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CRS Report for Congress

The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

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The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

Summary

With enactment of the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161 on December 26, 2007, Congress has approved a total of about $700 billion for military operations, base security, reconstruction, foreign aid, embassy costs, and veterans' health care for the three operations initiated since the 9/11 attacks: Operation Enduring Freedom (OEF) Afghanistan and other counter terror operations; Operation Noble Eagle (ONE), providing enhanced security at military bases; and Operation Iraqi Freedom (OIF).

This $700 billion total covers all war-related appropriations from FY2001 in supplementals, regular appropriations, and continuing resolutions including not quite half of the FY2008 request. Of that total, CRS estimates that Iraq will receive about $526 billion (74%), OEF about $140 billion (20%), and enhanced base security about $28 billion (5%), with about $5 billion that CRS cannot allocate (1%). About 94% of the funds are for DOD, 6% for foreign aid programs and embassy operations, and less than 1% for medical care for veterans. As of January 2008, DOD's monthly obligations for contracts and pay averaged about $12.2 billion, including $9.8 billion for Iraq, and $2.4 billion for Afghanistan.

The Administration requested $195.5 billion for war-related activities in DOD, State/USAID, and the Department of Veterans' Affairs (VA) Medical programs for FY2008. Thus far, Congress has provided $90.4 billion for war needs. Congress is expected to start considering the pending FY2008 supplemental request of $105.2 billion — including $101.3 billion for DOD and $3.4 billion for foreign aid and diplomatic operations — in late April 2008.

For FY2009, the Administration has requested about $72.8 billion for war costs including a "placeholder" DOD war request of $70 billion, $1.5 billion for State Department/USAID foreign and diplomatic operations, and $1.3 billion for VA medical care for OIF and OEF veterans. Details of DOD's FY2009 request are expected sometime after General David Petraeus makes his recommendations about future troop levels on April 8, 2008. Based on the pending FY2008 and FY2009 requests, the total for both enacted and requested war funding is about $878 billion.

Using currently available funds for FY2008 in DOD's bridge fund and regular appropriation, DOD estimates that the Army has sufficient funds to finance war costs until about early July 2008. CRS estimates that DOD could finance another one to two months if DOD transferred funds to the Army. DOD anticipates that the $70 billion bridge request for FY2009 would last at least until the new Administration.

In February 2008, the Congressional Budget Office projected that additional war costs from FY2009 through FY2018 could range from $440 billion, if troop levels fell to 30,000 by 2010, to $1.0 trillion, if troop levels fell to 75,000 by about 2013. Under these scenarios, CBO projects that funding for Iraq, Afghanistan and the GWOT could reach from about $1.1 trillion to about $1.7 trillion for FY2001-FY2018. This report will be updated as warranted.

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The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11

Introduction

Since the terrorist attacks of September 11, 2001, the United States has initiated three military operations:

- Operation Enduring Freedom (OEF) covering Afghanistan and other Global War on Terror (GWOT) operations ranging from the Philippines to Djibouti that began immediately after the 9/11 attacks and continues;
- Operation Noble Eagle (ONE) providing enhanced security for U.S. military bases and other homeland security that was launched in response to the attacks and continues at a modest level; and
- Operation Iraqi Freedom (OIF) that began in the fall of 2002 with the buildup of troops for the March 2003 invasion of Iraq and continues with counter-insurgency and stability operations.

In the seventh year of operations since the 9/11 attacks, the cost of war is a major concern including the total amount appropriated, the amount for each operation, average monthly spending rates, and the scope and duration of future costs. Information on costs is useful to Congress to assess Department of Defense (DOD) war costs in FY2008, conduct oversight of past war costs, and consider future alternatives for Iraq ranging from maintaining pre-surge levels after June 2008 to a withdrawal at some future date.

For updates of action on the FY2008 Supplemental, see CRS Report RL33999, *Defense: FY2008 Authorization and Appropriations,* by Pat Towell, Stephen Daggett and Amy Belasco. For final action on the FY2007 Supplemental, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.

Status of FY2008 and FY2009 War Requests

Over the past year, the Administration requested a total of $195.5 billion for FY2008 emergency war funds at three times — in its original FY2008 request in February 2008, in an amendment for Mine Resistant Ambush Program (MRAP) vehicles on July 31, 2008, and in an amended request to cover additional costs submitted on October 22, 2008 (see **Table 1a** below). Thus far, Congress has appropriated $90.4 billion for war-related costs of the Defense Department, State/U.S. Agency for International Development (USAID) and the Veterans' Administration including funds in both regular and emergency appropriations acts

(see **Table 1b** below for acts). As of enactment of the FY2008 Consolidated Appropriations, this brings the total for funds appropriated to date to $700 billion for the wars in Iraq, Afghanistan and enhanced security. These figures differ slightly from DOD figures because for consistency, CRS excludes certain funds that do not appear to be war-related (e.g. funds to cover higher fuel costs in DOD's regular programs) and includes funds previously considered war related but no longer requested in supplementals (enhanced security).

Table 1a. Chronology of FY2008 War Funding Requests

in billions of $

Agency	Feb. 2007 Req.	July 2007 MRAP Amdt.[a]	October 2007 Amdt.	Total Request as of Oct. 07 Amdt. adj.[b]	Pending Request as of April 2008
DOD	141.0	5.3	42.3	188.7	101.3
State/USAID	5.0	0.0	1.1	6.1	4.0
VA Medical	0.8	0.0	0.0	0.8	0.0
TOTAL	**146.8**	**5.3**	**43.4**	**195.5**	**105.3**

Notes and Sources

a. MRAP = Mine Resistant Ambush Program (MRAP) vehicles.

b. CRS includes an estimated $530 million for enhanced security based on FY2007 obligations, $504 million for health care increases for Wounded, Ill and Injured soldiers as war-related, and excludes $762 million to cover higher fuel costs in DOD's regular program and $416 million to accelerate the conversion of Walter Reed Army Medical Hospital; DOD considers the last three considered 'Other Emergency' requests.

CRS calculations based on OMB and DOD budget submissions.

Table 1b. Congressional Action on FY2008 War Requests

in billions of dollars

Agency	First Continuing Resolution, P.L. 110-5, 9-29-07	FY2008 DOD Appropriation P.L.110-92, 11-13-07[a]	Division L, FY2008 Consolidated Appropriation P.L. 110-61, 12-26-07	FY2008 TOTAL ENACTED as of April 8, 2008,[a]
DOD	5.2	12.2	70.0	87.4
State/USAID	0.0	0.0	2.1	2.1
VA Medical	0.0	0.0	0.9	0.9
TOTAL	**5.2**	**12.2**	**73.0**	**90.4**

Notes and Sources

a. CRS includes an estimated $530 million for enhanced security based on FY2007 obligations, $504 million for health care increases for Wounded, Ill and Injured soldiers as war-related, and excludes $762 million for higher fuel costs in DOD's regular program and $416 million to accelerate the BRAC conversion of Walter Reed Army Medical Hospital; DOD categorizes the last three as 'Other Emergency' requests.

