



April 16, 2007

Honorable Carl Levin
Chairman
Committee on Armed Services
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

At your request, the Congressional Budget Office (CBO) has estimated the potential cost of the Administration's proposal to increase the number of active-duty military personnel in the Army and the Marine Corps. Relative to long-term personnel levels recommended in the most recent Quadrennial Defense Review (QDR), the plan would increase the size of the active-duty Army by 65,000 personnel and the Marine Corps by 27,000 personnel. The Administration is also recommending a combined increase of 9,200 Army Reserve and National Guard personnel and is planning to reallocate additional military personnel from overhead functions to the operational force. CBO estimates that implementing the Administration's plan would cost about \$108 billion more, over the 2007–2013 period, than maintaining the force levels recommended in the QDR.

Relative to personnel levels authorized by the John Warner National Defense Authorization Act for Fiscal Year 2007 (Public Law 109-364), the proposed personnel increases are smaller, representing an additional 35,000 personnel for the Army and 22,000 for the Marine Corps. The increase for the Army Reserve and National Guard would be larger, representing an increase of about 14,200 personnel. When compared with the personnel levels authorized by that law, the Administration's plan would cost about \$65 billion over the 2007–2013 period, CBO estimates.

The attached report provides additional detail on CBO's analysis. The CBO staff contacts for this analysis are Matt Schmit (military personnel), Jason Wheelock (operation and maintenance, procurement), and David Newman (military construction and family housing).

Sincerely,

A handwritten signature in black ink that reads "Peter R. Orszag".

Peter R. Orszag

Attachment

Identical letter sent to the Honorable John McCain.

Estimated Cost of the Administration's Proposal to Increase the Army's and the Marine Corps's Personnel Levels

April 16, 2007

Congress of the United States
Congressional Budget Office



Notes

Unless otherwise indicated, all years referred to in this analysis are federal fiscal years (which run from October 1 to September 30).

Numbers in the text and tables may not add up to totals because of rounding.

Summary

In January 2007, the Administration announced plans to permanently increase the size of the active-duty Army to 547,400 personnel and the Marine Corps to 202,000 over the next five years. The Administration also plans to increase the size of the Army Reserve and National Guard. The cost of the Administration's proposal to increase the size of the armed forces depends on the personnel levels it is being measured against.

The 2006 Quadrennial Defense Review (QDR) and other long-term planning documents issued by the Department of Defense (DoD) recommended an end strength of 482,400 personnel for the Army and 175,000 for the Marine Corps.^{1,2} Relative to those levels, the Administration's plan represents an increase of 65,000 and 27,000 personnel for the Army and Marine Corps, respectively (see Table 1). The combined increases for the Army Reserve and National Guard would total about 9,200 personnel. The plan also encompasses initiatives to reallocate military personnel from overhead functions to the operational force.

To support operations in Iraq and Afghanistan and to facilitate the reorganization of their forces, the Army and the Marine Corps are currently exceeding the personnel levels specified in the QDR through the use of authorities provided by the Congress in title 10 of the U.S. Code. In addition, the John Warner National Defense Authorization Act for Fiscal Year 2007 (2007 NDAA) authorizes end strengths of 512,400 personnel for the Army and 180,000 for the Marine Corps. The Administration's plan would exceed those authorized levels by 35,000 personnel for the Army and 22,000 for the Marine Corps. Personnel strength for the Army Reserve and National Guard would increase by a total of 14,200 relative to levels authorized by that law.

At the request of the Chairman and Ranking Member of the Senate Armed Services Committee, CBO has estimated the costs of the Administration's plan relative to (1) the force levels recommended in the QDR and (2) the force levels authorized in the 2007 NDAA. Over the 2007–2013 period, the Administration's plan would require about \$108 billion more in funding than the personnel levels specified in the QDR, CBO estimates.³ Of that amount, the additional costs to the

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1. Military personnel levels are often expressed in terms of "end strength," which is the maximum number of personnel each of the military services is authorized to have on the last day of the fiscal year (September 30).
 2. The Quadrennial Defense Review, mandated by 10 U.S.C. 118, requires the Secretary of Defense to complete a report every four years that examines national defense strategy, force structures, force modernization plans, and a budget plan for the next 20 years. The recommendations of the QDR are used for the Future Years Defense Program, which is a six-year budget plan. The most recent QDR was released on February 6, 2006.
 3. All cost estimates in CBO's analysis are expressed in terms of budget authority and have been projected through 2013 to correspond with cost estimates by the Department of Defense.

Table 1. Estimated Cost of the Administration's Proposal to Increase the Army's and the Marine Corps's Personnel Levels, by Fiscal Year

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total, 2007- 2013 |
|--|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------------|
| Relative to Personnel Levels in the Quadrennial Defense Review | | | | | | | | |
| Net Increase in End Strength | | | | | | | | |
| Army | 36,000 | 43,000 | 50,000 | 57,000 | 64,000 | 65,000 | 65,000 | |
| Army Reserve and National Guard | 0 | 1,319 | 2,566 | 3,901 | 5,333 | 6,820 | 9,211 | |
| Marine Corps | 9,000 | 14,000 | 19,000 | 24,000 | 27,000 | 27,000 | 27,000 | |
| Incremental Cost (Billions of dollars of budget authority) | | | | | | | | |
| Army | 4.5 | 9.5 | 12.1 | 12.9 | 11.2 | 10.0 | 9.4 | 69.6 |
| Army Reserve and National Guard | 0 | 0.8 | 1.0 | 1.1 | 1.3 | 1.5 | 0.9 | 6.7 |
| Marine Corps | <u>2.2</u> | <u>4.1</u> | <u>5.3</u> | <u>5.7</u> | <u>5.9</u> | <u>5.0</u> | <u>3.5</u> | <u>31.7</u> |
| Total | 6.6 | 14.5 | 18.3 | 19.7 | 18.5 | 16.4 | 13.9 | 107.9 |
| Relative to Personnel Levels in the John Warner National Defense Authorization Act for Fiscal Year 2007 | | | | | | | | |
| Net Increase in End Strength | | | | | | | | |
| Army | 6,000 | 13,000 | 20,000 | 27,000 | 34,000 | 35,000 | 35,000 | |
| Army Reserve and National Guard | 0 | 6,319 | 7,566 | 8,901 | 10,333 | 11,820 | 14,211 | |
| Marine Corps | 4,000 | 9,000 | 14,000 | 19,000 | 22,000 | 22,000 | 22,000 | |
| Incremental Cost (Billions of dollars of budget authority) | | | | | | | | |
| Army | 0.8 | 3.5 | 5.1 | 6.0 | 5.7 | 5.4 | 5.1 | 31.7 |
| Army Reserve and National Guard | 0 | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | 1.1 | 7.7 |
| Marine Corps | <u>1.5</u> | <u>3.2</u> | <u>4.1</u> | <u>4.6</u> | <u>4.8</u> | <u>4.1</u> | <u>2.9</u> | <u>25.2</u> |
| Total | 2.3 | 7.6 | 10.3 | 12.0 | 12.1 | 11.2 | 9.2 | 64.6 |

Source: Congressional Budget Office.

