

# CRS Report for Congress

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## **The Cost of Iraq, Afghanistan and Enhanced Base Security Since 9/11**

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## Summary

Since the 9/11 terrorist attacks, CRS estimates that the Administration has allocated a total of about \$357 billion for military operations, reconstruction, embassy costs, and various foreign aid programs in Iraq and Afghanistan, and for enhanced security at defense bases. This total includes \$45 billion in war-related “bridge” funding for the Department of Defense (DOD), based on the House-passed level adopted in a FY2006 continuing resolution (H.J.Res. 68/P.L.109-77). DOD receives a proportionate amount of the \$45 billion for the six week period covered by this CR. In addition to this bridge funding, DOD will need additional funds to cover the rest of the year.

The total of \$357 billion includes some \$326 billion for DOD and \$31 billion for foreign aid programs and embassy operations. If the bridge funds are split in a fashion similar to FY2005, funding would total about \$251 billion for Iraq, about \$82 billion for Afghanistan, and \$24 billion for base security. Iraq’s total is split between \$226 billion for DOD and \$25 billion for foreign operations. Afghanistan’s total includes \$76 billion for DOD and \$6 billion for foreign operations. All base security funds go to DOD. Based on a CBO estimate that assumes a gradual drawdown in U.S. troops in Iraq and Afghanistan between FY2006 and FY2010, war-related costs could total about \$570 billion by the end of 2010.

DOD’s current monthly average spending rate is about \$6 billion for Iraq, \$1 billion for Afghanistan and \$170 million for enhanced base security based on the first nine months of FY2005. Compared to FY2004, those averages are 19% higher for Iraq, 8% lower for Afghanistan, and 47% lower for base security.

The DOD has not provided an overall reckoning of these funds by mission or military operation. Gaps in the figures raise questions such as whether DOD transferred \$7 billion or \$14 billion from peacetime funds to meet higher than expected wartime costs. DOD also used \$2.5 billion from prior year monies to prepare for the Iraq war before passage of the joint resolution authorizing the use of force in Iraq in October 2002.

The Government Accountability Office (GAO) also found that DOD had lost visibility on over \$7 billion provided for the global war on terrorism. In this regard, Congress faces two issues — how to get a transparent accounting by mission of all previously appropriated funds by adjusting current reporting, and how to ensure accurate accounting in the future by requiring that DOD budget and segregate war-related spending.

Congress provided about \$100 billion to cover DOD’s FY2005 costs — about \$35 billion more than in the previous year — including \$25 billion in bridge funds and \$75 billion in the FY2005 war supplemental for the rest of the fiscal year. In FY2006, the full amount of war-related funding for FY2006 will depend on not only the \$45 billion in bridge funding but also the amount provided in FY2006 appropriations and a FY2006 supplemental. This report will be updated.

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# The Cost of Iraq, Afghanistan and Enhanced Base Security Since 9/11

## Defense and Foreign Operations Funding

Since the 9/11 attacks, CRS estimates that funds for Iraq and Afghanistan for military operations, reconstruction, embassy costs, and various foreign aid programs, and funds for enhanced security for defense installations total about \$357 billion to date. This total includes \$45 billion in “bridge” funding for the Department of Defense (DOD), based on the House-passed level adopted in a FY2006 continuing resolution (H.J.Res. 68/P.L.109-77). DOD then receives a proportionate amount of the \$45 billion for the six week period covered by this CR, October 1 through November 18, 2005.<sup>1</sup>

Because the \$45 billion is targeted to cover the first six months of the fiscal year, DOD is likely to need additional funding for the rest of the year.<sup>2</sup> The \$357 billion total includes some \$326 billion for the Department of Defense and about \$31 billion for foreign aid programs and embassy operations and construction. The \$326 billion for the Department of Defense (DOD) is primarily for military operations, special pay, supporting deployed personnel, repairing and buying equipment, and additional security.

The State Department and USAID have received about \$31 billion for reconstruction, embassy operations and construction, and foreign aid programs.<sup>3</sup> About 75% of the total was provided in supplemental appropriations and 25% in regular or omnibus appropriations or through transfers from DOD’s peacetime funds that were made to meet higher-than-anticipated expenses.

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<sup>1</sup> See Section 101(c) (2) and 101 (d) (1) of P.L. 109-77. The FY2006 Continuing Resolution provides if only one house has passed an appropriation as of October 1, 2005, activities covered by that appropriations will be funded at the lower of the level in the bill passed by either house or last year’s level. In the case of DOD, only the House had passed the FY2006 DOD appropriations and military construction/quality of life bills, and the total for those bills is lower than the FY2005 level, which includes both regular and supplemental funding. The amount for war-related activities in the House bill, H.R. 2863, is \$45.3 billion. Under the CR, OMB apportionments or gives agencies authority to spend an amount that equals 49 days (or six weeks) worth of the total amount for that agency.

<sup>2</sup> See Title IX in H.Rept. 109-119, *Department of Defense Appropriations Bill, 2006*, June 10, 2005, p. 321.

<sup>3</sup> Funds for foreign operations activities are managed by both the State Department and USAID, which handles most U.S. development assistance programs.

**Table 1. Defense Department and Foreign Operations Funding for Iraq, Afghanistan, and Enhanced Security, FY2001-FY2006 to Date (10-3-05)**

(in billions of dollars of budget authority<sup>a</sup>)

Name of law	Public law no.	Date enacted	DOD funds	Foreign aid/reconst/embassy	Total cost
FY2001 Emergency Terrorism Response Supplemental Appropriations Act and FY2002 DOD Approps Act	P.L. 107-38 P.L. 107-117	9/18/01 1/10/02	16.5	0.3	16.7
FY2002 Emergency Supplemental	P.L. 107-206	8/2/02	13.3	0.4	13.6
FY2002 Regular Foreign Operations	P.L. 107-115	1/10-02	0.0	0.2	0.2
FY2003 Consolidated Approps	P.L. 108-7	2/20/03	10.0	0.4	10.4
FY2003 Emergency Supplemental	P.L. 108-11	4/16/03	62.6	3.3	65.9
FY2003 DOD Appropriations*	P.L. 107-48	10/23/02	[7.1]*	0.0	[7.1]*
FY2004 DOD Appropriations Act (rescission of FY03 funds)	P.L. 108-87	9/30/03	-3.5	0.0	-3.5
FY2004 Emergency Supplemental	P.L. 108-106	11/6/03	64.9	20.1	85.0
FY2004 Foreign Operations	P.L. 108-199	1/23/04	0.0	1.6	1.6
FY2005 DOD Appropriations Act, Titles IX and X <sup>b</sup>	P.L. 108-287	8/5/04	24.9	0.7	25.6
FY2005 Supplemental Appropriations <sup>c</sup>	P.L. 109-13	5/11/05	75.7	3.1	78.8
FY2005 Omnibus Appropriations	P.L. 108-447	12/8/04	0.0	1.0	1.0
FY2005 DOD Appropriations Act <sup>d</sup>	P.L. 108-287	8/5/04	2.1	0.0	2.1
FY2006 Continuing Resolution <sup>e</sup>	P.L. 109-77	9/30/05	45.3	0	45.3
<b>Subtotal appropriations*</b>			<b>311.6 to 318.7*</b>	<b>31.0</b>	<b>342.6 to 349.6*</b>
FY2003 Transfers	various	NA	1.2	0.0	1.2
FY2004 Transfers	various	NA	5.8	0.0	5.8
<b>Subtotal transfers</b>			<b>7.0</b>	<b>0</b>	<b>7.0</b>
<b>GRAND TOTAL*</b>	<b>NA</b>	<b>NA</b>	<b>318.6 to 325.7*</b>	<b>31.0</b>	<b>349.6 to 356.7*</b>