CRS calculations based on public laws cited above.

In March 2008, DOD submitted an informal request to the congressional defense committees to reallocate $9.9 billion within the pending request; no official request is planned. The draft DOD reallocation would move funds primarily from unanticipated savings in Army operating costs because of reliance on more lightly equipped units (-$2.5 billion) and decreases in Army procurement reflecting execution or lower requirements (-$6.6 billion) to fund higher fuel prices in DOD's base program (+$3.5 billion), unanticipated base closure costs, other Army and Marine Corps war-related procurement ($4 billion), higher National Guard recruiting costs, an increase for the Commanders Emergency Response Program (a $500 million increase from $1.2 billion to $1.7 billion) and other adjustments.[1]

The pending war request assumes that by July 2008, DOD gradually withdraws the five additional brigades deployed last spring and summer and returns to the 15 brigade level that pre-date last spring's "surge". On April 8, 2008, General Petraeus, the commanding general in Iraq, testified that he is recommending that a 45-day period of "consolidation and evaluation" after the completion the withdrawal of the five brigades that were deployed last year for the "surge" in July to be followed by a "process of assessment to examine the conditions on the ground and, over time, determine when we can make recommendations for further reductions."[2] If this schedule is adopted, additional withdrawals in FY2008 beyond those already anticipated are unlikely.

For FY2009, the Administration has included a $70 billion placeholder request for DOD without any details, as well as $1.5 billion for foreign and diplomatic operations in the regular FY2009 State/USAID budget, and $1.3 billion in Department of Veterans Affairs funding for medical services for Iraq and Afghanistan veterans. Despite a congressional requirement for detailed budget justification for war funds, DOD does not plan to submit details on its new request until after General David Petraeus, head of Multi-National Forces, Iraq, makes his recommendations about troop levels on April 8, 2008.[3] DOD anticipates that the $70 billion bridge fund for FY2009 would "certainly cover" the period until the beginning of a new Administration in late January 2009.[4]

Taking into account the additional pending war requests for FY2008 and FY2009, enacted and requested war funding totals about $878 billion for DOD, State/USAID and VA Medical. CRS has not estimated the split between Iraq and

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[1] Inside Defense, "Pentagon Looks to Slash Army Supplemental Funds to Pay for Fuel, Operational Needs," March 26, 2008; Draft DOD briefing to congressional defense committees, "Adjustment to the FY2008 Global War on Terror Pending Request," March 2008.

[2] Testimony of General David Petraeus before the Senate Armed Services Committee, April 8, 2008.

[3] See Sec. 1008, P.L. 109-364, *FY2007 National Defense Authorization Act*; American Forces Press Service, "Gates: Multiple Inputs to Drive Post-July Drawdown Decisions," January 31, 2008.

[4] DOD, "New Briefing with Press Secretary Morrell from the Pentagon," January 29, 2008, p. 5.

Afghanistan in FY2009 placeholder because there are no details in the request and future force levels for the two operations are unclear at this time. In FY2009, the State Department has requested about $469 million for Iraq and about $1.1 billion for Afghanistan in its baseline budget. For VA medical services, CRS estimates that about $1 billion will be for OIF veterans and $250 million for OEF veterans.

With enactment of the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-116) on December 26, 2007, DOD can rely on both its regular funding and $70 billion to cover war costs, providing some cushion before passage of the remaining war request (see discussion below). DOD has begun to press for passage of the FY2008 supplemental request. Together with emergency funds for State/USAID, the pending request totals $105.2 billion. Congress is expected to take up that request in late April 2008 starting with markup on the House side.

FY2008 Wartime Funding Available. Before passage of the FY2008 Consolidated Appropriations, DOD financed F2008 war costs by tapping its regular appropriations, a practice used in previous years called "cash-flowing," and controversy grew about how long the Army could last without passage of a supplemental (see below).[5] Now DOD also has $86.8 billion available in FY2008 including $70 billion in the FY2008 Consolidated Appropriations Act as well as $16.8 billion provided in early bills specifically for the Mine Resistant Ambush Program (MRAP) vehicles, an armored truck with a V-shaped hull which is considered more effective against attacks from Improvised Explosive Devices (IEDs).

DOD can also continue to tap its baseline appropriations once emergency funds run out. Unless Congress passes specific language restricting the use of these funds, the President can spend baseline monies for either war or peacetime activities; so, for example, DOD can pay for fixing a truck in either Iraq or Kansas, and finance war operating and support costs in the initial months of the fiscal year by temporarily tapping regular appropriations that are slated to be used at the end of the fiscal year.

With a couple of exceptions, Congress has not appropriated monies specifically for wartime activities or specifically for Iraq and Afghanistan.[6] This practice of

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[5] The original House version of the FY2008 Consolidated Appropriations (H.R. 2764) only provided funds for Afghanistan, and would have allowed DOD to fund war activities until about late February 2008; see Division L, "Emergency Supplemental Appropriations for Operation Enduring Freedom and for Other Purposes," FY2008 Omnibus, H.R. 2764, as amended; [http://www.rules.house.gov/110/text/omni/amnd2/110_hr2764amnd2.pdf]. In that bill, CRS estimated that using other available tools — such as transfer authority, excess cash, delaying placing depot maintenance orders, and slowing regular obligations would have enabled the Army to last until about early May 2008. DOD first used funds provided in the first FY2008 Continuing Resolution (Sec. 106, H. J. Res 52/P.L. 110-92), which gave DOD access to the $70 billion in bridge funds for war included in last year's appropriations Act (Title IX, FY2007 DOD Appropriations, P.L. 109-289), and then in the FY2008 DOD Appropriations Act.

[6] The exceptions are separate accounts to fund the training of Iraq and Afghan security forces, and the Iraq Freedom Fund transfer account as well as the Iraq Relief and

(continued...)

mixing war and baseline appropriations in the same accounts increases flexibility for both the Administration and Congress but reduces visibility on war costs because war and baseline funds are co-mingled in the same accounts.

Passage of the $70 billion in war funds in the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161) averted a growing controversy in the fall and winter of FY2007 about the potential effects of delays in war funding. DOD argued that funds for the Army funding — the service facing the greatest pressure from its war costs — would run out by mid-February 2008 unless Congress provided additional funding.[7] CRS estimates suggested that without the funding, DOD could continue financing war costs until about the end of March 2008 using currently available authorities.[8]

Based on this concern, DOD announced that the Secretary of Defense had directed the Army and Marine Corps to initiate planning to "reduce operations at all Army bases by mid-February and all Marine installations by mid-March 2008," and to "begin notifying roughly 200,000 civilians and contractors that we can no longer afford their services and that absent additional funding, they will be furloughed, or temporarily laid off, within a matter of weeks...just before Christmas;" Deputy Secretary of Defense Gordon England notified the defense committees.[9]

According to press accounts, DOD planned to send notices out in mid-January 2008.[10] Based on regulations implementing the National Security Personnel System, it is not clear that notifications would have been needed in December 2007 for the short emergency furloughs of less than 30 days that DOD was planning.[11]

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[6] (...continued)
Reconstruction set up by Congress.