Army would be about \$70 billion and to the Marine Corps, about \$32 billion. The Army Reserve and National Guard would incur additional costs of about \$7 billion over that same period under the Administration's plan.

Those estimates include costs for military personnel, health care, operation and maintenance, procurement, and military construction and family housing. They also include about \$6 billion to reallocate existing personnel from overhead functions to the operational force. CBO included only those costs that would be provided in annual appropriations for the Department of Defense. Potential costs

that could be incurred by agencies such as the Department of Veterans Affairs (VA), the Department of Education, and the Department of Labor, which would be relatively small in the near term, are not included.

Those figures are slightly lower than cost estimates prepared by DoD. The department's preliminary estimate of the cost to the Army (including the Reserve and National Guard) is about \$4 billion higher than CBO's estimate; DoD's estimate of the cost for the Marine Corps is roughly the same as CBO's projection.

Compared with personnel levels authorized by the John Warner National Defense Authorization Act for Fiscal Year 2007, the Administration's plan would require additional funding of \$65 billion over the 2007–2013 period, CBO estimates. Of that amount, the Army and the Marine Corps would incur additional costs of about \$32 billion and \$25 billion, respectively. The additional costs to the Army Reserve and National Guard would be about \$8 billion.

Proposed Personnel Increases

As requested by the Chairman and Ranking Member of the Senate Armed Services Committee, CBO estimated incremental costs relative to two alternative personnel levels: those recommended by the 2006 Quadrennial Defense Review and those authorized by the John Warner National Defense Authorization Act for 2007.

Increases Relative to the Quadrennial Defense Review

The QDR recommended permanent end-strength levels of 482,400 personnel for the Army and 175,000 for the Marine Corps—the same levels as those that were authorized prior to September 11, 2001.⁴ The Administration plans to increase the size of the active Army to 518,400 personnel by the end of 2007 (see Table 2). An additional 7,000 personnel would then be added each year until end strength reached 547,400 personnel by 2012, or about 65,000 more than the level proposed by the QDR. In addition, the Administration's plan would increase the Marine Corps's end strength to 184,000 personnel by the end of 2007.⁵ The Marine Corps would then add about 5,000 personnel per year until it reached its proposed end

4. References to active-duty personnel levels in this analysis apply only to those personnel who are part of the active military components during both peacetime and war. Unless expressly stated, the figures do not include reservists activated to support global military operations or reservists that serve in a full-time capacity.

5. As of February 28, 2007, DoD's data showed the number of personnel in the active Army and Marine Corps as being 507,350 and 179,640, respectively. Although recruitment tends to increase during the summer months, the Army and Marine Corps will face significant challenges in meeting their year-end goals of 518,400 and 184,000.

Table 2. Incremental End Strength Increases, by Fiscal Year

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
|--|---------|---------|---------|---------|---------|---------|---------|
| Total End Strength Proposed by the Administration | | | | | | | |
| Army | 518,400 | 525,400 | 532,400 | 539,400 | 546,400 | 547,400 | 547,400 |
| Army Reserve | 200,000 | 205,000 | 205,000 | 205,000 | 205,000 | 205,000 | 206,010 |
| Army National Guard | 350,000 | 351,319 | 352,566 | 353,901 | 355,333 | 356,820 | 358,201 |
| Marine Corps | 184,000 | 189,000 | 194,000 | 199,000 | 202,000 | 202,000 | 202,000 |
| Long-Term Personnel Levels Recommended by the Quadrennial Defense Review | | | | | | | |
| Army | 482,400 | 482,400 | 482,400 | 482,400 | 482,400 | 482,400 | 482,400 |
| Army Reserve ^a | 200,000 | 205,000 | 205,000 | 205,000 | 205,000 | 205,000 | 205,000 |
| Army National Guard | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| Marine Corps | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 | 175,000 |
| End Strength Authorized by the John Warner National Defense Authorization Act for Fiscal Year 2007 | | | | | | | |
| Army | 512,400 | 512,400 | 512,400 | 512,400 | 512,400 | 512,400 | 512,400 |
| Army Reserve | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 | 200,000 |
| Army National Guard | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 | 350,000 |
| Marine Corps | 180,000 | 180,000 | 180,000 | 180,000 | 180,000 | 180,000 | 180,000 |
| Increase in Proposed End Strength Relative to the Quadrennial Defense Review | | | | | | | |
| Army | 36,000 | 43,000 | 50,000 | 57,000 | 64,000 | 65,000 | 65,000 |
| Army Reserve | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1,010 |
| Army National Guard | n.a. | 1,319 | 2,566 | 3,901 | 5,333 | 6,820 | 8,201 |
| Marine Corps | 9,000 | 14,000 | 19,000 | 24,000 | 27,000 | 27,000 | 27,000 |
| Navy ^b | n.a. | 900 | 900 | 900 | 900 | 900 | 900 |
| Increase in Proposed End Strength Relative to the John Warner National Defense Authorization Act for Fiscal Year 2007 | | | | | | | |
| Army | 6,000 | 13,000 | 20,000 | 27,000 | 34,000 | 35,000 | 35,000 |
| Army Reserve | n.a. | 5,000 | 5,000 | 5,000 | 5,000 | 5,000 | 6,010 |
| Army National Guard | n.a. | 1,319 | 2,566 | 3,901 | 5,333 | 6,820 | 8,201 |
| Marine Corps | 4,000 | 9,000 | 14,000 | 19,000 | 22,000 | 22,000 | 22,000 |
| Navy ^b | n.a. | 900 | 900 | 900 | 900 | 900 | 900 |

Source: Congressional Budget Office (CBO) based on information from the Department of Defense.

Note: n.a. = not applicable.

- a. The Future Years Defense Program plans for the Army Reserve to have a long-term end strength of 200,000 personnel. The Administration proposes to increase that level to 206,010 by the end of 2013. However, in the Administration's budget for 2008 and Department of Defense (DoD) documents, the long-term end strength is generally listed as 205,000, which was the level authorized prior to 2007. Therefore, in the Administration's cost estimates for increasing end strength, the Army Reserve is measured against a base of 205,000. For cost estimates relative to the Quadrennial Defense Review, CBO has adopted that base amount of 205,000 for the sake of comparisons with DoD's estimates.
- b. Under the Administration's plans, the Navy's overall personnel levels would decrease over the next several years. However, because the Navy provides some support functions to the Marine Corps, it would most likely need to retain some personnel to support the Marine Corps's increase. Early estimates by DoD indicate those additional Navy personnel would total about 900.

strength of 202,000 by 2011, which would represent a total increase of about 27,000 personnel.