**Source:** CRS calculations based on public laws.

**Note:** Numbers may not add due to rounding.

- Totals reflect budget authority for war-related expenses from appropriations and transfers, and exclude funds transferred to other agencies, contingent appropriations not approved, and rescissions that do not affect war-related funds.
- CRS included the \$24.9 billion provided in Title IX of the FY2005 DOD appropriations bill as FY2005 because most of the funds will be obligated that year. Since the funds were available in FY2004, they are formally scored by CBO and OMB as FY2004 monies.
- Excludes funds for Tsunami relief and for the new office for the Director of National Intelligence.
- Reflects funds likely to be obligated for Operation Noble Eagle in FY2005 from DOD's regular bill.
- Based on the House-passed level adopted for DOD in the Continuing Resolution.

\* DOD appears not to include this \$7.1 billion; range reflects totals with and without \$7.1 billion.

## Difficulties in Tracking Defense Spending

**Table 1** shows that DOD received between \$311.6 billion and \$318.7 billion in supplemental and regular appropriations acts. CRS has provided a range because it is not clear whether the \$7.1 billion that Congress provided to DOD in its regular FY2003 appropriations act is considered part of funding for the “global war on terrorism.” Prior to receiving the \$45 billion in bridge funding for FY2006, DOD reported receiving “approximately \$260 billion” in appropriations for the “global war on terror,” a total which suggests that they are not counting the \$7.1 billion in FY2003 monies.<sup>4</sup>

The FY2003 funds were originally provided to “respond to, or protect against, acts or threatened acts of terrorism...”<sup>5</sup> and included funds for a wide range of activities from adding force protection at defense bases to buying JDAM missiles to replenish stocks after the Afghan war. In light of their purpose, these funds appear to be war-related funding and this report includes those funds. DOD may have excluded these funds because Defense Finance Accounting Service (DFAS) reports, which track DOD’s contractual obligations for wartime operations, may not have captured these funds, creating uncertainty about where and how the funds were spent.

Because war-related expenses have proven to be higher than anticipated, DOD also transferred \$7.0 billion from peacetime funds (see **Table 1**). Based on notifications to Congress, most of these funds were available because the services postponed scheduled training and repair of equipment for units that were deployed in Iraq and Afghanistan. Counting transfers, the total funds now available DOD thus far is about \$326 billion including the \$7.1 billion (see **Table 1**).

In addition to appropriations, another way to track war-related expenses is to rely on DOD’s DFAS monthly obligations reports. Based on those reports and CRS estimates, DOD will spend a total of about \$281 billion for Iraq and Afghanistan from funds provided through FY2005. That \$281 billion is about equal to the higher amount for appropriated and transferred funds as of the end of FY2005. In light of that total, DOD would have tapped both appropriated funds and from \$7 billion to \$14 billion in funds transferred from peacetime activities. If DOD did not use the \$7.1 billion that it cannot track, then the services would have transferred another \$7 billion from peacetime activities to meet war-related expenses.<sup>6</sup>

DOD may have tapped some of the funds from the \$7.1 billion provided in DOD’s FY2003 regular bill that DOD does not count and may also have transferred some funds from peacetime activities. If the monies were used for the same types of activities, for example, operating expenses — but for war rather than peacetime

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<sup>4</sup> DOD response to press query, August 2005. Without the \$50 billion for FY2006 and without the \$7.1 billion, the total for appropriations in **Table 1** would be \$266.3 billion.

<sup>5</sup> Office of Management and Budget, *FY2003 Appendix, Budget of the United States*, Feb. 2002, p. 177.

<sup>6</sup> Based on a CRS analysis of the composition of FY2003 funds by title, it looks like DOD tapped some but not all of the \$7.1 billion in regular FY2003 funds.

training — DOD would not report the change to Congress.<sup>7</sup> For that reason, we would not know how or whether peacetime programs were affected by these transfers to cover war-related expenses.

In a recent report, GAO found that in 2001, the President increased DOD's planned funding for FY2003 through FY2007 by \$10 billion annually for the global war on terrorism and that in later supplementals, DOD did not take these funds into account in calculating incremental war costs.

In the case of DOD's regular FY2003 appropriations, GAO found that DOD and the services had "lost visibility" on over \$7 billion in funding and "do not know the extent to which they are being used to support GWOT [Global War On Terrorism]."<sup>8</sup> In addition, GAO found several cases where obligations exceeded appropriations in FY2004, ranging from a high of \$4.3 billion for Army operation and maintenance funds to a low of \$40 million for Navy military personnel in FY2004 where DOD made up the differences by transferring funds from peacetime activities.<sup>9</sup>

In addition, DOD used about \$2.5 billion from funds appropriated in either the FY2001 and FY2002 supplementals for Afghanistan and the general war on terror for activities designed to prepare for the Iraqi war. Congress does not generally have visibility by mission on appropriated funds.

## Issues for Congress

In light of this lack of transparency about funding for war-related activities, Congress may want to examine current reporting requirements. The Defense Department is currently not required to identify the amount of funds requested or report its plans once funds are appropriated for each of the three missions. DOD also does not report, by public law, which funds are tapped (from supplementals or regular bills) to meet war expenses. Starting on October 31, 2005, DOD is required to report the cumulative totals to date for Iraq and Afghanistan but not for enhanced base security.<sup>10</sup> Given DOD's difficulties in tracking and segregating war-related costs, Congress may want to consider having DOD set up separate accounts for war-related expenses that would build on DFAS tracking categories.

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<sup>7</sup> DOD has authority to transfer, or move between accounts, a certain amount of funds that is specified in each act as long as certain criteria are met and the Congressional defense committees are notified and do not object. Notifications explain why funds are available for transfer and where funds are to be transferred.

<sup>8</sup> U.S. Government Accountability Office, *Global War on Terrorism: DOD Should Consider All Funds; Requested for the War When Determining Needs and Covering Expenses*; GAO-05-767, see [<http://www.gao.gov/new.items/d05882.pdf>], pp. 10, 29.

<sup>9</sup> *Ibid.*, pp. 14-24.

<sup>10</sup> P.L. 109-13, the FY2005 Emergency Supplemental, requires for the first time that DOD report the *cumulative* total of all funds obligated and expended for Iraq and Afghanistan at the end of April and October of each year. The report does not cover enhanced base security (Operation Noble Eagle) or require an estimate of all funds appropriated to date.

DOD is also not required to request all war-related funds on a mission basis. It would be useful to know DOD's initial plans by mission for Iraq, Afghanistan, enhanced security, or other missions in the "global war on terrorism," for all funds appropriated and transferred in order to compare those plans with later obligations and assess the accuracy of DOD's forecasts.

DOD also uses a cost model to estimate future expenses but additional devices to cross check estimates appear warranted. Unless DOD makes special efforts to segregate supplemental appropriations for Hurricane Katrina and Rita, these expenses may also be mixed in with peacetime and war-related expenses, which would exacerbate Congress's ability to separate war, peace, and disaster expenses.