[7] On November 20, 2007, DOD spokesman Geoff Morrell stated that the Army — the service facing the greatest pressure from its war costs — could finance war costs until about mid-February 2008 using its current appropriations and if Congress approved a DOD request to transfer $4.1 billion to the Army. DOD stated that the Marine Corps had sufficient funds through mid-March 2008.

[8] See CRS Report RL33110, *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11* by Amy Belasco, December 12, 2007 update, p. 4-5.

[9] News Briefing, Transcript, "Defense Department Holds Regular News Briefing, November 20, 2007. [http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4091]. See Vice Chair, Army, General Richard A. Cody, "Contingency Budget Planning," November 26, 2007 for instructions. Notification requirement is in 10 U.S.C. 1597 (e) and is cited in Deputy Secretary of Defense Gordon England, "Letter to Senator Carl Levin, Chair, Senate Armed Services Committee," December 7, 2007.

[10] Washington Post, Federal Diary, "Pentagon Prepares for Layoffs in Budget Standoff," December 12, 2007.

[11] For non-emergency furloughs of less than 30 days, DOD civilians must receive a minimum of 15 days advance notification unless the action is due to "unforeseen circumstances," including "sudden emergencies requiring immediate curtailment of activities;" see *Code of Federal Regulations*, Sec. 9901.609. CRS analysts Jon
(continued...)

Time line for Next FY2008 Supplemental. How long the Army could maintain operations with currently available funding is likely to resurface as an issue in the spring of 2008 when DOD begins to urge Congress to pass the remaining FY2008 supplemental request. Concern focuses on the Army, the service facing the largest war costs.

According to DOD, the Army could finance its Operations & Maintenance (O&M) costs until the beginning of July 2008 and its Military Personnel costs until about late June using funds appropriated to date.[12] While these time lines reflect the amounts of funding provided to the Army as of the FY2008 Consolidated Appropriations Act, DOD's estimates do not reflect ways that DOD can extend funding using other available tools and authorities including transfer authority.

CRS estimates that DOD could continue to finance war costs for an additional one to two months by using currently available tools such as transfer authority to provide additional resources to the Army if Congress has not passed the pending FY2008 Supplemental request by July 2008. See section below entitled "How Long Can the Army Last Without A Supplemental" for a more extensive discussion.

Potential War Cost Issues for the 110th Congress

This report is designed to answer the frequently asked questions below as well as to address some of the major war cost issues likely to be faced in the 110th Congress. Potential issues include:

- How much has Congress appropriated in total and for each of the three missions since the 9/11 attacks — Operation Iraqi Freedom (Iraq), Operation Enduring Freedom (Afghanistan and other Global War on Terror operations), and Operation Noble Eagle (enhanced security for defense bases) for defense, foreign operations, and related VA medical care?

- How and why have average monthly DOD obligations changed over time for each mission?

- How long the Army can last before passage of the FY2008 supplemental;

- What are the cost implications and potential future spending levels under various scenarios ranging from the continuation of currently planned troop levels to withdrawal of forces beyond the five combat

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[11] (...continued)
Shimabukuro, Thomas Nicola, and Barbara Schwemle provided assistance with this issue. See 5 *Code of Federal Regulations,* Sec. 9901.714.

[12] DOD, "Briefing to Congressional staffers," January 2008.

brigades that were sent in last spring's "surge," including the effect of future basing agreements on future costs?

- How large and how urgent are reconstitution and reset costs for repair and replacement of war-worn equipment and what is appropriately considered to be emergency war-related procurement as opposed to DOD's ongoing modernization efforts;

- How to judge and respond to readiness problems that stem from war operations;

- How to use congressional funding mechanisms to affect policy options for Iraq; and

- What are the problems in war cost reporting.

This report begins by providing CRS estimates of the amount appropriated for each of the three missions to date, average obligations per month, and other measures of costs, and some discussion of budgetary war issues for DOD, State/AID and VA Medical.

War Cost Estimates Through FY2008 Request

CRS has estimated the allocation of all DOD budget authority (BA) by the three operations — Iraq, Afghanistan, and enhanced security — because DOD has not done so. Although DOD has reported the total amount appropriated for the Global War on Terror (GWOT), DOD does not allocate all of these funds.

There also continue to be discrepancies between CRS, DOD, and CBO estimates of the total amount of war funding enacted, which appear to reflect different interpretations of which funding is war-related. As of passage of the FY2008 Consolidated, CRS estimates that Congress has provided a total of $655 billion compared to $645 billion for CBO and $636 billion for DOD. CBO and CRS totals may be larger because they include funds not counted as GWOT-related and CRS's total also includes funds for enhanced security that are now included in DOD's regular baseline program.[13]

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[13] For DOD total, see DOD, *FY2008 Global War on Terror Amendment*, October 2007, Figure 1, p.1, October 2007; for CBO total, see CBO, *The Budget and Economic Outlook*, Fiscal Years 2008 to 2018, Box 1-1, p. 6-7, January 2008; for CRS total, see Table A-1 in this report. DOD justification material for its FY2007 and FY2008 war requests shows that budget authority for war fell $2 billion short in FY2001 and $4 billion short in FY2004 — a gap presumably met by transferring funds from its regular appropriations. CRS added $2 billion to its estimates to reflect these funds. CBO's estimates of war costs are lower than CRS partly because of fewer transfers considered to be war-related; see CBO, Letter to Senator Conrad, "Estimated Funding for Operations in Iraq and the Global War on Terror," February 7; [http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf].

CRS calculations of total war appropriations are probably larger than DOD because CRS includes all funds appropriated to DOD for the Global War on Terror including some funds included in regular requests, because DOD may not include transfers from regular appropriations and because DOD excludes some Congressional additions to supplementals as non-war related.

DOD also estimates the pending FY2008 war request at $102.5 billion. CRS considers that $101.3 billion of that total is war related (excluding non-war costs in DOD's request for baseline fuel and repairs of Walter Reed).[14]

Instead of allocating all budget authority enacted or requested, DOD reports annual and cumulative obligations incurred for each operation, which reflects funds as personnel are paid, contracts are signed, or orders placed.[15] This does not include funds appropriated or requested which have not yet been obligated.

As of the end of January 2008 DOD reported that $538.6 billion has been obligated for the Global War on Terror (GWOT) including

- $416.0 billion for Iraq; and
- $94.7 billion for Operation Enduring Freedom; and
- $27.9 billion for Operation Noble Eagle (enhanced security).[16]

DOD reports that about $55 billion in war funds remains unobligated from previous appropriations, including . DOD's obligations reporting system also does not cover about $42 billion for intelligence funding not tracked by DOD and other funding that DOD appropriated in supplementals or bridge funds but that DOD does not consider to be war-related.[17] CRS calculations of the total unobligated would be somewhat higher because this DOD figure does not take into account some $5 billion appropriated for GWOT in FY2003 in P.L. 107-48 and about $10 billion in transfers from DOD's baseline appropriations that were transferred to meet war needs (see **Table A1** and section, "Problems in War Cost Estimates and Reporting."