The Administration is also proposing to increase end strength for the Army National Guard and Army Reserve. The QDR specifies an end strength of 350,000 personnel for the Army National Guard. Under the Administration's proposal, that number would increase by about 1,500 per year until it reached 358,200 in 2013. The Administration's plan would increase the end strength of the Army Reserve to 206,010 beginning in 2013, which would represent an increase of about 1,010 above DoD's long-term planning levels.⁶

In estimating the costs of the Administration's proposal, CBO has also included costs for additional Navy personnel. Under the Administration's plans, the Navy's overall personnel levels would decrease over the next several years. However, because the Navy provides some support functions to the Marine Corps, it would probably need to retain some personnel for that purpose. Early estimates by DoD indicate those additional Navy personnel would total about 900.⁷

Since 2001, the Army and the Marine Corps have exceeded personnel levels in the QDR through the use of authority recently provided by the Congress as well as existing waiver authorities provided by title 10 of the U.S. Code.⁸ The additional personnel are to support military operations in Iraq and the war on terrorism, as well as to support the Army's and the Marine Corps's reorganization initiatives. However, prior to the submission of its 2008 budget request, DoD had asked for funding in its regular budget submission consistent with the pre-2001 personnel levels. Personnel in excess of those specified in the QDR were considered temporary and were funded with emergency supplemental

6. For the Army Reserve, the 2007–2011 Future Years Defense Program recommends a long-term end strength of 200,000 personnel, which suggests that the Administration's proposal would increase that personnel level by 6,010. However, in DoD's cost estimates, the increase in the Army Reserve's end strength is measured against a starting level of 205,000 personnel, which was the level authorized prior to 2007. Therefore, the Administration's cost estimates for increasing the Army Reserve's end strength include only the costs of an additional 1,010 personnel. To facilitate comparison of the Administration's and CBO's cost estimates, CBO has adopted the revised long-term base of 205,000 Army Reserve personnel when determining the increases relative to the QDR. When showing costs relative to levels authorized by the 2007 NDAA, CBO has retained a starting point of 200,000.

7. In this analysis, CBO has included the additional cost of the Navy personnel in the estimates for the Marine Corps.

8. Section 115 of title 10 allows the Secretary of Defense to exceed authorized levels by up to 3 percent if the Secretary believes that doing so is in the national interest. Also, section 123a of title 10 allows the President to temporarily suspend any end-strength limitations upon declaring a national emergency (a national emergency has existed since September 2001).

appropriations.⁹ Therefore, DoD estimates the cost of the proposed end-strength increases relative to the lower pre-2001 levels specified in the QDR, and not current end strength.

Increases Relative to the John Warner National Defense Authorization Act for Fiscal Year 2007

The costs of the Administration's proposal can alternatively be estimated relative to personnel levels recently authorized by the Congress. Specifically, section 401 of the 2007 NDAA allows the Army to increase its personnel levels to 512,400 and the Marine Corps to 180,000.¹⁰ Relative to those levels, the Administration's proposal would represent an additional 35,000 Army personnel by the end of 2012 and another 22,000 Marine Corps personnel by the end of 2011.

Relative to the 2007 NDAA, the Administration's proposal would also increase personnel for the Army National Guard and the Army Reserve. The 2007 NDAA authorized Army National Guard and Army Reserve end-strength levels of 350,000 and 200,000, respectively. For the Army National Guard, the Administration's proposal would represent an increase of 8,200 personnel by 2013, which is the same as when measured against the QDR. For the Army Reserve, the Administration's proposal would represent an increase of 5,000 personnel by the end of 2008 and 6,010 personnel by the end of 2013.

As with estimates relative to the QDR levels, CBO also included costs for 900 Navy personnel to support the Marine Corps's additional strength.

Estimate of Costs Relative to the 2006 Quadrennial Defense Review

Relative to end strength levels in the QDR, the proposed personnel increases would require funding of about \$108 billion over the 2007–2013 period, CBO estimates. Of that amount, \$70 billion would be for the Army, \$32 billion would be for the Marine Corps, and \$7 billion for the Army National Guard and Reserve. Beginning with 2014, the annual cost would reach a steady state of about \$14 billion per year.

9. For 2008, the Administration is proposing to use a combination of regular and supplemental appropriations to fund personnel levels above 482,400 for the Army and 175,000 for the Marine Corps. Beginning with 2009, the Administration plans to request funding for the entire proposed increase in end strength within the regular budget submission.

10. In addition, section 403 of that law allows the Army to increase its personnel levels to 532,400 and the Marine Corps to 184,000 for 2008 and 2009, provided that funding for those personnel is requested in the annual budget submission for the Department of Defense. However, because that authority is temporary, CBO has not used it as a basis for its estimates of incremental costs.

CBO estimated costs in six categories, which generally represent major appropriations for DoD:

- Military personnel,
- Medicare-Eligible Retiree Health Care Fund (MERHCF),
- Defense Health Program (DHP),
- Operation and maintenance (O&M),
- Procurement, and
- Military construction and family housing.

Military personnel costs are the largest part of the estimate, constituting about \$38 billion of the \$108 billion total (see Table 3). O&M costs represent the second largest part of the estimate, totaling about \$24 billion over the 2007–2013 period. By CBO’s estimates, costs for procurement and military construction would also be significant, amounting to about \$24 billion and \$16 billion, respectively.

CBO included only those costs that would be provided in annual appropriations for the Department of Defense. Potential costs that could be incurred by agencies such as the Department of Veterans Affairs (VA), the Department of Education, and the Department of Labor, which would be relatively small in the near term, are not included.¹¹

Many decisions that could have a significant impact on the cost of the Administration’s proposal to increase the Army’s and the Marine Corps’s end strength have yet to be made. For instance, DoD is currently in the process of determining what types of new military units would be created using the additional personnel, which will determine the type and amount of new equipment that would be purchased. Also, DoD has not decided where the new military units would be located. Because construction costs and existing infrastructure vary by region, those decisions would have a significant effect upon the costs for military construction and family housing.

The following sections provide additional information on the methodology CBO used to estimate costs for each of the major appropriation categories.

11. The Department of Veterans Affairs administers veterans’ compensation and benefits, as well as the VA health system. The Department of Education funds aid to school districts affected by large numbers of military dependents. The Department of Labor funds transition programs for personnel leaving military service.