In addition, in order for Congress to assess supplemental requests, Congress may want to require that DOD describe its assumptions about the number of the military personnel to be deployed, its plans for rotations, and the major drivers in support costs. For example, the services could report how costs would change over time as the number of deployed personnel changes, as support costs fall once a support infrastructure is in-place, and as operational tempo changes with an enhanced role for Iraq and Afghan security forces. In another recent report, GAO found that service budget officials believe that support costs could be reduced through various control mechanisms as operations mature.<sup>11</sup>

Thus far, DOD's reporting to Congress has generally been limited to quarterly reports of obligations and lists of transfers from its flexible accounts to regular appropriation accounts. A recent report on metrics for measuring success in Iraq did not address costs.<sup>12</sup>

The State Department has provided Congress with more detailed reports on its various reconstruction activities in Iraq including both monthly reports — required by statute — and with weekly updates, provided on a voluntary basis.<sup>13</sup> Congress also required that the State Department establish a special inspector general to monitor the \$18 billion for reconstruction appropriated in FY2004. Accurate, consistent and complete reporting by DOD to Congress on an ongoing and current basis could help Congress assess trends in war-related spending and DOD's additional requests for Iraq and Afghanistan in the years to come.

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<sup>11</sup> U.S. Government Accountability Office, *Global War on Terrorism: DoD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, GAO-05-882, Sept. 2005, pp. 33,35; [<http://www.gao.gov/new.items/d05882.pdf>].

<sup>12</sup> DOD, Report to Congress, "Measuring Stability and Security in Iraq," July 21, 2005; [<http://www.defenselink.mil/news/Jul2005/d20050721secstab.pdf>].

<sup>13</sup> See for example, State Dept. 2207 Reports to Congress, July 2005, executive summary [<http://www.state.gov/documents/organization/48891.pdf>].

## Costs by Mission: Iraq, Afghanistan and Enhanced Security

Unlike the State Department which routinely requests funds by country, the Defense Department does not usually allocate funds by operation or mission until after-the-fact. For military operations, however, that allocation is an important part of Congressional debate on the Administration's requests for funds in supplemental or regular bills. Defense Department witnesses periodically give average monthly costs or "burn rates" for Iraq and Afghanistan but DOD has not provided Congress with a complete or consistent record showing those rates over time or total amounts for each operation in each year.

### Monthly Average Costs For FY2001 Through FY2005

The only figures showing average monthly spending rates are based on obligations, which reflect contracts signed to provide goods or services and pay to military and civilian personnel as reported by the Defense Finance Accounting Service. Although such averages give a snapshot of spending rates at particular points in time — and are often used to make rough estimates of future spending — monthly obligations may be volatile because they go up and down depending on when particular contracts are signed.

In June 2005, for example DOD's monthly obligations spiked to \$12.8 billion from \$3.0 billion in the previous month because of a burst of new procurement contracts that tapped funds just enacted in P.L.109-13, a war-related FY2005 supplemental.<sup>14</sup> Reflecting this jump, the cumulative average for FY2005 jumped from \$6.4 billion as of May to \$7.1 billion as of June.

Based on the \$7.1 billion monthly average for October 2004 through June — the latest data available — obligations for the year would be estimated at \$85.2 billion for all three missions. On the other hand, if we predicted the annual total using the \$6.4 billion average through May 2005, the total would be \$76.8 billion. Taking into account, the three-fold increase in procurement monies in the FY2005 supplemental compared to the previous year, total monthly obligations are likely to be closer to \$7 billion in future months (see **Table 2**).

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<sup>14</sup> Tony Capaccio, "U.S. Military Spending in Iraq Topped \$11 Billion in June, a Record," *Bloomberg*, Sept. 6, 2005.

**Table 2. DOD's Obligations by Mission, FY2001-FY2005**  
(in billions of dollars)

Mission and type of spending	Average monthly obligations <sup>a</sup>				Cum. Obligations thru 6/30/05
	FY2002	FY2003	FY2004	FY2005 thru 6/30/05	
<b>Iraq</b>					
Operations <sup>b</sup>	NA	4.3	4.4	4.6	NA
Investment <sup>c</sup>	NA	0.1	0.6	1.3	NA
<b>Total</b>	<b>NA</b>	<b>4.4</b>	<b>5.0</b>	<b>5.9</b>	<b>159.7</b>
<b>Afghanistan</b>					
Operations <sup>b</sup>	NA	1.3	1.1	1.0	NA
Investment <sup>c</sup>	NA	0.0	0.0	0.0	NA
<b>Total</b>	<b>NA</b>	<b>1.3</b>	<b>1.1</b>	<b>1.0</b>	<b>55.6</b>
<b>Enhanced security and other</b>					
Operations <sup>b</sup>	NA	0.5	0.3	0.2	NA
Investment <sup>c</sup>	NA	0.0	0.0	0.0	NA
<b>Total</b>	<b>NA</b>	<b>0.5</b>	<b>0.3</b>	<b>0.2</b>	<b>23.7</b>
<b>All missions</b>					
Operations <sup>b</sup>	NA	6.1	5.8	5.8	NA
Investment <sup>c</sup>	NA	0.2	0.6	1.3	NA
<b>Total</b>	<b>NA</b>	<b>6.3</b>	<b>6.4</b>	<b>7.1</b>	<b>238.9</b>

**Note:** NA = Not available. Numbers may not add due to rounding.

- Reflects monthly obligations during each fiscal year from all available funds as reported by the Defense Finance Accounting Service plus CRS estimates for intelligence obligations.
- Includes funds appropriated for military personnel, operation and maintenance and working capital.
- Includes funds appropriated for procurement, RDT&E, and military construction.

Of the \$239 billion in defense obligations through June 2005 for all three missions, about \$160 billion is for Iraq, \$56 billion is for Afghanistan, and about \$24 billion for enhanced security (see **Table 2**). Using the latest figures, average monthly obligations are now running about \$7.1 billion, or about 11% higher than the previous year. The latest monthly average costs for FY2005 are about:

- \$5.9 billion for Iraq or 19% higher than last year;
- \$1.0 billion for Afghanistan or 8% lower than last year; and
- \$170 million for enhanced base security, or 47% lower than last year.

Since FY2003, the monthly average cost of operations in Iraq — including the cost of deploying, supporting and mounting military operations and “recapitalizing” the force — has increased from about \$4.4 billion to \$7.1 billion, a 33% increase. This increase reflects increases in military operations and support costs, higher personnel levels and more investment spending.

For the first five months of FY2005, the average number of military personnel in Iraq and Kuwait (which serves as the staging area for Iraq) was about 201,000 or about 23,000 above last year's average and about 66,000 above average levels in FY2003.<sup>15</sup>

Investment obligations — for buying upgraded systems, equipping additional modular units and replacing lost equipment — has increased by six-fold since FY2003 reflecting the lag time for procurement contracts as well as the growth in DOD's supplemental procurement request in FY2005.<sup>16</sup>

Compared to FY2004, Afghanistan's monthly military personnel costs this year are 14% higher but operating costs are 21% lower. For the first half of FY2005, the number of U.S. military personnel deployed to Afghanistan is over 20,000 troops, over 20% higher than the previous year.

Average monthly obligations for enhanced security have dropped off rapidly from about \$500 million in FY2003 to \$170 million in FY2005, the first year when these security expenses for defense installations are being funded in the services' regular budgets rather than through supplemental appropriations.