In the FY2007 Supplemental and FY2008 GWOT war requests, DOD now provides estimated breakdowns by operation in total for most of the budget authority

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[14] DOD's total FY2008 request is $189.3 billion; CRS excludes from DOD's request for $742 million for higher fuel prices in its baseline program and $416million to accelerate the closure of Walter Reed and replacement by new hospital facilities; see DOD, *FY2008 Global War on Terror Amendment*, February 2007, p. 53. For example, DOD excludes Congressional adds for C-17 aircraft in FY2007 as non-war related.

[15] Compiled by the Defense Finance Accounting Service (DFAS) monthly, these reports are entitled "Supplemental and Cost of War Execution Reports." September 2007 cumulative figures from DOD, "Cost of War through September 2007," November 2007.

[16] DOD, "Cost of War Car Card Through January 2008," January 2008.

[17] DOD, "Global War on Terror: Appropriated vs. Obligated Funds, FY2001-FY2008, as of January 30, 2008.

requested before funds are obligated.[18] For example, DOD estimates that the annual cost for Iraq would reach $124.6 billion in FY2007 and $149.7 billion in FY2008 if its requests are approved.[19] DOD could also allocate all funds that have already been appropriated but not yet obligated based on either planning estimates or historical patterns based on obligations to date just as it has estimated the breakdown of its new requests.

In this report, CRS estimates the allocation of all funds appropriated to DOD for war costs rather than only those obligated thus far, relying primarily on DOD's reporting of obligations. Such estimates give Congress a better sense of the current status of funding available for each operation, and allow comparisons between fiscal years. CRS uses previous spending trends as a guide to estimate the allocation of funds still to be spent or unreported. CRS has also compiled the funds allocated to Iraq and Afghanistan for foreign and diplomatic operations and for VA medical costs for OIF/OEF veterans (see **Tables 2**, **3**, and **4**). CRS has not allocated funding requested in FY2009 because no details about its make-up are available.

Funding for Each Operation. According to CRS estimates, Congress has appropriated about $700 billion in budget authority (BA) from FY2001 through the FY2008 Bridge fund in the FY2008 Consolidated Appropriations Act for DOD, the State Department and for medical costs paid by the Department of Veterans' Affairs (P.L. 110-161). CRS estimates that this total includes about

- $526 billion for Iraq (75%),
- $140 billion for Afghanistan and other counter terrorism operations (20%),
- $29 billion for enhanced security (5%), and
- $5 billion that CRS cannot allocate (see **Table 2**).

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[18] In its FY2007 and FY2008 war requests, DOD does not allocate $6 billion to $9 billion for intelligence, fuel for its baseline program, and other programs to either OIF or OEF; CRS allocates most of these amounts since they are requested as war funds; see Table 1a.. in DOD, *FY2007 Emergency Supplemental Request for the Global war on Terror*, February 2007; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.p]df; hereinafter, *FY2007 Supplemental*, and in DOD, *FY2008 Global War on Terror Request*, February 2007, p. 74; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf] hereinafter, DOD, *FY2008 GWOT Request;* DOD, MRAP amendment, July 31, 2007; [http://www.defenselink.mil/comptroller/defbudget/fy2008/fy2007_amendment/FY2008_Global_War_On_Terror_Request/FY_2007_MRAP_Budget_Amendment-_DoD_portion.pdf]; hereinafter, DOD, *MRAP Amendment*; and DOD, *FY2008 Global War on Terror Amendment*, October 2007; hereinafter, DOD, *October Amendment;* [http://www.defenselink.mil/comptroller/defbudget/fy2008/Supplemental/FY2008_October_Global_War_On_Terror_Amendment.pdf].

[19] DOD, *FY2008 Global War on Terror Amendment*, Table 1a. p. 56, October 2007.

Table 2. Estimated War-Related Funding by Operation: FY2001-FY2008

(CRS estimates in billions of dollars of budget authority)

Operation and Total	FY01 and FY02	FY03[a]	FY04[b]	FY05[b]	FY06	FY07	FY08[c]	Enacted: FY01-FY08 Consol. Approps.[c]	Pending FY08 Req.[cd]	Cum.: FY01-FY08 Req.[d]
Iraq	0.0	53.0	75.9	85.5	101.7	133.6	75.9	**525.9**	82.3	**608.3**
OEF	20.8	14.7	14.5	20.0	19.0	36.9	13.9	**139.8**	22.8	**162.6**
Enhanced Security	13.0	8.0	3.7	2.1	0.8	.5	.5	**28.7**	0	**28.7**
Unallocated	0.0	5.5	0.0	0.0	0.0	0	0	**5.5**	0	**5.5**
TOTAL	**33.8**	**81.1**	**94.1**	**107.6**	**121.5**	**171.0**	**90.4**	**699.5**	**105.2**	**804.7**
Annual Change	NA	140%	16%	14%	14%	41%	NA	NA	14%	NA
Change Since FY03	**NA**	**NA**	**16%**	**33%**	**50%**	**111%**	**NA**	**NA**	**141%**	**NA**

Notes and Sources: NA = not applicable. Numbers may not add due to rounding. Revised CRS estimates reflect Defense Finance Accounting Service, *Cost of War Execution Reports* through September 2007 by operation in DOD, *FY2007 Emergency Supplemental Request for the Global War on Terror*, February 2007, p. 93 and other data; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request] for theGWOT.pdf]; and DOD, *FY2008 Global War on Terror Request*, Feb. 2007; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf]; DOD, *FY2008 Global War on Terror Amendment*, October 2007; [http://www.defenselink.mil/comptroller/defbudget/fy2008/Supplemental/FY2008_October_Global_War_On_Terror_Amendment.pdf]; appropriations reports, public laws and DOD transfers. For a further breakdown of agency spending by operation, see **Table 4.**

a. Includes $5.5 billion of $7.1 billion appropriated in DOD's FY2003 Appropriations Act (P.L. 107-48) for the global war on terror that CRS cannot allocate and DOD cannot track.

b. Of the $25 billion provided in Title IX of the FY2005 DOD appropriations bill, CRS included $2 billion in FY2004 when it was obligated and the remaining $23 billion in FY2005. Because Congress made the funds available in FY2004, CBO and OMB score all $25 billion in FY2004.

c. Includes $16.8 billion appropriated for Mine Resistant Ambush Protected (MRAP) vehicles requested by DOD for war needs in FY2008 provided in the first FY2008 Continuing Resolution (H.J.Res 52/P.L. 110-92) and the FY2008 DOD Appropriations (H.R. 3222/P.L. 110-116), and $70 billion in Division L, FY2008 Consolidated Appropriations Act (P.L. 110-161); pending FY2008 request excludes these funds. In FY2008, CRS includes funds for enhanced security in DOD's regular budget, and excludes as non-war related DOD request for funds to cover higher fuel prices for its regular program and accelerate the replacement of Walter Reed for a more consistent definition of war costs. VA Medical estimates reflect VA FY2008 budget materials, and CRS estimate that based on OIF/OEF share of total VA patients, the Congressional add of $3.6 billion for VA Medical Services in Division I, FY2008 Consolidated Appropriations Act includes 4.5% for war-related needs. Amounts for foreign and diplomatic operations reflect State Department reported figures through FY2007 and preliminary estimate for FY2008 based on Joint Explanatory Statement for Division J, FY2008 Consolidated Appropriations Act in Congressional Record, Dec. 18, 2007 and appropriations committee tables; figures may be adjusted later by the State Department.

d. In the FY2008 request, CRS excludes DOD's request to cover higher fuel prices in its regular programs, and a request to accelerate the replacement of Walter Reed; CRS also includes an estimate for enhanced security ($530 million) based on FY2007 and funded in DOD's baseline in FY2007 in order for totals to be consistent with previous years.