Table 3. Estimated Cost of the Administration's Proposal to Increase Personnel Levels for the Army and the Marine Corps Relative to the Quadrennial Defense Review

| (Billions of dollars of budget authority, by fiscal year) | | | | | | | | Total, 2007- 2013 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | |
| Army | | | | | | | | |
| Military Personnel | 2.4 | 3.1 | 3.6 | 4.2 | 4.5 | 4.7 | 4.9 | 27.3 |
| MERHCF | 0.0 | * | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 2.1 |
| Defense Health Program | 0.2 | 0.3 | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 2.6 |
| Operation and Maintenance | 1.0 | 1.4 | 1.8 | 2.3 | 2.7 | 3.0 | 3.3 | 15.4 |
| Procurement | 0.9 | 2.8 | 2.8 | 3.0 | 1.5 | 0.6 | 0.1 | 11.7 |
| Military Construction/Family Housing | <u>0</u> | <u>1.9</u> | <u>3.2</u> | <u>2.7</u> | <u>1.7</u> | <u>0.8</u> | <u>0.2</u> | <u>10.5</u> |
| Subtotal | 4.5 | 9.5 | 12.1 | 12.9 | 11.2 | 10.0 | 9.4 | 69.6 |
| Army Reserve and Army National Guard | | | | | | | | |
| Military Personnel | 0 | * | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.7 |
| MERHCF | 0 | * | * | * | * | * | 0.1 | 0.1 |
| Defense Health Program | 0 | * | * | * | * | * | * | * |
| Operation and Maintenance | 0 | 0.1 | 0.2 | 0.3 | 0.5 | 0.6 | 0.7 | 2.4 |
| Procurement | 0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | * | 2.9 |
| Military Construction/Family Housing | <u>0</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0</u> | <u>0.4</u> |
| Subtotal | 0 | 0.8 | 1.0 | 1.1 | 1.3 | 1.5 | 0.9 | 6.7 |
| Marine Corps^a | | | | | | | | |
| Military Personnel | 0.7 | 1.0 | 1.3 | 1.6 | 1.8 | 1.8 | 1.8 | 10.0 |
| MERHCF | 0 | * | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.9 |
| Defense Health Program | * | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 1.0 |
| Operation and Maintenance | 0.3 | 0.5 | 0.7 | 0.9 | 1.2 | 1.2 | 1.2 | 5.9 |
| Procurement | 1.2 | 1.7 | 1.6 | 1.7 | 1.8 | 1.1 | * | 9.1 |
| Military Construction/Family Housing | <u>0</u> | <u>0.9</u> | <u>1.4</u> | <u>1.3</u> | <u>0.8</u> | <u>0.4</u> | <u>0.0</u> | <u>4.8</u> |
| Subtotal | 2.2 | 4.1 | 5.3 | 5.7 | 5.9 | 5.0 | 3.5 | 31.7 |
| Total Estimated Cost of Military Personnel Increases | | | | | | | | |
| Military Personnel | 3.0 | 4.1 | 5.0 | 5.9 | 6.4 | 6.7 | 6.9 | 38.0 |
| MERHCF | 0 | 0.1 | 0.4 | 0.5 | 0.6 | 0.7 | 0.8 | 3.2 |
| Defense Health Program | 0.2 | 0.4 | 0.5 | 0.5 | 0.6 | 0.7 | 0.7 | 3.7 |
| Operation and Maintenance | 1.2 | 2.0 | 2.7 | 3.5 | 4.3 | 4.8 | 5.2 | 23.7 |
| Procurement | 2.1 | 5.0 | 5.0 | 5.2 | 3.9 | 2.3 | 0.1 | 23.7 |
| Military Construction/Family Housing | <u>0</u> | <u>2.9</u> | <u>4.7</u> | <u>4.0</u> | <u>2.6</u> | <u>1.3</u> | <u>0.2</u> | <u>15.7</u> |
| Subtotal | 6.6 | 14.5 | 18.3 | 19.7 | 18.5 | 16.4 | 13.9 | 107.9 |

Source: Congressional Budget Office.

Note: MERHCF = Medicare-Eligible Retiree Health Care Fund; * = less than \$50 million.

a. Also includes costs for additional Navy personnel.

Military Personnel

Appropriations for military personnel fund pay and benefits for service members. Among other things, they include basic pay, special pay, allowances for food and clothing, housing allowances, and recruitment and retention bonuses. Funding for military personnel also covers the cost of DoD's contributions to the military retirement and Social Security trust funds.¹² In total, relative to personnel levels in the QDR, the additional end strength would increase military personnel costs over the 2007–2013 period by about \$27 billion for the Army, \$10 billion for the Marine Corps, and \$700 million for the Army Reserve and National Guard.

To estimate the cost of military personnel, CBO examined the most recent data contained in supporting documents for the Administration's 2008 budget request. CBO used that data to estimate annual per-person costs of about \$65,000 for the regular active-duty Army, \$56,000 for the Marine Corps, \$12,000 for part-time Army Reserve and National Guard personnel, and \$72,000 for the Navy. Military personnel costs for the Marine Corps are lower, on average, than they are for the Army because Marine Corps personnel tend to have fewer years of service and receive less pay. For all of the services, CBO assumed a pay raise of 3 percent in calendar year 2008 and a 3.3 percent annual pay raise thereafter, on the basis of the agency's projections of the employment cost index for wages and salaries.¹³

CBO multiplied the average cost per person by the number of incremental full-time-equivalent personnel, and not by the increase in end strength. End strength, by definition, represents the projected end state for a given year. Additional personnel would be added throughout the course of each year and, therefore, would not result in costs for an entire year. Thus, the actual levels used in the military personnel estimates are slightly lower than the end-strength levels displayed in Table 2, at least until the Army and Marine Corps have reached the proposed levels.

Within its estimates of costs for military personnel, CBO included additional costs for recruitment and retention incentives. CBO believes that the amount spent on such incentives will have to be increased above current levels if the Army and Marine Corps are to achieve the proposed end-strength levels. Over the past few years, those services have significantly increased their budgets for recruitment and retention incentives. Much of the increase can be traced to factors independent of decisions to increase personnel levels, such as strong private-sector employment markets and dangerous overseas military operations.

12. Each month, DoD must make a contribution to the military retirement trust fund to cover the cost of future retirement benefits that accrue in that month. The amount is determined by multiplying basic pay by a certain fixed percentage, which is set each year by the DoD Board of Actuaries. Although those payments are an intragovernmental transfer, they are shown in the budget as a cost to DoD and reflect the agency's long-term costs. Therefore, they are included in CBO's estimates. Similar payments are also made to the Medicare-Eligible Retiree Health Care Fund. Because those payments are made by the Treasury on DoD's behalf, CBO displays those costs separately.

13. Under 10 U.S.C. 1009, a pay increase is authorized on January 1 of each year for all military personnel based on the year-over-year increase in the employment cost index (wages and salaries).

To estimate the incremental cost of increasing recruitment and retention, CBO examined preliminary plans from the Army and the Marine Corps regarding accessions and retentions. On the basis of recent information from the Army as well as studies on the effect of cash incentives on recruitment and retention, CBO expects that the services would need to increase cash incentives above the amounts needed to sustain end strengths at the QDR levels. Over the 2007–2013 period, the cost of those incentives would add about \$3 billion to military personnel costs for the Army and about \$1 billion for the Marine Corps, CBO estimates.

