



John Spratt,
Chairman

U.S. HOUSE OF REPRESENTATIVES

COMMITTEE ON THE BUDGET

207 Cannon House Office Building, Washington, DC 20515 (202) 226-7200 ★ www.budget.house.gov

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Budgeting for War Costs

I thought you might be interested in the House Budget Committee's first hearing held last week on "Budgeting for War Costs." We held the hearing to get a better grasp of the cost of the Iraq war and the global war on terrorism – an accounting for costs to date and a projection of costs to come, and to explore ways to budget for these costs to avoid recurring supplementals and the usual dispensations for "emergency spending" that complicate our efforts to balance the budget.

Deputy Secretary of Defense Gordon England, Under Secretary of Defense (Comptroller) Tina Jonas, and Vice Chairman of the Joint Chiefs of Staff Admiral Edmund Giambastiani testified before the Committee. Also testifying was a second panel consisting of Robert Sunshine from the Congressional Budget Office, and Steven Kosiak from the Center for Strategic and Budgetary Assessments. Below are some highlights from the hearing.

More than \$500 Billion Provided So Far — Since 2001, Congress has provided more than \$500 billion for military and reconstruction operations in Iraq and Afghanistan, and for enhanced security at military installations in the United States. According to the Congressional Research Service, roughly \$379 billion of this amount has been provided for operations in Iraq.

Administration May Request \$170 Billion for 2007 — The 2007 defense appropriations bill provided a \$70 billion "bridge" to finance operations in Iraq and Afghanistan for only half of this fiscal year. The Administration will soon submit another emergency supplemental request to finance operations for the remainder of the year. It has been reported that the Administration might ask for another \$100 billion, which would bring the total for 2007 to \$170 billion. This amount marks a \$50 billion increase over the amount provided for 2006.

2007 Increase May Cover Costs Not Related to the War — Deputy Secretary England sent a letter to the military services last fall allowing them to request supplemental funding related to the "overall efforts related to the global war on terror," not just those costs directly related to Operation Iraqi Freedom and Operation Enduring Freedom (Afghanistan). This guidance seemingly allows the services to justify a very broad range of requests as being for the war. It has been reported that the Department of Defense's (DoD) supplemental request includes funding to procure new F-35 Joint Strike Fighters, a new generation tactical aircraft with little application in Iraq and Afghanistan and one that won't even be in service for several years. When questioned, Deputy Secretary England did not rule out the possibility that the supplemental will include this controversial item.

Funding Wars Through Supplementals Has Been Problematic — Virtually all of the \$500 billion provided for war operations since 2001 has been provided through supplemental and emergency funding measures. Using supplemental appropriations has been a problem for several reasons: one, it has required the military to divert funds from regular accounts to pay for war costs until a supplemental is enacted, with adverse effects on readiness; and two, it has allowed the

Administration and Congress to circumvent tough choices in the budget by keeping emergency spending effectively “off-budget.” The result is larger deficits.

21,500 Troop Surge to Cost \$5.6 billion — The Administration estimates its plan to bolster troop levels in Iraq by 21,500 troops will cost \$5.6 billion for the year. This estimate includes \$3.1 billion for Army deployments, \$2.4 billion for Navy ship deployments, and \$100 million for Marine Corps deployments.

Administration To Submit Full-Year War Funding for 2008 — Deputy Secretary England testified that the Administration’s 2008 defense budget will comply with section 1008 of the 2007 defense authorization bill and include funding to finance the war in Iraq and the global war on terrorism for the entire year. This will be the first time the Administration has included funding for an entire year’s worth of war operations in its regular budget request.

Costs over the Long Term — To date, the Administration has not provided any estimate of future war costs. However, the Congressional Budget Office (CBO) calculated war costs under two possible scenarios: one, where deployed forces in the Iraq and Afghanistan theaters would decline from 225,000 – the number to be deployed this year – to a steady-state level of 30,000 by 2010; and a second, where deployed forces in both theaters would decline from 225,000 to a steady-state level of 75,000 by 2013. Based on these two scenarios, future war operations would cost between \$452 billion and \$899 billion from FY 2007 through FY 2017, increasing total war costs to between \$955 billion and \$1.4 trillion. Assuming Iraq costs continue to be around 85 percent of total war costs through the ten-year budget window, Iraq costs under these two scenarios would total between \$763 billion and \$1.1 trillion by 2017.