	<u>25</u>	<u>28</u>	<u>19</u>	<u>12</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Personnel Requirement	a	101	92	57	31	0	0	0	0	0	0
Estimated Budget Authority		51.5	15.6	15.8	10.8	7.0	0	0	0	0	0
<b>SCENARIO 4</b>											
Number of Personnel in Occupation Force	a	76	38	19	0	0	0	0	0	0	0
Air Force and Additional Reserve Personnel	<u>a</u>	<u>25</u>	<u>19</u>	<u>12</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Personnel Requirement	a	101	57	31	0	0	0	0	0	0	0
Estimated Budget Authority		51.5	15.6	10.5	6.8	0	0	0	0	0	0

- a. CBO does not have sufficient information to determine the occupation levels assumed in formulating the supplemental request.
- b. Personnel level includes Air Force personnel deployed to support air operations, as well as additional reserve personnel needed to perform administrative positions vacated by deployed active-duty personnel. It also includes reserve personnel in training for deployment to Iraq.
- c. Estimate for 2004 reflects the amount requested by the President in the September 2003 emergency supplemental request. The total amount requested for the Department of Defense was about \$65.6 billion, of which \$14.1 billion would be for Operations Enduring Freedom, Noble Eagle, and other activities not directly related to the occupation of Iraq.

TABLE 2. ALTERNATIVE PERSONNEL ASSUMPTIONS AND ESTIMATED COSTS OF IRAQ OCCUPATION OPTIONS (EARLY PHASEOUT) (By fiscal year, personnel levels in thousands, estimated budget authority in billions of dollars)

		2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>SCENARIO 2 - ALTERNATIVE PHASEOUT</b>											
Number of Personnel in Occupation Force	a	106	106	76	64	38	0	0	0	0	0
Air Force and Additional Reserve Personnel <sup>b</sup>	<u>a</u>	<u>39</u>	<u>46</u>	<u>32</u>	<u>28</u>	<u>19</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Personnel Requirement	a	145	152	108	92	57	0	0	0	0	0
Estimated Budget Authority <sup>c</sup>		51.5	22.7	25.4	18.6	16.7	11.5	0	0	0	0
<b>SCENARIO 3 - ALTERNATIVE PHASEOUT</b>											
Number of Personnel in Occupation Force	a	76	64	38	0	0	0	0	0	0	0
Air Force and Additional Reserve Personnel	<u>a</u>	<u>25</u>	<u>28</u>	<u>19</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Personnel Requirement	a	101	92	57	0	0	0	0	0	0	0
Estimated Budget Authority		51.5	15.6	15.8	10.8	0	0	0	0	0	0
<b>SCENARIO 4 - ALTERNATIVE PHASEOUT</b>											
Number of Personnel in Occupation Force	a	76	38	0	0	0	0	0	0	0	0
Air Force and Additional Reserve Personnel	<u>a</u>	<u>25</u>	<u>19</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Personnel Requirement	a	101	57	0	0	0	0	0	0	0	0
Estimated Budget Authority		51.5	15.6	10.5	0	0	0	0	0	0	0

- a. CBO does not have sufficient information to determine the occupation levels assumed in formulating the supplemental request.
- b. Personnel level includes Air Force personnel deployed to support air operations, as well as additional reserve personnel needed to perform administrative positions vacated by deployed active-duty personnel. It also includes reserve personnel in training for deployment to Iraq.
- c. Estimate for 2004 reflects the amount requested by the President in the September 2003 emergency supplemental request. The total amount requested for the Department of Defense was about \$65.6 billion, of which \$14.1 billion would be for Operations Enduring Freedom, Noble Eagle, and other activities not directly related to the occupation of Iraq.