Funding for Each Agency. Of the $700 billion enacted thus far, about $655 billion, the lion's share or over 90% goes to the Department of Defense. DOD regulations require that the services request *incremental* war costs, in other words, costs that are in addition to regular military salaries, training and support activities, and weapons procurement, RDT&E or military construction (see **Table 3**).

Table 3. Estimated War-Related Funding by Agency: FY2001- FY2008

(CRS estimates in billions of dollars of budget authority)

By Agency & Total	FY01 & FY02	FY03	FY04	FY05	FY06	FY07	FY08[ab]	Total Enacted Thru FY08 Consol. Approps[ab]	Pending FY08 Req.[b]	Cum.: FY01-FY08 Request[b]
DOD	33.0	77.4	72.4	102.6	116.8	165.0	87.4	**654.7**	101.3	**756.0**
State/USAID	0.8	3.7	21.7	4.8	4.3	5.0	2.1	**42.4**	3.4	**45.7**
VA	0.0	0.0	0.0	0.2	0.4	1.0	.9	**2.5**	0	**2.5**
TOTAL	**33.8**	**81.1**	**94.1**	**107.6**	**121.5**	**171.0**	**90.4**	**699.5**	**105.2**	**804.7**

Notes and Sources: Public laws, congressional appropriations reports, and CRS estimates; see **Table 4**.

a. For FY2008, includes $16.8 billion for MRAP vehicles appropriated in first FY2008 Continuing Resolution (H.J.Res. 52/P.L. 110-92) and the FY2008 DOD Appropriations Act (H.R. 3222/P.L. 110-116), and $70 billion in Division L of the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161).

b. In FY2008, CRS includes funds for enhanced security in DOD's regular budget, and excludes as non-war related DOD request for funds to cover higher fuel prices for its regular program and accelerate the replacement of Walter Reed for a more consistent definition of war costs.

For military personnel, incremental costs cover hostile fire or other combat-related special pays and the cost of activating reservists and paying them on a full-time basis. For operations and maintenance, war costs cover the cost of transporting troops and equipment to the war zone, conducting war operations, and supporting deployed troops, as well as repairing and replacing equipment worn out by war operations.

As of the FY2008 Consolidated, which includes some but not all of their emergency request, State and USAID have together received about $42.4 billion for reconstruction, embassy operations and construction, and various foreign aid programs for Iraq and Afghanistan with an additional pending war-related request of $3.4 billion. The Veterans Administration has received about $2.5 billion for medical care for veterans of these operations including funds above their request.[20]

For information about State Department and USAID programs, see CRS Report RL34023, *State, Foreign Operations, and Related Programs: FY2008*

[20] Foreign operations activities are managed by both the State Department and USAID, which handles most U.S. development assistance programs.

Appropriations by Connie Veillette and Susan Epstein; CRS Report RL31833, *Iraq: Reconstruction Assistance*, by Curt Tarnoff; and CRS Report RL30588, *Afghanistan: Post War Governance and U.S. Policy*, by Kenneth Katzman; CRS Report RL34276, *FY2008 Emergency Supplemental Appropriations for International Affairs* by Connie Veillette, Susan Epstein, Rhoda Margesson, and Curt Tarnoff.

Trends in War Funding

The total cost for all three operations — Iraq, Afghanistan, and other GWOT and enhanced security — has risen steeply since the 9/11 attacks primarily because of higher DOD spending in Iraq. Annual war appropriations more than doubled from about $34 billion in FY2001/FY2002 to about $80 billion with the preparation for and invasion of Iraq in FY2003 (see **Table 4**). Based on passage of the FY2007 Supplemental, annual DOD funding are growing by an additional 75% between FY2004 and FY2007. If DOD's total FY2008 request is enacted, the level in FY2008 would be 160% higher or more than one-and-one-half times larger than FY2004.

Table 4 provides a breakdown of war-related funds for each operation and each agency by fiscal year. DOD's funding covers not only operational costs but also replacing and upgrading military equipment, converting units to new modular configuration, training Afghan and Iraqi security forces, providing support to allies and enhanced security at DOD bases. Such investment funding has grown steeply in recent years (see **Table 5**). Foreign and diplomatic operations cover the cost of reconstruction, building and operating embassies in Iraq and Afghanistan and various foreign aid programs.

Over 90% of DOD's funds were provided as emergency funds in supplemental or additional appropriations; the remainder were provided in regular defense bills or in transfers from regular appropriations.[21] Emergency funding is exempt from ceilings applying to discretionary spending in Congress's annual budget resolutions.[22] Some Members have argued that continuing to fund ongoing operations in supplementals reduces congressional oversight. Generally, much of foreign and diplomatic funding has been funded in regular rather than emergency appropriations.[23]

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[21] These funds were characterized as "additional appropriations," and put in a separate title of DOD's regular appropriation bill in FY2005, FY2006, and FY2007. For discussion of using regular vs. supplemental appropriations for war funding, see CRS Report RS22455, *Military Operations: Precedents For Funding Contingency Operations in Regular or in Supplemental Appropriations Bills*, by Stephen Daggett.

[22] The FY2005 and FY2006 budget resolutions exempted up to $50 billion in overseas contingency operations funds from budget controls (see Section 403, H.Con.Res. 95 (FY2005) and Sec. 402, S.Con.Res. 95 (FY2006)). Congress did not pass a budget resolution in FY2007.

[23] The exception is FY2004 when Congress appropriated $20 billion for reconstruction in the supplemental.