## Trends in War-related Spending Since 9/11

Since the 9/11 terrorist attacks, annual funding for defense and foreign and diplomatic operations for Iraq and Afghanistan and enhanced base security increased from about \$31 billion in the first year to \$108 billion in FY2005.<sup>17</sup> Initially, funding was dedicated primarily to operations in Afghanistan and enhanced security at DOD bases. With the Iraq invasion, the total jumped to about \$82 billion in FY2003 (including the \$7.1 billion in regular FY2003 funds) with most of the funds for military operations.<sup>18</sup>

In the next year, FY2004, total funding rose to \$92 billion with about \$71 billion dedicated to military operations and \$22 billion slated for reconstruction and other

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<sup>15</sup> Data from the Defense Manpower Data Summary, *Military Personnel by Country in Central Command, September 2001 - February 2005*. Kuwait had 4,500 military personnel in September 2001 and about 10,000 by November 2002, which increased rapidly with the buildup for the invasion of Iraq. These totals probably include about 5,000 to 10,000 headquarters military personnel in Kuwait.

<sup>16</sup> Procurement contracts generally are signed in the second year after funds are provided; thus obligations in FY2005 include contracts funded in previous years.

<sup>17</sup> This total excludes funding for disaster assistance to New York City, aid to the airlines, bioterrorism, and other assistance; see **Table 2** in CRS Report RL31187, *Combating Terrorism: 2001 Congressional Debate on Emergency Supplemental Allocations*, by Amy Belasco and Larry Nowels. See CRS Report RL31829, *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*, by Amy Belasco and Larry Nowels.

<sup>18</sup> In terms of spending, both the FY2001 and FY2002 supplementals were obligated in FY2002 because the terrorist attacks occurred at the end of FY2001. About \$3 billion of the FY2003 total was for foreign operations activities (see **Table 1**).

aid. Military spending accounted for 75% and foreign operations for 25% that year. Despite the end of major combat operations, the cost of military operations did not fall in FY2004 because of disorder following the invasion and insurgent attacks.

In FY2005, appropriations totaled about \$108 billion, split between about \$103 billion for DOD and \$5 billion for foreign operations activities. The further jump in defense costs reflects not only higher costs for both military operations and support costs but also DOD's request for about \$17 billion to upgrade equipment and equip the Army's new modular units, and \$7 billion to train Afghan and Iraqi security forces.<sup>19</sup> The total for F2006 will depend on the amount in a supplemental in addition to the \$45.3 billion in bridge funding just provided in the FY2006 Continuing Resolution, H.J.Res. 68 /P.L. 109-77.

## Defense Funding by Mission and By Year

To allocate budget authority by mission, CRS used DOD'S DFAS reports of obligations, distributed by the fiscal year when budget authority (BA) was appropriated (see **Table 3**). These figures differ from those in **Table 2** which measure spending at particular points in time and include BA from several fiscal years.<sup>20</sup> These figures may not match budget authority figures in **Table 1** because in some years, DOD obligated more funds than appropriated presumably by drawing on peacetime funds.<sup>21</sup>

Of the almost \$312 billion in funding for FY2001 through FY2005, \$281 billion or 90% is for DOD, and \$31 billion or 10% is for foreign operations activities including reconstruction, new embassies in Iraq and Afghanistan and other aid. Most of the funds over the past four years are for Iraq — 70% for DOD and 80% for foreign operations.

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<sup>19</sup> DOD received a total of \$102.7 billion in P.L. 108-287, its FY2005 regular appropriations bill, in bridge supplemental funds in Title IX and in the regular bill for enhanced security, and in P.L. 109-13, the FY2005 Supplemental; of those funds, about \$2 billion was obligated to meet FY2004 needs.

<sup>20</sup> BA appropriated in one fiscal year may be available for obligation for one or more years depending on the type of expense; for example, monies for military pay and benefits and operating costs generally must be obligated in the first year whereas funds to buy equipment, generally may be obligated within two years. Thus obligations in any year include BA that was appropriated in several years (see **Table 5**).

<sup>21</sup> DFAS reports generally identify the funding source for obligations, (i.e., the fiscal year appropriations) so CRS could tally obligations for each fiscal year. GAO's new report includes examples when BA and obligations do not match; see GAO-05-767, *Global War on Terrorism: DOD Should Consider All Funds Requested for the War When Determining Needs and Covering Expenses*, September 2005.

**Table 3. Budget Authority for Iraq, Afghanistan, and DOD Enhanced Security, FY2001-FY2005**

(CRS estimates in billions of dollars based on obligations<sup>a</sup>)

By mission and source of funds	FY2001/ FY2002 <sup>b</sup>	FY2002	FY2003	FY2004	FY2005	Total FY2001- FY2005
<b>Iraq</b>						
Department of Defense	2.5 <sup>c</sup>	0.0	48.0	59.1	80.5	190.1
Foreign Aid and Diplomatic Ops <sup>d</sup>	0.0	0.0	3.0	19.6	2.0	24.5
<b>Total: Iraq</b>	<b>2.5</b>	<b>0.0</b>	<b>51.0</b>	<b>78.7</b>	<b>82.4</b>	<b>214.6</b>
<b>Afghanistan</b>						
Department of Defense	8.8	8.4	16.3	13.0	20.0	66.5
Foreign Aid and Diplomatic Ops <sup>d</sup>	0.3	0.5	0.7	2.2	2.8	6.5
<b>Total: Afghanistan</b>	<b>9.1</b>	<b>9.0</b>	<b>17.0</b>	<b>15.1</b>	<b>22.8</b>	<b>73.0</b>
<b>Enhanced Base Security<sup>e</sup></b>						
Department of Defense	7.0	5.0	6.5	3.7	2.0	24.2
<b>Total: Enhanced Security<sup>e</sup></b>	<b>7.0</b>	<b>5.0</b>	<b>6.5</b>	<b>3.7</b>	<b>2.0</b>	<b>24.2</b>
<b>Total</b>						
Department of Defense	18.3	13.4	70.8	75.7	102.5	280.7
Foreign Operations <sup>d</sup>	0.3	0.5	3.7	21.7	4.8	31.0
<b>Total: all missions</b>	<b>18.6</b>	<b>14.0</b>	<b>74.5</b>	<b>97.5</b>	<b>107.3</b>	<b>311.7</b>

**Sources:** Foreign operations figures prepared with the help of CRS analyst Larry Nowels from CRS Report RL31311, *Appropriations for FY2003: Foreign Operations, Export Financing, and Related Programs*; CRS Report RL32311, *Appropriations for FY2005: Foreign Operations, Export Financing, and Related Programs*; CRS Report RL31406, *Supplemental Appropriations for FY2002: Combating Terrorism and Other Issues*; CRS Report RL32783, *FY2005 Supplemental Appropriations for Iraq and Afghanistan, Tsunami Relief, and Other Activities*, all by Amy Belasco and Larry Nowels.