Health Care

Within DoD's budget, health care costs for each of the services are accounted for in two different accounts: the Medicare-Eligible Retiree Health Care Fund and the Defense Health Program. The MERHCF is a trust fund that pays for the health care costs of military retirees over the age of 65. Annual payments to the trust fund to cover the future health care costs of personnel currently serving in the military are charged to the military personnel accounts. The payments are based on per-person rates determined by DoD's Board of Actuaries and are shown within the military personnel appropriations. On the basis of information from DoD, CBO estimates that the annual payment per person is currently about \$6,000 for active-duty personnel and about \$3,700 for Reserve and National Guard personnel.

Payments to the MERHCF are based on personnel levels specified in DoD's regular budget request and are paid in a lump sum at the beginning of the fiscal year. The 2007 budget requested funds for 482,400 personnel for the Army and 175,000 for the Marine Corps. The annual payment, based on those personnel levels, has already been made. Although actual personnel levels exceed the amount in the budget, there will be no further payments—and thus no incremental cost—for 2007.

The other health care cost within DoD's budget is for the Defense Health Program, which provides health care to current military personnel and their dependents.¹⁴ On the basis of data from DoD, CBO estimates the average annual cost per person to provide care under DHP to active-duty personnel and their dependents is about \$7,000.¹⁵ Because part-time Reserve and National Guard

14. Although funding for DHP is shown with DoD's operation and maintenance appropriations, CBO shows it separately for two reasons. First, the funding is provided in a single defense-wide appropriation and is not included in the budgets of the Army and Marine Corps. Therefore, showing this cost separately allows those who want to examine only the budgetary impact to the individual services to exclude it. Second, the DHP is often viewed as a military personnel benefit rather than an operation and maintenance activity.

15. In addition to providing health care to current military members and their dependents, DHP also provides health care to retirees under the age of 65. Costs for that benefit are in addition to the health care costs paid through the MERHCF for dependents and retirees who are over the age of 65. The costs for DHP displayed here represent only the near-term budgetary impact of providing health care to the additional active-duty personnel and their dependents. The proposal to increase end strength would have an impact on DHP in the long term as well, as the number of retirees

personnel typically receive health care from other sources, CBO estimates that the cost to DHP for those additional personnel would be insignificant. By CBO's estimates, relative to the cost for personnel levels in the QDR, the increase in military health care costs would be about \$3 billion for the MERHCF and \$4 billion for DHP over the 2007–2013 period.

Operation and Maintenance

Operation and maintenance costs include a variety of expenses that fall predominately within three broad categories: equipment operating costs, recruiting and training, and other unit and indirect support costs. Equipment operating expenses include costs for items such as fuel, supplies, repair parts needed to operate and maintain vehicles, weapons, and other equipment. Recruiting and training funds pay for additional recruiters and the more extensive advertising needed to attract more volunteers for the Army and the Marine Corps, as well as the additional costs to train those personnel. Other unit and indirect support costs include a variety of other expenses such as those for base operations, facilities maintenance, utilities, civilian labor, travel, and other logistics services.

To estimate those costs, CBO used a variety of data from the Army, the Marine Corps, and DoD to develop per capita cost factors for a number of cost categories (base operations, unit training operations, indirect support, recruiting and accession training, skill training and training support, and facilities sustainment, restoration, and modernization) and applied those factors to the proposed personnel increases for the Army and the Marine Corps. In total, CBO estimates per capita O&M costs of approximately \$33,000 for the Army and \$40,000 for the Marine Corps. The higher per capita costs associated with the Marine Corps reflects the higher support costs associated with that service's aviation squadrons.

Over the 2007–2013 period, relative to the personnel levels in the QDR, the proposed increases in end strength would increase O&M costs by about \$15 billion for the Army, \$6 billion for the Marine Corps, and \$2 billion for the Army National Guard and the Army Reserve, CBO estimates.

CBO's estimates of O&M costs include costs for the proposed increases to end strength as well as costs associated with increasing the number of civilians assigned to overhead functions.¹⁶ Historically, the Army's operating force has been approximately 65 percent of the Army's total end strength. The Army's preliminary plan, as understood by CBO, is to use approximately 50,000 of the 65,000 additional personnel for its operating forces. By CBO's estimates, to

under the age of 65 who use DoD's health services would begin to increase. However, because health care for retirees under the age of 65 is not funded on an accrual basis, there would be no near-term cost to DoD.

16. In general, operational forces represent those that can be deployed and perform combat and combat support functions. Overhead functions, by contrast, include personnel who are not able to be deployed and who perform administrative and support tasks in headquarters and servicewide support organizations.

maintain the historical relationship between the personnel devoted to overhead and the operating forces, the Army would need to add approximately 13,000 civilians in administrative positions. Of the \$15 billion in the total increase in O&M costs for the Army, about \$3 billion would be to pay for those additional civilian personnel.

CBO believes that the Guard and Reserve would also have to add additional civilian personnel. Of the added costs for the Army National Guard and the Army Reserve, \$1.4 billion is associated with the Administration's plan to move about 20,000 military personnel to the operational force from administrative and overhead functions. Approximately half of that cost would be for the equipment operating costs and indirect support costs of the new units that would be manned with the personnel shifted into the operating force, and about half would be to pay for approximately 3,000 full-time civilian personnel that CBO estimates would be required to perform functions previously performed by the part-time Reserve and Guard members transferred into the operating forces of the Guard and Reserve.

Procurement

Procurement includes costs to acquire equipment such as tanks, trucks, and aircraft, as well as both initial and recurring costs for ammunition. To estimate those costs, CBO used equipment lists for different types of units from DoD's Tables of Organization and Equipment and unit costs from sources such as Selected Acquisition Reports, the Army's supply and logistics publications, and budget justification materials. CBO estimates that, relative to the QDR, the Administration's proposal for end strength would increase procurement costs for the Army by approximately \$15 billion over the 2007–2013 period, of which \$12 billion would be used to equip units in the Army's active component and approximately \$3 billion would be used to equip Guard and Reserve units. Of the \$3 billion for the Guard and Reserve, approximately \$2 billion is to equip approximately 20,000 personnel who would be moved to operational forces from overhead functions.

Of the \$15 billion in procurement funding for the Army, approximately \$3 billion would be required to field six infantry brigade combat teams (IBCTs), CBO estimates. In addition, although initial estimates provided by DoD do not include any additional funding for aviation procurement, CBO has included approximately \$3 billion to procure an additional six aviation battalions. Those additional aviation battalions would allow the Army to maintain the current ratio of aviation assets to end strength. The remaining funding would be both for additional combat support troops for the six additional IBCTs and for equipment for units that are currently in high demand, such as those for civil affairs, military police, and explosive ordinance disposal.

According to CBO's estimates, over the 2007–2013 period, the cost to equip the new Marine Corps units would be approximately \$9 billion. Those costs would be for equipment for a variety of units, such as infantry battalions, helicopter and fighter aircraft squadrons, a tank battalion, and a variety of combat support units, including military police, engineers, transportation, and supply companies. CBO

assumes that approximately 21,000 of the 27,000 in additional personnel would go into the Marine Corps's operating force.