Table 4. Budget Authority for Iraq, Afghanistan, and Other Global War on Terror (GWOT) Operations: FY2001-FY2008

(CRS estimates in billions of budget authority)

By Operation and Funding Source	FY 01 & FY 02[a]	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08[b]	Cum. Enacted thru FY08 Consol.Approps	Pending FY 08 Req.[a]	Cum: FY01-FY08 Req.
OPERATION IRAQI FREEDOM (OIF)[c]										
Department of Defense	0	50.0	56.4	83.4	98.1	129.6	**74.3**	**491.7**	**79.6**	**571.3**
Foreign Aid and Diplomatic Ops[d]	0	3.0	19.5	2.0	3.2	3.2	**0.9**	**31.7**	**2.5**	**34.2**
VA medical[e]	0	0	0	0.2	0.4	0.9	**0.7**	**2.2**	**0.0**	**2.2**
Total: Iraq	**0.0**	**53.0**	**75.9**	**85.5**	**101.7**	**133.6**	**75.9**	**525.6**	**82.3**	**608.0**
OPERATION ENDURING FREEDOM (OEF)/Afghanistan and GWOT										
Department of Defense	20.0	14.0	12.4	17.2	17.9	34.9	**12.6**	**128.8**	**21.7**	**150.6**
Foreign Aid and Diplomatic Ops[d]	0.8	0.7	2.2	2.8	1.1	1.9	**1.1**	**10.6**	**0.9**	**11.5**
VA Medical[e]	0	0	0	0	0.0	0.1	**0.2**	**0.3**	**0.0**	**0.3**
Total: OEF	**20.8**	**14.7**	**14.5**	**20.0**	**19.0**	**36.9**	**13.9**	**139.8**	**22.8**	**162.7**
ENHANCED SECURITY (Operation Noble Eagle)										
Department of Defense	13.0	8.0	3.7	2.1	0.8	0.5	0.5	28.7	0.0	28.7
Total: Enhanced Security[f]	**13.0**	**8.0**	**3.7**	**2.1**	**0.8**	**0.5**	**0.5**	**28.7**	**0.0**	**28.7**
DOD Unallocated	**0.0**	**5.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**5.5**	**0.0**	**5.5**
ALL MISSIONS										
Department of Defense	33.0	77.4	72.4	102.6	116.8	165.0	**87.4**	**654.7**	**101.3**	**756.0**
Foreign Aid and Diplomatic Operations[d]	0.8	3.7	21.7	4.8	4.3	5.0	**2.1**	**42.4**	**3.4**	**45.7**
VA Medical[e]	0	0	0	0.2	0.4	1.0	**0.9**	**2.5**	**0.0**	**2.5**
Total: All	**33.8**	**81.1**	**94.1**	**107.6**	**121.**	**171.**	**90.4**	**699.5**	**105.2**	**804.7**

By Operation and Funding Source	FY 01 & FY 02[a]	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08[b]	Cum. Enacted thru FY08 Consol.Approps	Pending FY 08 Req.[a]	Cum: FY01-FY08 Req.
Missions					**5**	**0**				

Notes and Sources: Numbers may not add due to rounding. Because DOD has not provided a breakdown by operation for all appropriations received, CRS estimates unobligated budget authority using past trends as shown in DOD's Defense Finance Accounting Service (DFAS) reports, *Supplemental & Cost of War Execution Reports* and other budget justification materials including DOD, *FY2007 Supp*, February 2007, Table 1a.; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf]; DOD, FY2008 Supplemental Requests, February , July, and October 2007. CRS budget authority (BA) totals are higher than DOD figures because CRS includes all funding provided in supplementals, bridge funds or baseline appropriations for Iraq and the Global war on Terror as well as transfers from DOD's baseline funds for GWOT requirements, and enhanced security. CRS also splits the $25 billion provided in the FY2005 Title IX bridge between the $1.8 billion obligated in FY2004 and the remainder available for FY2005; all those funds are scored as FY2004 because they were available upon enactment in August 2005. Figures include funds provided in P.L. 107-38, the first emergency supplemental after 9/11, and funds allocated in P.L. 107-117.

a. CRS combined funds for FY2001 and FY2002 because most were obligated in FY2002 after the 9/11 attacks at the end of FY2001. In FY2008, CRS includes funds for enhanced security in DOD's regular budget, and excludes as non-war related DOD request for funds to cover higher fuel prices for its regular program and accelerate the replacement of Walter Reed for a more consistent definition of war costs.

b. Includes funds provided in the First Continuing Resolution (H.J.Res 52/P.L. 110-92), FY2008 DOD Appropriations Act (H.R. 3222/P.L. 110-116) and the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161).

c. DOD's new estimate in FY2007 for Iraq shows BA from FY2003 as $48 billion, $2 billion higher than reported by DFAS without identifying a source for these funds.

d. 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. For FY2007, figures reflect State Department figures; for FY2008, figures reflect Joint Explanatory Statement for Division J, FY2008 Consolidated Appropriations Act (P.L. 110-161) in December 17, 2007 Congressional Record; may be revised by State Department at a later date.

e. Medical estimates reflect figures in VA's FY2008 budget justifications, and CRS estimate of OIF/OEF shares of $3.6 billion added by Congress to VA Medical in FY2008 Consolidated Appropriations Act (P.L. 110-161).

f. Known as Operation Noble Eagle, these funds provide higher security at DOD bases, support combat air patrol, and rebuilt the Pentagon.

Estimates for Iraq and Afghanistan and Other Operations

How much has Congress provided for each of the three operations launched since the 9/11 attacks — Iraq, Afghanistan and other GWOT, and enhanced security? Using a variety of sources and methods, CRS estimated the distribution of war-related funds appropriated for defense, foreign operations, and VA medical costs from the 9/11 attacks through the FY2008 supplemental request (see **Table 4**). With passage of the FY2008 Consolidated Appropriations Act (H.R.2764/P.L 110-161), CRS estimates that war-related appropriations enacted to date total about $700 billion allocated as follows

- $526 billion for Iraq (or 74%);
- $140 billion for Afghanistan (or 20%);
- $29 billion for enhanced security (5%); and
- $5 billion unallocated (1%) (see **Table 4)**.

For FY2008, this includes $16.8 billion for MRAP vehicles provided to DOD in the FY2008 Continuing Resolution (H.J. Res 2/P.L. 110-92) and the FY2008 DOD Appropriations bill (H.R. 3222/P.L. 110-116) and funds in Division L of the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L.110-61).

Since the FY2003 invasion, DOD's war costs have been dominated by Iraq. Costs for OEF have risen in recent years as troop levels and the intensity of conflict have grown. The cost of enhanced security in the United States has fallen off from the earlier years which included initial responses to the 9/11 attacks. Foreign operations costs peaked in FY2004 with the $20 billion appropriated for Iraq and Afghan reconstruction and then run about $3 billion to $4 billion a year.

Although some of the factors behind the rapid increase in DOD funding are known — the growing intensity of operations, additional force protection gear and equipment, substantial upgrades of equipment, converting units to modular configurations, and new funding to train and equip Iraqi security forces — these elements do not appear to be enough to explain the size of and continuation of increases. Although DOD included more extensive justification of its FY2007 and FY2008 supplemental requests, it still provides little explanation of how changes in force levels would affect funding levels.

The FY2007 DOD Emergency Request and the FY2008 Global War on Terror (GWOT) request provide more justification material than previously. The FY2009 budget includes a $70 billion placeholder figure for war costs with no details, making it impossible to estimate its allocation. The Administration includes no funds in later years.