**Notes:** Numbers may not add due to rounding.

- CRS calculations of allocations of budget authority and transfers from appropriated funds in each fiscal year based on Defense Finance Accounting Service reports of contractual obligations thru June 2005 and estimates of unobligated funds; see DOD's, *FY2005 Supp. Request*, Feb.2005; [[http://www.dod.mil/comptroller/defbudget/fy2006/fy2005\\_supp.pdf](http://www.dod.mil/comptroller/defbudget/fy2006/fy2005_supp.pdf)]. DOD has not provided a breakdown for each year. CRS treats \$25 billion in Title IX, FY2005 DOD appropriations Act as FY2005 funds because only \$1.8 billion was used to pay for FY2004 costs; these funds are formally scored by OMB and CBO as FY2004 because they could be used in that year. CRS allocates intelligence funds by mission. DOD does not track these funds.
- Includes funds provided in P.L. 107-38, the first emergency supplemental after 9/11, and funds allocated in P.L. 107-117, the FY2002 DOD appropriations.
- Includes \$2.5 billion obligated for Iraq using funds prior to FY2003 according to a DOD table.
- Foreign operations figures include monies for reconstruction, development and humanitarian aid, embassy operations, counter narcotics, initial training of the Afghan and Iraqi army, foreign military sales credits, and Economic Support Funds.
- Known as Operation Noble Eagle, these funds provide higher security at DOD bases, support combat air patrol, and rebuilding the Pentagon.

For the period FY2001 through FY2005, DOD received funding that totaled almost \$280 billion including about

- \$190 billion or 68% for Iraq;
- \$67 billion or 23% for Afghanistan; and
- \$24 billion or 9% for enhanced base security (Operation Noble Eagle).

**FY2002: Afghanistan, Enhanced Security, and Iraq Preparations.**

During FY2002, DOD received about \$31.7 billion in the first two supplementals that were passed in the first year after the terrorist attacks. The first supplemental provided funds to “respond to the terrorist attacks,” of September 11<sup>th</sup>, including “support of national security,” and the second supplemental provided funds “to continue the global war on terrorism and to ensure the readiness of U.S. military forces to support this and other missions in the months ahead.”<sup>22</sup> About \$17 billion of these funds were to carry out the war and occupation of Afghanistan and another \$12 billion to enhance security at defense installations, conduct 24 hour combat air patrol over New York and Washington, D.C., and reconstruct the Pentagon.<sup>23</sup>

In addition, DOD used about \$2.5 billion from funds appropriated in either the FY2001 and FY2002 supplementals for Afghanistan and the general war on terror for activities designed to prepare for the Iraqi war. This information is from a DOD table that lists monthly obligations for Iraq from the FY2003 and FY2004 supplementals and includes a footnote that an additional \$2.5 billion for Iraq was available from “prior year funds” (presumably P.L. 107-38, P.L. 107-117 or P.L. 107-206, the previous two supplementals). CRS could not obtain details on this spending.

Controversy about using funds from supplementals before FY2003 to prepare for the Iraq war erupted in the spring of 2004 with publication of the book *Plan of Attack*, by Bob Woodward. In that book, Woodward alleged that President Bush approved some 30 projects costing an estimated \$700 million to upgrade facilities and prepare for the Iraq war in the Central Command region that includes Iraq in the summer of 2002 before passage of Joint Resolution 107-243, which authorized the use of military force against Iraq.<sup>24</sup>

In testimony, Deputy Secretary of Defense Wolfowitz stated that DOD gave Central Command \$178 million to fund communications equipment, fuel supplies,

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<sup>22</sup> See P.L. 107-38 and Department of Defense, *FY2002 Supplemental Request to Continue the Global War on Terrorism*, March 2002, p. 2; [[http://www.dod.mil/comptroller/defbudget/fy2003/fy2002\\_supp.pdf](http://www.dod.mil/comptroller/defbudget/fy2003/fy2002_supp.pdf)].

<sup>23</sup> For more information, see CRS Report RL31187, *Combating Terrorism: 2001 Congressional Debate on Emergency Supplemental Allocations*, by Amy Belasco and Larry Nowels; and CRS Report RL31829, *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*, by Amy Belasco and Larry Nowels.

<sup>24</sup> Bob Woodward, *Plan of Attack* (New York: Simon & Schuster Paperbacks, 2004), pp. 136-137. See also “Bush Began to Plan War three Months After 9/11,” *Washington Post*, Apr. 19, 2004; and “Pentagon Funded Mideast Plans in Secret Prior to Iraq-War Vote,” *Wall Street Journal*, Apr. 22, 2004.

humanitarian rations and improvements to headquarters, “to strengthen our capabilities in the region or support ongoing operational requirements . . . [but that] No funding was made available for those things that had Iraq as the exclusive purpose.”<sup>25</sup> Deputy Secretary Wolfowitz argued that after the joint resolution of force was passed on October 25, 2002, “some \$800 million was made available . . . to support Iraq preparatory tasks.”<sup>26</sup>

Based on press reports and statements from members, it appears that at the time, there was little if any knowledge by Congressional appropriators about the amount or use of these funds to prepare for the Iraq war.<sup>27</sup> Most of the funds provided to DOD in the first and second supplementals were appropriated to the Defense Emergency Response Fund (DERF) which gave DOD broad discretion to allocate funds and required limited reporting to Congress. In its reports to Congress, DOD allocated large amounts of funding among general categories such as “Increased Situational Awareness,” (intelligence-related activities) and “Increased Worldwide Posture” (operational and readiness activities) rather than by mission or specific purpose.<sup>28</sup>

Although DOD has well-established rules for notifying Congress about transfers of funds, it is not clear that these rules would have covered funding provided in these general categories. Even in the case of funds provided in regular appropriation accounts, DOD would not necessarily have been required to inform Congress that funds were being used for Iraq rather than Afghanistan because funding is not appropriated by mission. Thus if funding was used for operating costs, it could arguably be used for any mission as DOD sees fit.

**FY2003: Iraq War Dominates.** In FY2003, DOD’s costs spiked from \$30 billion to about \$71 billion with almost \$50 billion dedicated to the Iraq war and occupation. Funding for Afghanistan dropped from \$17 billion in FY2002, the previous year, to about \$14 billion in FY2003. Funding for enhanced base security and other costs halved from \$12 billion to \$6.5 billion reflecting the end of one-time costs like Pentagon reconstruction (\$1.3 billion), the scaling back of combat air patrol (initially about \$1.3 billion), and presumably lower investment in base security (such as jersey barriers and sensor devices) as well as a decrease in the number of mobilized reserve personnel doing security duty.

**FY2004: Iraq Operations Continue, Others Decline.** In FY2004, total funds for DOD increased from \$70.4 billion to \$74.4 billion, reflecting a full year of

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<sup>25</sup> Testimony of Deputy Secretary of Defense Paul Wolfowitz before the Senate Armed Services Committee, Apr. 20, 2004, transcript, pp. 30- 31.

<sup>26</sup> Ibid, p. 31.

<sup>27</sup> “Pentagon Funded Mideast Plans in Secret Prior to Iraq-War Vote,” *Wall Street Journal*, Apr. 22, 2004; “Approps Delve into Woodward’s Claim on Iraq-afghan Cash,” *CQ Today*, Apr. 22, 2004 ; “Democrats Want to Know How Administration Used Anti-Terrorism Money,” *CQ Today*, Apr. 21, 2004.

<sup>28</sup> See, for example, OMB, Report on the Expenditure of Emergency Response Funds, February 2003; [[http://www.whitehouse.gov/omb/legislative/erfreports/erf2\\_2003.pdf](http://www.whitehouse.gov/omb/legislative/erfreports/erf2_2003.pdf)].

operations in Iraq and lower costs for Afghanistan. Iraq costs rose by 16% from about \$49.8 billion to almost \$57.9 billion while Afghan costs fell by 10% from \$14.4 billion to \$12.9 billion. The cost of enhanced security was again almost halved, dropping from \$6.5 billion in FY2003 to \$3.7 billion in FY2004.