Military Construction and Family Housing

The category of military construction and family housing includes the cost of building facilities to accommodate new units. Among other things, it includes expenses for training facilities, maintenance garages, office buildings, and barracks. To estimate those costs, CBO examined DoD's cost estimates from the round of Base Realignment and Closures (BRAC) that began in 2005. Using that information, CBO estimated per capita costs for military installations that would receive significant numbers of additional personnel. That methodology resulted in a cost per capita of about \$124,000 for Army personnel and about \$138,000 for Marine Corps personnel. The Marine Corps's construction costs are higher because its installations are typically located closer to coastal areas with higher construction costs.

Because construction projects take several years to complete, most of the funding to support the proposal to increase end strength normally would be required in the next two years. However, many of the design, planning, and environmental studies cannot begin until decisions are made on where to locate units. Therefore, CBO estimated that funding for construction related to the personnel increase would be distributed more evenly over the 2007–2013 period than would otherwise be the case.

Military personnel generally have three housing choices: barracks, government-provided family housing, or off-base housing in the local community. The costs of barracks for unaccompanied personnel are included in the military construction costs discussed above. Personnel living off-base in the local community receive an allowance for housing, which is included in the estimate of military personnel costs. However, it is possible that some personnel may be assigned to areas where there is insufficient local housing. In those instances, the government might need to finance construction of new family housing units. Until decisions are made about where the additional personnel would be located, it is difficult to determine how many new housing units would be required. On the basis of the number of people currently in family housing controlled by DoD, CBO estimates that the department would begin construction for almost 20 percent—about 18,000—of the additional personnel anticipated in the Administration's proposal.

CBO assumed that DoD would increase the amount of government-controlled housing for service members by expanding the size of housing "privatization" projects at the installations where the new units would be located. Because the existing inventory of housing is almost fully occupied, additional housing units would be provided through new construction, requiring a cash investment by DoD. On the basis of other recent privatization projects that featured significant amounts of new construction, CBO estimated that each new housing unit for Army personnel would require an investment of \$150,000 and that each new Marine Corps housing unit would require an investment of \$160,000. Once those units were constructed, personnel living in privatized housing would receive a

housing allowance—funded through military personnel appropriations—that they would pay as rent. That rental income stream would be used to pay for the operation and maintenance of the units, so additional appropriations for those purposes would not be needed.

Relative to the cost under the QDR, the total cost of military construction and family housing due to the proposed personnel increases would be about \$11 billion for the Army and about \$5 billion for the Marine Corps over the 2007–2013 period, CBO estimates. On the basis of initial estimates from DoD, CBO included \$100 million per year for the cost of construction related to the increase in Reserve and National Guard personnel.

Comparison With DoD's Estimates

DoD estimated that the cost of increasing end strength over the 2007–2013 period would be about \$81 billion for the Army (including the Army Reserve and National Guard), which is about \$4 billion higher than CBO estimates (see Table 4).¹⁷ For the Marine Corps, DoD estimated that the proposal to increase end strength would cost about \$31 billion, roughly the same as CBO's estimate, although there are some significant differences among the individual cost categories (see Table 5).

For military personnel, CBO's cost estimate for the Marine Corps is \$2.5 billion lower than DoD's. Much of that difference is due to estimates of recruitment and retention incentives. The Marine Corps is including about \$2.3 billion in its estimates for that purpose, which it has based on its supplemental funding requests for 2007 and 2008. CBO believes that some of the higher costs the Marine Corps is including for recruitment and retention should be attributable to other factors, such as lengthy deployments to combat zones, and will be incurred in any event; therefore, CBO allocates only about \$1 billion of those costs through 2013 to the proposed increase in end strength.

CBO's cost estimates for procurement are lower than the Army's by about \$3.3 billion and higher than the Marine Corps's by approximately \$2.2 billion. The Army and the Marine Corps have provided some detail to CBO about their plans for purchasing new equipment. However, CBO has not yet received details regarding their requirements for a number of major items that could significantly affect costs, such as aircraft, combat vehicles, and tactical wheeled vehicles.

For example, a major difference between DoD's and CBO's estimates for the Marine Corps is most likely the result of different assumptions regarding the number and type of aircraft the Marine Corps intends to buy. The Marine Corps has indicated that it would like to add a total of seven aviation squadrons, including five helicopter squadrons and two fighter attack squadrons. CBO estimates that the cost of fielding those additional squadrons would be

17. Because DoD has provided its estimates at the appropriation level, CBO has combined the estimates by the Army, Army National Guard, and Army Reserve for comparison purposes; some of the appropriations for the Army (most notably those for procurement) pay for the costs of all three components.

Table 4. Comparison of CBO's and the Department of Defense's Cost Estimates for Increasing the Army's Personnel Levels Relative to Those Under the Quadrennial Defense Review

(Billions of dollars of budget authority, by fiscal year)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total, 2007- 2013 |
|--|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------------|
| DoD's Initial Cost Estimates for Increasing the Army's Personnel Levels^a | | | | | | | | |
| Military Personnel | 2.9 | 4.0 | 3.6 | 4.2 | 4.8 | 4.9 | 5.0 | 29.4 |
| MERHCF | 0 | * | 0.3 | 0.4 | 0.4 | 0.5 | 0.5 | 2.2 |
| Defense Health Program | 0 | * | 0.3 | 0.4 | 0.5 | 0.5 | 0.5 | 2.3 |
| Operation and Maintenance | 1.3 | 1.3 | 2.6 | 2.8 | 3.1 | 4.3 | 2.6 | 18.1 |
| Procurement | 0.9 | 4.1 | 4.2 | 5.1 | 3.0 | 0.6 | 0 | 17.8 |
| Military Construction/Family Housing | <u>0.4</u> | <u>2.4</u> | <u>4.3</u> | <u>2.4</u> | <u>0.7</u> | <u>0.5</u> | <u>0.1</u> | <u>10.8</u> |
| Total | 5.5 | 11.8 | 15.3 | 15.5 | 12.5 | 11.5 | 8.9 | 80.9 |
| CBO's Cost Estimates for Increasing the Army's Personnel Levels^a | | | | | | | | |
| Military Personnel | 2.4 | 3.1 | 3.7 | 4.3 | 4.6 | 4.9 | 5.1 | 28.0 |
| MERHCF | 0 | * | 0.3 | 0.4 | 0.5 | 0.5 | 0.6 | 2.2 |
| Defense Health Program | 0.2 | 0.3 | 0.3 | 0.4 | 0.5 | 0.5 | 0.5 | 2.6 |
| Operation and Maintenance | 1.0 | 1.6 | 2.0 | 2.6 | 3.1 | 3.6 | 3.9 | 17.8 |
| Procurement | 0.9 | 3.3 | 3.4 | 3.6 | 2.1 | 1.2 | 0.1 | 14.6 |
| Military Construction/Family Housing | <u>0</u> | <u>2.0</u> | <u>3.3</u> | <u>2.8</u> | <u>1.8</u> | <u>0.8</u> | <u>0.2</u> | <u>10.9</u> |
| Total | 4.5 | 10.3 | 13.1 | 14.0 | 12.5 | 11.5 | 10.4 | 76.3 |
| Difference (DoD's Estimates Minus CBO's Estimates) | | | | | | | | |
| Military Personnel | 0.5 | 0.9 | -0.1 | -0.1 | 0.2 | * | -0.1 | 1.4 |
| MERHCF | 0 | * | * | * | -0.1 | * | -0.1 | -0.1 |
| Defense Health Program | -0.2 | -0.3 | * | * | * | * | * | -0.4 |
| Operation and Maintenance | 0.3 | -0.3 | 0.6 | 0.2 | * | 0.7 | -1.3 | 0.2 |
| Procurement | * | 0.8 | 0.8 | 1.5 | 0.9 | -0.6 | -0.1 | 3.3 |
| Military Construction/Family Housing | <u>0.4</u> | <u>0.4</u> | <u>1.0</u> | <u>-0.4</u> | <u>-1.1</u> | <u>-0.3</u> | <u>-0.1</u> | <u>-0.1</u> |
| Difference | 1.0 | 1.5 | 2.2 | 1.3 | * | -0.2 | -1.7 | 4.1 |