CBO Projections of Future Costs. Based on two illustrative scenarios assuming a more and less gradual drawdown in deployed troop levels, CBO estimated the cost of all three operations for the next ten years from 2008 - 2017. CBO projects that over the next ten years war costs for DOD, State, and VA could total

- $570 billion if troop levels fell to 30,000 by 2010; or
- $1,055 billion if troop levels fell to 75,000 by 2013.[24]

This CBO estimate does not split funding for Iraq and Afghanistan. If these CBO estimates are added to funding already appropriated, CBO projects that the cost of

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[24] Table 1 CBO, Statement of Peter Orszag, Director, before House Budget Committee, "Estimated Cost of U.S. Operations in Iraq and Afghanistan and Other Activities Related to the War on Terrorism," October 24, 2007; [http://www.cbo.gov/ftpdocs/86xx/doc8690/10-24-CostOfWar_Testimony.pdf].

both Iraq, Afghanistan, and enhanced security could reach from $1.2 trillion to $1.7 trillion by 2017 if troops fell to 30,000 or 75,000 respectively.[25]

CBO stated that future costs were difficult to estimate because DOD has provided little detailed information on costs incurred to date, and does not report outlays, or actual expenditures for war because war and baseline funds are mixed in the same accounts. Nor is information available on many of the key factors that determine costs such as personnel levels or the pace of operations.[26]

Both CBO scenarios assume a gradual drawdown in forces over the next ten years. The Administration has not provided any long-term estimates of costs despite a statutory reporting requirement that the President submit a cost estimate for FY2006-FY2011 that was enacted in 2004.[27]

Past Trends and Future Costs in Iraq. *How has funding for Iraq changed over time and what is the outlook for the future?* CRS estimates that Iraq has received funding totaling about $492 billion as of funds appropriated through the FY2008 Consolidated Appropriations Act (see **Table 1b.**). War costs in Iraq have risen sharply from initial funding to deploy troops starting in the fall of 2002 (presumably drawn from DOD's regular appropriations since supplemental funds were not available) to $50 billion in the invasion year of 2003 to about $135 billion for FY2007 and a request for $153.7 billion in FY2008.

Projections of Future Iraq Costs. The total for Iraq in FY2007 is about one-third higher than the previous year and almost three times the first year (see and **Table 4**).[28] The amended FY2008 DOD war request includes $158 billion for Iraq, about $25 billion more than in FY2007 reflecting primarily higher procurement funding. DOD has adopted an expansive definition of reset — funds to restore units to pre-war condition — that includes not only the repair and replacement of

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[25] Ibid, p.1.

[26] CRS adjusted the CBO estimates by subtracting $70 billion for the additional funding assumed by CBO for FY2007; see Letter to Chair, Senate Budget Committee, Kent Conrad, "Summarizing and projecting funding for Iraq and GWOT under two scenarios," February 7, 2007, Table 1 and p.2 - p.3; [http://www.cbo.gov/ftpdocs/77xx/doc7793/02-07-CostOfWar.pdf]. See also, CBO, Statement of Robert A. Sunshine, Assistant Director, before the House Budget Committee, "Issues in Budgeting for Operations in Iraq and the War on Terrorism," January 18, 2007.

[27] Sec. 9012 required that the president submit an estimate for FY2006-FY2011 unless he submitted a written certification that national security reasons made that impossible; the Administration did not submit a waiver but then-OMB Director, Joshua B. Bolten sent a letter on May 13, 2005 to Speaker of the House J. Dennis Hastert saying that an estimate was not possible because there were too many uncertainties.

[28] CRS estimates the allocation of about $9 billion in funding requested in the FY2007 Supplemental for classified programs and for baseline fuel that DOD does not include for either OIF or OEF.

equipment damaged in war or that is not worth fixing but also to upgrade equipment to meet future needs.[29]

A Gradual Withdrawal Option. In response to a request last summer, CBO estimated the cost of two alternative scenarios for Iraq for FY2007-FY2016 if all troop levels were to be removed by the end of 2009 or if the number of deployed troops fell to 40,000 by 2010. Adjusting CBO's estimates for passage of the FY2007 Supplemental, a withdrawal by FY2009 could cost an additional $147 billion while a reduction to 40,000 troops by 2010 could cost an additional $318 billion.[30] CBO has not estimated the cost of a more immediate withdrawal.

Maintaining a Long-Term Presence. CBO has also estimated that the annual cost of maintaining about 55,000 troops in Iraq over the long-term — referred to as the Korea option — in Iraq would be about $10 billion in a non-combat scenario and $25 billion with combat operations.[31] CBO's projections of costs assumes only minimal procurement costs for replacing or upgrading war-worn equipment unlike DOD's recent and current war requests.

Past Trends and Future Costs in Operation Enduring Freedom. *How has funding for Afghanistan and other Global War on Terror Operations changed over time and what does the future hold?* As of enactment of the FY2007 Supplemental, Afghanistan has received about $140 billion in appropriations for DOD, foreign and diplomatic operations, and VA medical. In recent years, funding for Afghanistan was about $20 billion annually but is slated to jump by 75% to about $35 billion in FY2007. Although funding requested for FY2008 is close to the FY2007 level, more funding is included for operations and less for training Afghan security forces.[32]

Increases in previous years reflect higher troop levels, the cost to train Afghan forces, and part of the cost of upgrading and replacing equipment and converting Army and Marine Corps units to a new modular configuration. Some of the $17 billion increase in the FY2007 supplemental reflects a $5.5 billion increase in funds to equip and train Afghan security forces ($1.9 billion in FY2006 to $7.4 billion in FY2007), and $510 million for the 7,200 additional troops. The reasons for the rest of the increase are not clear.

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[29] See CRS, Testimony of Amy Belasco to House Budget Committee, "the Growing Cost of the Iraq War," October 24, 2007.

[30] CBO, Letter to Congressman John M. Spratt, Jr, "Estimated funding for two specified scenarios for Iraq over the period 2007-2016," July 13, 2006, Table 1; [http://www.cbo.gov/ftpdocs/73xx/doc7393/07-13-IraqCost_Letter.pdf]. CRS adjusted CBO's estimate by subtracting the amount assumed for FY2007.

[31] CBO, Letter to Congressman Spratt on Long-Term Presence in Iraq, 9-20-07 [http://www.cbo.gov/ftpdocs/86xx/doc8641/09-20-ConradLTpresenceinIraq.pdf].

[32] DOD, *FY2008 Global War on Terror Amendment,* Table 2, Funding by Functional Category, October 2007, p. 57; training of Afghan Security Forces falls from $7.4 billion in FY2007 to $2.7 billion in FY2008.

Past Trends and Future Costs in Enhanced Security. *How has the cost of Operation Noble Eagle or enhanced security for DOD bases changed since 9/11?* Funding for enhanced base security and other responses to the initial attacks fell from the $12 billion available in the first year after the attacks to $8 billion in 2003. These decreases reflect the end of one-time costs like Pentagon reconstruction ($1.3 billion), the completion of security upgrades, the scaling back of combat air patrol (about $1.3 billion for around-the-clock coverage), and a cut in the number of reservists guarding bases.[33] In FY2004, the cost of enhanced security more than halved again, dropping to $3.7 billion.