Despite the end of “major combat operations,” after the invasion in 2003, DOD’s operating support costs were higher than in the previous year, reflecting a full year’s cost in Iraq, increases in the number of deployed personnel, and a more than doubling in DOD’s base support costs, which increased from \$3.9 billion to \$9.4 billion as DOD set up more permanent support facilities for troops. Monthly personnel costs in were considerably higher in Iraq and level in Afghanistan.<sup>29</sup>

**FY2005: Iraq Insurgency Intensifies, Procurement Costs Grow.** In FY2005, the cost of war-related operations is likely to jump again to over \$100 billion, reflecting the continued intensity of U.S. military operations in the face of insurgent attacks, \$7 billion to train Afghan and Iraqi forces (funded by State in the previous year), and a trebling of investment funds from the previous year. Investment funds are slated to increase from \$6.4 billion in FY2004 to \$19.1 billion in FY2005 and are, according to DOD, to “reset” and “recapitalize” the force. That includes equipping new, smaller modular units, upgrading equipment for deploying units, and carrying out \$1 billion in military construction projects in theater.<sup>30</sup>

CRS estimates that the FY2005 funds will be split between about \$80 billion for Iraq and \$20 billion for Afghanistan assuming that investment monies are split proportionately between the two missions. Since funding for enhanced base security is no longer included in supplemental appropriations, DOD is providing about \$2.1 billion in its regular FY2005 appropriations or roughly half of the amount in FY2004.

**FY2006: \$45 billion in Bridge Funding, Total Unknown.** In H.J.Res. 68/P.L. 109-77, Congress endorsed the \$45.3 billion in “bridge” funding that was included in the House-passed version of the FY2006 regular DOD appropriations bill (H.R. 2863) and was intended to cover the first six months of FY2006 or until the Administration submits a FY2006 supplemental.<sup>31</sup> The Administration has not yet requested any war-related funding for FY2006 but did not object to congressional action adding funds to the regular FY2006 DOD appropriations bill.

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<sup>29</sup> Defense Finance Accounting Service, *Consolidated Department of Defense Terrorist Response Cost Report*, Sept. 30, 2003, p. 62 and Sept. 30, 2004 (FY2004 Supplemental Appropriation), p. 50.

<sup>30</sup> See **Table 3** in CRS Report RL32090, *FY2004 Supplemental Appropriations for Iraq, Afghanistan, and the Global War on Terrorism: Military Operations & Reconstruction Assistance*, by Stephen Daggett, Larry Nowels, et al.; and **Table 1** in CRS Report RL32783, *FY2005 Supplemental Appropriations for Iraq and Afghanistan, Tsunami relief, and Other Activities*, by Amy Belasco and Larry Nowels, for figures for procurement, RDT&E, and military construction, which together make up investment.

<sup>31</sup> H.J. Res 46, P.L.109-77 provides that if only one house has completed action as of October 1, 2005, agencies will receive that amount; see Sec. 101 (c) (2); as of Oct. 1, only the House had passed the FY2005 DOD appropriations bill (H.R. 2863), which provided \$45.3 billion in Title IX for war costs.

## Foreign Operations Activities Funding To Date

Of the \$31 billion provided for foreign aid and diplomatic operations through FY2005, some \$24.4 billion or about 80% is for Iraq and \$5.7 billion or 20% for Afghanistan (see **Table 4**). Funding for reconstruction makes up one-half of the funds for Afghanistan and two-thirds of the funds for Afghanistan (see **Table 4**). The next largest category is training of security forces, which accounts for 21% of Iraq's total and 18% of Afghanistan's total.

In the case of Iraq, constructing and operating its embassy accounts for another 9%, and in the case of Afghanistan 1%. Other foreign assistance activities — ranging from counter narcotics to governance — make up 2% of Iraq's total and 23% of Afghanistan's total. Funding operating expenses of the Coalition Provisional Authority in Iraq accounts for the remainder.

**Table 4. Allocation of Foreign and Diplomatic Funds, FY2001-FY2005**

(in billions of dollars and as percent of total)

Activity	Iraq		Afghanistan	
	Funding	Percent of total	Funding	Percent of total
Reconstruction <sup>a</sup>	\$15.9	65%	\$2.8	49%
Training Security Forces	\$5.0	21%	\$1.0	18%
New Embassies	\$2.1	9%	\$.1	1%
Coalition Provisional Authority, operating expenses	\$1.0	4%	NA	NA
Foreign Aid programs <sup>b</sup>	\$.4	2%	\$1.3	23%
Economic Support Fund and Military Aid	\$0	0%	\$.6	11%
<b>Total</b>	<b>\$24.4</b>	<b>100%</b>	<b>\$5.7</b>	<b>100%</b>

**Source:** CRS reports summarizing public laws and Congressional reports.

**Note:** Numbers may not add due to rounding.

a. Excludes training of security forces.

b. Foreign aid include counter narcotics, anti-terrorism, law enforcement, disaster assistance and other programs.

To get a complete picture of the funding for training security forces and operating expenses for the Coalition Provisional Authority, funds from both DOD and State need to be counted. In the FY2005 supplemental, DOD received \$5.7 billion to train Iraq security forces bringing the total provided thus far to about \$10.7 billion. The Coalition Provisional Authority was originally funded in DOD and later transferred to the State Department in FY2003.<sup>32</sup>

<sup>32</sup> For more information, see CRS Report RL31833, *Iraq: Recent Developments in* (continued...)

## Assessing and Predicting War-Related Costs

Tracking DOD's war-related funding is difficult because of gaps and inconsistencies that sometimes make it problematic to reconstruct costs by mission over time. There is also no consistent record of DOD's initial plans against which to measure later costs. These problems are exacerbated by the fact that DOD generally mixes peacetime and wartime funds in the same accounts, and does not use standard budget categories.

For the same reason, DOD has only spotty data on war-related outlays — or actual spending at specific points in time — which would help DOD to predict costs without the vagaries of monthly obligations where costs go up and down depending on when particular contracts are signed. DOD's main tool for tracking war-related funding is the monthly report of obligations from the Defense Finance Account Service, which uses a set of expense categories that do not match standard appropriation accounts, and which rely on the military services to allocate costs, an area of concern for GAO.<sup>33</sup>

### Effects of Limitations in DOD's Reporting

These limitations in DOD cost reporting are not simply a matter of record keeping because costs in previous years are used as benchmarks to estimate future costs. Congress also has limited information from DOD about the cost drivers for operations in Iraq and Afghanistan, which makes it more difficult to assess DOD's requests for additional funds, to estimate long-term costs, to take war-related expenses into account when reviewing DOD's peacetime budget, and to estimate effects on the federal deficit.

In addition to DFAS reports, DOD also uses a cost model to build its requests for the incremental costs associated with war-related operations (e.g., transportation costs, special duty pay, operational costs). DOD has not been willing to share the assumptions used in its model for projecting costs, such as personnel levels, deployment plans, or the basis for support costs. Without that information, it is difficult to estimate, for example, how costs would change as U.S. force levels fall or how average costs decrease over time as fixed costs are covered.

The model also does not capture savings on the peacetime side from exercises or personnel moves or depot maintenance that are deferred because forces are deployed, which means that DOD's requests have generally overstated the *additional cost* of war-related operations. Recently, DOD has made some adjustments in its supplemental requests to reflect some of these savings.