Sources: Congressional Budget Office and Office of the Under Secretary of Defense (Comptroller), Department of Defense.

Note: MERHCF = Medicare-Eligible Retiree Health Care Fund; * = between -\$50 million and \$50 million.

a. Also includes costs for personnel increases in the Army National Guard and the Army Reserve.

Table 5. Comparison of CBO's and the Department of Defense's Cost Estimates for Increasing the Marine Corps's Personnel Levels Relative to Those Under the Quadrennial Defense Review

(Billions of dollars of budget authority, by fiscal year)

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total, 2007- 2013 |
|--|-------------|-------------|-------------|-------------|-------------|------------|------------|-------------------------|
| Initial Department of Defense Cost Estimates for Increasing Marine Corps Personnel Levels^a | | | | | | | | |
| Military Personnel | 0.7 | 1.2 | 1.5 | 1.9 | 2.3 | 2.4 | 2.5 | 12.5 |
| MERHCF | 0 | * | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.9 |
| Defense Health Program | 0 | * | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.9 |
| Operation and Maintenance | 0.2 | 0.9 | 0.9 | 1.1 | 1.3 | 1.3 | 1.0 | 6.8 |
| Procurement | 0 | 2.5 | 2.2 | 1.5 | 0.5 | 0.1 | 0.1 | 7.0 |
| Military Construction/Family Housing | <u>0.2</u> | <u>0.5</u> | <u>0.5</u> | <u>0.7</u> | <u>0.7</u> | <u>0.8</u> | <u>0</u> | <u>3.3</u> |
| Total | 1.1 | 5.1 | 5.3 | 5.5 | 5.2 | 5.0 | 4.1 | 31.4 |
| CBO's Cost Estimates for Increasing the Marine Corps's Personnel Levels^a | | | | | | | | |
| Military Personnel | 0.7 | 1.0 | 1.3 | 1.6 | 1.8 | 1.8 | 1.8 | 10.0 |
| MERHCF | 0 | * | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 0.9 |
| Defense Health Program | * | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.2 | 1.0 |
| Operation and Maintenance | 0.3 | 0.5 | 0.7 | 0.9 | 1.2 | 1.2 | 1.2 | 5.9 |
| Procurement | 1.2 | 1.7 | 1.6 | 1.7 | 1.8 | 1.1 | * | 9.1 |
| Military Construction/Family Housing | <u>0</u> | <u>0.9</u> | <u>1.4</u> | <u>1.3</u> | <u>0.8</u> | <u>0.4</u> | <u>0</u> | <u>4.8</u> |
| Total | 2.2 | 4.1 | 5.3 | 5.7 | 5.9 | 5.0 | 3.5 | 31.7 |
| Difference (DoD's Estimates Minus CBO's Estimates) | | | | | | | | |
| Military Personnel | * | 0.2 | 0.2 | 0.3 | 0.5 | 0.6 | 0.7 | 2.5 |
| MERHCF | 0 | * | * | * | * | * | * | * |
| Defense Health Program | * | -0.1 | * | -0.1 | * | * | * | -0.2 |
| Operation and Maintenance | -0.1 | 0.4 | 0.2 | 0.2 | 0.1 | 0.1 | -0.2 | 0.8 |
| Procurement | -1.2 | 0.8 | 0.6 | -0.2 | -1.3 | -1.0 | 0.1 | -2.2 |
| Military Construction/Family Housing | <u>0.2</u> | <u>-0.4</u> | <u>-0.9</u> | <u>-0.6</u> | <u>-0.1</u> | <u>0.4</u> | <u>0</u> | <u>-1.4</u> |
| Total | -1.1 | 1.0 | * | -0.2 | -0.7 | * | 0.5 | -0.5 |

Sources: Congressional Budget Office and Office of the Under Secretary of Defense (Comptroller), Department of Defense.

Note: MERHCF = Medicare-Eligible Retiree Health Care Fund; * = between -\$50 million and \$50 million.

a. Also includes costs for additional Navy personnel.

approximately \$5.5 billion. However, the initial estimates that DoD provided to CBO include only \$500 million in aircraft procurement for those seven additional squadrons. CBO has requested further details from the Army and the Marine Corps regarding their equipment requirements.

Estimate of Costs Relative to the John Warner National Defense Authorization Act for Fiscal Year 2007

CBO also estimated the cost of increasing personnel levels relative to the end strength authorized by the 2007 NDAA. Because that law has already authorized an additional 30,000 personnel for the Army and 5,000 personnel for the Marine Corps, the incremental cost of the Administration's proposal would be smaller—about \$65 billion over the 2007–2013 period. Of that amount, CBO estimates, the cost would be about \$32 billion for the Army, about \$8 billion for the Army Reserve and National Guard, and about \$25 billion for the Marine Corps. Beginning with 2014, annual steady-state costs would be about \$9 billion.

As with the estimates displayed relative to the QDR, military personnel costs represent the largest component, about \$21 billion, or almost a third, of the total cost (see Table 6). The cost for procurement is the second largest component, at about \$16 billion, CBO estimates.¹⁸ The methodologies CBO used in estimating the cost of the Administration's proposal relative to the 2007 NDAA were generally the same as those used in estimating the costs relative to the QDR.

CBO's estimates relative to the 2007 NDAA do not include any procurement or construction costs for additional personnel already authorized by that law. The 512,400 personnel authorized for the Army and 180,000 for the Marine Corps in the 2007 NDAA are 30,000 and 5,000 greater, respectively, than the levels in the QDR. Because the Army and the Marine Corps are currently near those authorized levels, they are already paying the additional costs for pay and allowances, health care, and operation and maintenance for those additional personnel. That is not the case for procurement and military construction. Prior to the Administration's proposal, it was generally assumed within DoD that end-strength levels would eventually revert back to levels under the QDR once commitments in Iraq and Afghanistan had decreased and major reorganization initiatives had concluded. Therefore, those additional personnel were not fully integrated into the overall force structure. Additional costs for procurement and military construction would eventually need to be incurred to maintain the current strength levels, but they are not included here as part of the cost of further raising those levels.