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<sup>32</sup> (...continued)

*Reconstruction Activities*, by Curt Tarnoff.

<sup>33</sup> GAO found that there were gaps in DOD's financial regulations directing the services to report incremental obligations for operations to DFAS; see vol. 12, chap. 23, "Contingency Operations." See [<http://www.defenselink.mil/comptroller/fmr/>]; Obligations reflect the amount of signed DOD contracts rather than *outlays*, the actual amounts spent.

## Comparing DOD Plans and Obligations

A comparison of DOD initial plans or forecasts with obligations incurred shows how accurately DOD has anticipated war-related costs (see **Table 5**). Figures for DOD's plans are from various DOD sources while obligations data are from the DFAS reports. Overall, DOD's obligations exceeded its plan by \$9.7 billion or about 3.5% of the \$269.7 billion planned, which, at first blush, appears to be a fairly accurate record particularly given all the uncertainties of military operations. In the case of some individual years and missions, however, the gap widens.

The differences between plans and obligations for the funds provided immediately after the 9/11 attacks (P.L. 107-38 and P.L. 107-117) may not be very revealing because funds were allocated as operations proceeded. For the second supplemental, passed after the Afghan war was over, obligations for Afghanistan proved to be lower than expected — coming in at \$8.4 billion, about one-third less than the \$12.5 billion planned (see **Table 5**). This unexpected surplus may have made it easier for DOD to shift funds to prepare for the war in Iraq. On the other hand, DOD greatly underestimated the amounts that were ultimately spent on enhanced security at defense bases, which were expected to be \$1.5 billion and turned out to be \$5.0 billion (see **Table 5**).

In FY2003, the second year of operations in Afghanistan, DOD continued to overestimate the cost of Afghanistan, which prompted Congress to rescind funds provided in the FY2003 supplemental.<sup>34</sup> The estimate for the first year of Iraq operations proved to be quite accurate.

The most problematic year, however, was FY2004 when obligations exceeded the plan by about \$10 billion or 15% with costs running higher than expected in Afghanistan (by \$1.9 billion), Iraq (by \$6.7 billion) and enhanced security (\$1.5 billion). Beginning in the spring of 2004, concerns were raised that the Army was likely to run short of funds for 2004. To meet these unanticipated expenses, up to \$10 billion in funds were transferred from peacetime accounts. In addition, by May 5, 2005, in response to Congressional pressures, the Administration submitted the first “bridge” supplemental request, which provided funds that were available to cover the remainder of the Army's shortfall in FY2004.<sup>35</sup>

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<sup>34</sup> Congress rescinded \$3.5 billion in P.L. 108-87, which is larger than the \$2 billion difference in **Table 3**; DOD presumably transferred other funds to make up the difference.

<sup>35</sup> House Armed Services Committee, Testimony by General Myers, *Iraq's Transition to Sovereignty*, Apr. 21, 2004, p. 19; Federal News Service; “DOD to Submit \$25B Supplemental,” *Congress Daily*, May 5, 2004, “DOD to Offer Omnibus reprogramming of Up to \$2.5 Billion in FY'04,” *Defense Daily*, June 3, 2004; CRS Report RL32381, *Adequacy of Army's FY2004 Funding for Iraq*, by Amy Belasco; U.S. Government Accountability Office, *Fiscal Year 2004 Costs for the Global War on Terrorism Will Exceed Supplemental, Requiring DOD to Shift Funds from other Uses*, GAO-04-915, July 23, 2004.

**Table 5. DOD's Plans vs. Obligations By Mission,  
FY2001-FY2005**  
(in billions of dollars)

Mission/Funding source	FY2001 & FY2002	FY2002 Supp.	FY2003	FY2004	FY2005 estimates	Total FY01-FY05
<b>Iraq</b>						
Plan	0.0	0.0	49.2	51.1	82.5	182.9
Obligations	2.5	0.0	49.8	57.9	80.5	190.6
<i>Obs vs. Plan</i>	<i>2.5</i>	<i>0.0</i>	<i>.6</i>	<i>6.7</i>	<i>-2.0</i>	<i>7.7</i>
<b>Afghanistan</b>						
Plan	12.4	12.5	17.0	11.0	17.1	70.0
Obligations	8.8	8.4	14.4	12.9	20.0	64.5
<i>Obs vs. Plan</i>	<i>-3.6</i>	<i>-4.1</i>	<i>-2.6</i>	<i>1.9</i>	<i>2.9</i>	<i>-5.4</i>
<b>Enhanced Security &amp; Other<sup>a</sup></b>						
Plan	4.6	1.5	6.5	2.2	2.1	16.8
Obligations	7.0	5.0	6.5	3.7	2.1	24.2
<i>Obs vs. Plan</i>	<i>2.4</i>	<i>3.5</i>	<i>0</i>	<i>1.5</i>	<i>0.0</i>	<i>7.4</i>
<b>Total</b>						
Plan	17.0	14.0	72.6	64.4	101.7	269.7
Obligations	18.3	13.4	70.6	74.4	102.6	279.4
<i>Obs vs. Plan</i>	<i>1.4</i>	<i>-0.6</i>	<i>-2.0</i>	<i>10.0</i>	<i>0.9</i>	<i>9.7</i>

**Sources:** CRS calculations based on DOD data, congressional reports and DOD briefings.

**Notes:** Figures for plans reflect DOD obligation forecasts, budget requests, and estimates for FY2005 in Section 9012 report required by P.L. 108-287. CRS allocated \$17.5 billion in intelligence funding for FY2001-FY2005 between Afghanistan and counter terrorism and Iraq; DOD does not track this funding. Obligations data is from monthly reports of the Defense Finance and Accounting Service and other DOD documents.

a. Known as Operation Noble Eagle, includes higher security at DOD bases, combat air patrol in the U.S., and rebuilding of the Pentagon.

In FY2005, DOD's forecast is \$900 million below the plan because it does not include a Congressional add of \$900 million. Although DOD has sufficient funds overall for this fiscal year, the Army is having difficulty in meeting higher-than-anticipated operating costs because their funding is the same amount as was obligated in FY2004 and monthly obligations are running higher this year. DOD has again transferred from other accounts to cover these costs, and requested that these funds be restored at a later date.

## Future War Costs

The Administration has argued that it cannot provide Congress with estimates of future funding for Iraq and Afghanistan because "it is impossible to estimate the costs of military operations over fiscal years 2006 to 2011 with any degree of precision." Although the statute requires a written certification that a waiver of this requirement was necessary because of national security, the Administration did not

provide one.<sup>36</sup>

The Administration did not request any funds for military operations in FY2006 although it has not objected to the Congressional decision to include a “bridge” supplemental in H.R. 2863, the FY2006 DOD appropriations bill, to cover the first six months of war costs. The House-passed version of H.R. 2863, the FY2006 DOD Appropriations bill, includes \$45.2 billion and the Senate-reported version includes \$50 billion but more funding will be needed to cover the rest of FY2006. H.J.Res. 68/P.L. 109-77, a FY2006 continuing resolution signed by the President on September 30, 2005, includes the House-passed level of \$45.3 billion for DOD’s war costs since only the House had completed action as of October 1, 2005.

**CBO’s Estimate of Future War Costs.** In February 2005, CBO estimated that operations in Iraq and Afghanistan could cost about \$260 billion between FY2006 and FY2010 assuming a gradual draw down that would begin in FY2007. That estimate includes

- \$85 billion for FY2006, about \$15 billion below the FY2005 level;
- \$65 billion in FY2007;
- \$50 billion in FY2008;
- \$35 billion in FY2009; and
- \$25 billion in FY2010.

In this estimate, force levels drop gradually from the current level of about 300,000 — including all forces deployed, training or backfilling in or in support of Iraq, Afghanistan, and enhanced security missions — to 74,000.<sup>37</sup> Figures that are typically reported by the press or DOD witnesses include only troops deployed in-country.

If Congress appropriates about \$85 billion for DOD’s cost for Iraq and Afghanistan in FY2006 (the CBO estimate), then the total would reach \$365 billion. Combining the long-term CBO estimate with funds provided through FY2005 would bring total DOD costs through 2010 to about \$540 billion.

The CBO estimate for FY2006 appears to be roughly consistent with current obligations reports which suggest operating costs could total about \$70 billion, assuming the latest monthly average of about \$5.8 billion (see **Table 2**). If investment costs are about \$15 billion, assuming \$5.0 billion for new modular units and \$10 billion for more new equipment, DOD’s FY2006 war costs could reach about \$85 billion as CBO estimated.

**Factors Driving War Costs.** There has been much disagreement about the likely duration of U.S. involvement in Iraq and Afghanistan. The size of the FY2006

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<sup>36</sup> Section 9012, P.L. 108-287 report to Congress, “Letter from Director of OMB Joshua B. Bolten to Speaker of the House J. Dennis Hastert,” May 13, 2005. See Sec. 9012, P.L. 108-287 for requirements for a waiver.

<sup>37</sup> U.S. Congressional Budget Office, *Estimate of War Spending, FY2005-FY2015*, Feb. 1, 2005, [<http://www.cbo.gov/ftpdocs/60xx/doc6067/02-01-WarSpending.pdf>].

supplemental will depend not only on the number of troops deployed and the intensity of operations but also the scope of investment in new and upgraded equipment and future military construction plans. Although some military spokesmen suggested recently that force levels in Iraq could fall next year, in his final testimony as Chair of the Joint Chiefs of Staff, Myers remained cautious about cuts in troops in FY2006 as did Commander of Multinational Forces, General Casey.<sup>38</sup>

Even if troop cuts in FY2006 are modest, there could be some savings, and troop cuts in FY2007 are said to be likely. DOD could provide Congress with estimates of costs based on various troop levels at particular points in time. If Congress continues to include substantial investment monies and funds to train Afghan and Iraq security forces, future supplementals may remain high. Of the \$17 billion received by DOD for procurement in the FY2005 Supplemental, \$1.3 billion was to replace lost equipment with the remainder for buying upgraded and additional equipment for deploying units and for the new smaller modular units that are being created by the Army, some of which may deploy to Iraq.<sup>39</sup>

The next supplemental is considered likely to include another \$5 billion to equip additional modular units, which DOD witnesses contend should be financed by a supplemental because the new units would extend the time between deployments and thus reduce stress on troops. A recently-published RAND study found, however, that the Army's modularity initiative would do little to increase the time at home between deployments for the heavy units that are currently most needed for wartime operations.<sup>40</sup> Requests for equipment for additional modular units are to be included in the regular budget starting in FY2007.<sup>41</sup>

Some have suggested that DOD may face large war-related costs for depot maintenance because of wartime operating tempo. While many Army systems, like the 37,000 light trucks in theater, are being operated at higher rates than peacetime, wartime usage rates are still modest compared to civilian levels according to a recent DOD study. For example, trucks are being driven 500 miles a month in Iraq, about three times the peacetime rate, but not a high rate by civilian standards. Equipment in theater is also being maintained at high levels, which may help equipment to last despite demanding conditions. That study suggests that future depot maintenance could run about \$600 million to \$900 million, and replacing prepositioned equipment used in Iraq and Afghanistan could require about \$4 to \$5 billion. To some extent, maintenance costs that are funded now will reduce costs later.

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<sup>38</sup> Senate Armed Services Committee, *Hearing on U.S. Military Strategy and Operations in Iraq*, Sept. 29, 2005; "Top General Downplays Troop Cuts," *Washington Times*, Aug. 27, 2005.

<sup>39</sup> Department of Defense, *FY2005 Supplemental Request for Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF), and Operation Unified Assistance*, Feb. 2005, p. 23, [[http://www.dod.mil/comptroller/defbudget/fy2006/fy2005\\_supp.pdf](http://www.dod.mil/comptroller/defbudget/fy2006/fy2005_supp.pdf)].

<sup>40</sup> *Stretched Thin: Army Forces for Sustained Operations*, RAND, fig. 2.2, pp. 23-24, May 15, 2005.

<sup>41</sup> See *Program Decision Memorandum 753*, Dec. 23, 2004, p. 2.

**Potential Foreign Operations Costs in FY2006.** The Administration included some but not all likely foreign operations costs for Iraq and Afghanistan in its regular FY2006 appropriation requests. The FY2006 budget requests \$920 million for Afghanistan for reconstruction, law enforcement and counter narcotics and \$414 million for Iraq for democracy, governance, and reconstruction, but did not include funds to operate the new embassies.<sup>42</sup>

Operating costs for the new embassies are anticipated to be about \$1.2 for Iraq and about \$60 million for Afghanistan in FY2006.<sup>43</sup> The State Department estimates that it will need about \$850 million more for both embassies in FY2006 after using other available funds. Total foreign and diplomatic operations costs for those two countries could total about \$2.2 billion in FY2006, with about \$1.2 billion going to Iraq and \$1.0 billion to Afghanistan.<sup>44</sup>

These estimates do not include additional reconstruction monies for Iraq. Of the \$21 billion received thus far, State has obligated about \$16.8 billion or an average of about \$800 million a month over the past year. If that rate continues, the remaining \$4 billion would be obligated by March of 2006. With limited funds from other donors, the Administration could face pressure to include additional reconstruction monies in a FY2006 supplemental.

**Potential Total War Funding For FY2006.** Based on the \$45 billion in the continuing resolution for FY2006 (H.J.Res. 68/P.L. 109-77), funding for Iraq, Afghanistan, and enhanced base security since the 9/11 attacks totals about \$357 billion. If these funds are split in the same way as in FY2005, about \$251 billion would be for Iraq, \$82 billion for Afghanistan, and \$24 billion for enhanced base security.

Using CBO's \$85 billion estimate for DOD, \$2.2 billion for State/USAID, and \$2 billion in DOD's regular bill for base security, funding from the 9/11 attacks through FY2006 may total about \$401 billion. If past experience is a guide, about \$284 billion will be for Iraq, \$91 billion for Afghanistan and \$26 billion for enhanced base security. Based on CBO's long-term estimate, total war costs for both DOD and State could total about \$570 billion from the 9/11 attacks through FY2010.

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<sup>42</sup> CRS Report RL32919, *Foreign Operations (House)/State, Foreign Operations, and Related Programs (Senate): FY2006 Appropriations*, by Larry Nowels and Susan B. Epstein.

<sup>43</sup> State Department estimates are about \$790 million for Iraq and \$60 million for Afghanistan; conversation with budget officials in September 2005.

<sup>44</sup> Embassy operating costs included in the FY2005 supplemental were \$690 million for Iraq and \$60 million Afghanistan.