At this time, CBO does not have enough information to estimate how much those additional costs might be, because the Army and the Marine Corps would probably

18. Because the authorized end strength for the Army Reserve was 205,000 personnel as recently as 2006, CBO has not included any procurement costs for those additional 5,000 personnel, which is why its procurement estimates for the Army Reserve and the National Guard are the same relative to the amounts under both the QDR and 2007 NDAA.

Table 6. Estimated Costs of the Administration's Proposal to Increase Personnel Levels for the Army and the Marine Corps Relative to Levels Specified in the John Warner National Defense Authorization Act of Fiscal Year 2007

| (Billions of dollars of budget authority, by fiscal year) | | | | | | | | Total, 2007- 2013 |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|----------------------------------|
| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | |
| Army | | | | | | | | |
| Military Personnel | 0.3 | 0.8 | 1.3 | 1.8 | 2.2 | 2.5 | 2.6 | 11.5 |
| MERHCF | 0 | * | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 1.0 |
| Defense Health Program | * | 0.1 | 0.1 | 0.2 | 0.2 | 0.3 | 0.3 | 1.1 |
| Operation and Maintenance | 0.1 | 0.4 | 0.7 | 1.0 | 1.4 | 1.6 | 1.8 | 7.0 |
| Procurement | 0.4 | 1.3 | 1.3 | 1.4 | 0.7 | 0.3 | * | 5.4 |
| Military Construction/Family Housing | <u>0</u> | <u>1.0</u> | <u>1.6</u> | <u>1.5</u> | <u>1.0</u> | <u>0.5</u> | <u>0.2</u> | <u>5.7</u> |
| Subtotal | 0.8 | 3.5 | 5.1 | 6.0 | 5.7 | 5.4 | 5.1 | 31.7 |
| Army Reserve and Army National Guard | | | | | | | | |
| Military Personnel | 0 | 0.1 | 0.2 | 0.2 | 0.2 | 0.3 | 0.3 | 1.3 |
| MERHCF | 0 | * | * | * | 0.1 | 0.1 | 0.1 | 0.3 |
| Defense Health Program | 0 | * | * | * | * | * | * | 0.1 |
| Operation and Maintenance | 0 | 0.2 | 0.3 | 0.4 | 0.5 | 0.7 | 0.7 | 2.8 |
| Procurement | 0 | 0.6 | 0.6 | 0.6 | 0.6 | 0.6 | * | 2.9 |
| Military Construction/Family Housing | <u>0</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0.1</u> | <u>0</u> | <u>0.4</u> |
| Subtotal | 0 | 0.9 | 1.1 | 1.3 | 1.5 | 1.7 | 1.1 | 7.7 |
| Marine Corps ^a | | | | | | | | |
| Military Personnel | 0.4 | 0.7 | 1.0 | 1.3 | 1.5 | 1.5 | 1.5 | 7.8 |
| MERHCF | 0 | * | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.7 |
| Defense Health Program | * | 0.1 | 0.1 | 0.1 | 0.2 | 0.2 | 0.2 | 0.8 |
| Operation and Maintenance | 0.1 | 0.4 | 0.5 | 0.7 | 0.9 | 0.9 | 1.0 | 4.4 |
| Procurement | 1.0 | 1.4 | 1.3 | 1.3 | 1.5 | 1.0 | * | 7.5 |
| Military Construction/Family Housing | <u>0</u> | <u>0.7</u> | <u>1.1</u> | <u>1.1</u> | <u>0.7</u> | <u>0.4</u> | <u>0</u> | <u>3.9</u> |
| Subtotal | 1.5 | 3.2 | 4.1 | 4.6 | 4.8 | 4.1 | 2.9 | 25.2 |
| Total Estimated Cost of Military Personnel Increases | | | | | | | | |
| Military Personnel | 0.7 | 1.5 | 2.5 | 3.3 | 3.9 | 4.3 | 4.5 | 20.6 |
| MERHCF | 0 | * | 0.2 | 0.3 | 0.4 | 0.5 | 0.5 | 2.0 |
| Defense Health Program | * | 0.1 | 0.2 | 0.3 | 0.4 | 0.4 | 0.5 | 2.0 |
| Operation and Maintenance | 0.2 | 0.9 | 1.5 | 2.1 | 2.8 | 3.2 | 3.4 | 14.2 |
| Procurement | 1.4 | 3.2 | 3.2 | 3.3 | 2.8 | 1.8 | 0.1 | 15.8 |
| Military Construction/Family Housing | <u>0</u> | <u>1.7</u> | <u>2.8</u> | <u>2.6</u> | <u>1.8</u> | <u>1.0</u> | <u>0.2</u> | <u>10.0</u> |
| Total | 2.3 | 7.6 | 10.3 | 12.0 | 12.1 | 11.2 | 9.2 | 64.6 |

Continued

Table 6. Continued.

| | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total, 2007- 2013 |
|--|------------|------------|------------|------------|------------|------------|----------|-------------------------|
| Memorandum: | | | | | | | | |
| Additional Procurement and Construction Needed to Integrate Current Authorized Personnel Levels ^b | | | | | | | | |
| Procurement | 0.7 | 1.8 | 1.8 | 1.9 | 1.1 | 0.5 | * | 7.9 |
| Military Construction/Family Housing | <u>0</u> | <u>1.2</u> | <u>2.0</u> | <u>1.4</u> | <u>0.8</u> | <u>0.3</u> | <u>*</u> | <u>5.7</u> |
| Subtotal | 0.7 | 3.0 | 3.8 | 3.3 | 2.0 | 0.7 | * | 13.6 |

Source: Congressional Budget Office.

Note: MERHCF = Medicare-Eligible Retiree Health Care Fund; * = less than \$50 million.

- a. CBO's cost estimates for the Marine Corps include the cost of 900 additional Navy personnel.
- b. When displaying the cost of the Administration's proposal relative to that for the 2007 NDAA levels, CBO included only incremental costs for personnel in excess of 512,400 for the Army and 180,000 for the Marine Corps (the levels authorized by the 2007 NDAA). However, even if the Army and the Marine Corps maintained their force levels at those 2007 NDAA levels, they would need to increase funding for procurement and construction to fully integrate those personnel in excess of the QDR levels into the overall force structure.

organize their forces differently if they were to maintain the 2007 NDAA levels rather than increase personnel levels to those proposed by the Administration. However, the analyses in this report suggest an added cost of about \$14 billion for procurement, military construction, and family housing over the 2007–2013 period compared with current spending levels for those activities.