Beginning in FY2005, DOD funded this operation in its baseline budget rather than in supplementals and costs fell to under $1 billion in FY2006 and $500 million in FY2007, a level CRS projects for FY2008 as well (See **Table 4**). The services are now requesting funds for some base security in the United States that they consider war costs in the FY2007 and FY2008 Supplemental, which could overlap with the enhanced security mission.

DOD Spending Thus Far

Average monthly obligations are frequently used as a way to measure the rate of ongoing war spending. As of the end of January 2008, DOD estimated that the cumulative total of war-related obligations were $538.6 billion. DOD estimates that $55 billion in previously appropriated war funds remains to be obligated.[34]

Based on DOD data, CRS estimates that average monthly obligations for the first four months of FY2008 were running about $12.2 billion including $9.8 billion for Iraq, $2.4 billion for Afghanistan, and $20 million for enhanced security. Compared to FY2007, this monthly average for FY2008 is about $500 million lower for Iraq and $400 million higher for Afghanistan, and $100 million lower altogether (see **Table 5** below). These figures differ somewhat from those reported by DOD because CRS estimates some expenses not captured by DOD reports.[35]

Although these figures capture DOD's contractual obligations for pay, goods, and services, they do not give a complete picture because they do not capture all appropriated funds or all funds obligated. DOD acknowledges that these figures do not capture over $35 billion in classified activities. According to DOD, other funds which DOD does not consider to be war-related — such as for Congressional adds for equipment for the National Guard and Reserve, force protection, and more C-17

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[33] DOD's new estimate for ONE is $8 billion rather than the $6.5 billion shown in an earlier DOD briefing. For more information, see CRS Report RL31187, *Combating Terrorism: 2001 Congressional Debate on Emergency Supplemental Allocations*, and CRS Report RL31829, *Supplemental Appropriations FY2003: Iraq Conflict, Afghanistan, Global War on Terrorism, and Homeland Security*, both by Amy Belasco and Larry Nowels.

[34] DOD, "Waterfall Slide," as of January 2008 obligations reports.

[35] DOD, "Cost of War Card through January 2008" shows a total of $11.6 billion for overall obligations for Iraq and Afghanistan.

aircraft — also will not be captured in Defense Finance Accounting Service (DFAS) reports because the services will treat these as part of DOD's regular programs.[36]

The most recent figures may or may not prove typical for all of FY2008 because obligations go up and down from month-to-month. **Table 5** below shows DOD-reported figures and CRS estimates of average monthly obligations after adjusting DOD accounting reports to add classified and other unreported war-related activities through the end of FY2007.[37] These estimates show adjusted FY2007 obligations running $12.3 billion per month on average including:

- $10.3 billion for Iraq;
- $2.0 billion for Afghanistan; and
- $45 million for enhanced security.

Average obligations are a good indicator of ongoing operational costs because these funds must be obligated — put in contract — within the first year. For investment costs, however, average monthly obligations lag appropriated budget authority since only some funds are obligated in the first year because of the time for the planning and negotiation of contracts.

Obligations figures do not reflect outlays — or payments made when goods and services are delivered — which would be a better measure of spending rates and actual costs. DOD does not track outlays for its war costs because war-related appropriations are co-mingled with regular or baseline funds in the same accounts making it difficult to segregate the two. If DOD had separate accounts for war and peace costs, outlays could be tracked, which would capture the amount spent and give a better sense of actual spending rates.

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[36] Communication with DOD Comptroller staff, October 2007 and Table 1a in DOD, *FY2008 Global War on Terror Amendment*, October 2007, for total for non-DOD intelligence and non-GWOT; [http://www.defenselink.mil/comptroller/defbudget /fy2008/Supplemental/FY2008_October_Global_War_On_Terror_Amendment.pdf].

[37] Averages correct for monthly fluctuations which may reflect when individual contracts are signed. Operational costs include working capital funds, defense health, and counterdrug monies and investment costs include procurement, RDT&E and military construction.

Table 5. DOD's Obligations by Operation: FY2001-FY2007
(in billions of dollars)

Mission and type of spending	Average monthly obligation as of September 2007						DOD Reported Cum. Obs from FY01-Jan. 30, 2008
	FY03[a]	FY04[a]	FY05[a]	FY06[a]	FY07 DFAS Rpted	FY07 adj.	
Operation Iraqi Freedom							
Operations[b]	4.2	4.3	4.7	5.9	7.0	7.1	NA
Investment[c]	0.2	0.6	1.8	1.3	3.0	3.2	NA
Total	**4.4**	**4.8**	**6.5**	**7.2**	**9.9**	**10.3**	**416.0**
Afghanistan and the Global War on Terror[d]							
Operations[b]	1.1	0.9	0.9	1.2	1.6	1.9	NA
Investment[c]	0.2	0.1	0.2	0.2	0.0	0.1	NA
Total	**1.3**	**1.0**	**1.1**	**1.4**	**1.7**	**2.0**	**94.7**
Enhanced security and other[e]							
Operations[b]	0.5	0.3	0.2	0.1	0.0	0.0	NA
Investment[c]	0.0	0.0	0.0	0.0	0.0	0.0	NA
Total	**0.5**	**0.3**	**0.2**	**0.1**	**0.0**	**0.0**	**27.9**
All missions							
Operations[b]	5.8	5.5	5.8	7.2	8.6	9.1	NA
Investment[c]	0.4	0.7	2.0	1.5	3.1	3.2	NA
Total	**6.2**	**6.2**	**7.7**	**8.7**	**11.6**	**12.3**	**538.6**

Notes and Sources: NA = Not available. Numbers may not add due to rounding. Monthly estimates reflect Defense Finance Accounting Service (DFAS) reported obligations through September 2007; see DOD, *Supplemental & Cost of War Execution Reports*; cumulative obligations from DOD, "Cost of War Through November 2007," January 2008.

a. Figures for FY2003-FY2006 reflect CRS calculations based on DFAS reports with estimated adjustments for funds excluded by DFAS such as intelligence and Congressional additions.
b. Includes funds appropriated for military personnel, operation and maintenance, working capital, and defense health.
c. Includes funds appropriated for procurement, RDT&E, and military construction.
d. Operation Enduring Freedom funds Afghanistan and other global war on terror (GWOT) activities.
e. 'Enhanced security and other' includes additional security at defense bases, combat air patrol around U.S. cities, and reconstruction of the Pentagon after the 9/11 attacks.

Changes in Average Monthly Obligations. Based largely on DOD accounting reports, average monthly obligations grew from $6.2 billion in FY2004 to $12.3 billion in FY2007, a doubling in four years for both Iraq and Afghanistan.

More Procurement Increases Iraq Spending. In the case of Iraq, much of the increase reflects a five-fold increase in investment obligations — primarily procurement — as the services have begun to spend substantial amounts on reset — the procurement of new weapons systems and equipment not simply to replace not only war losses (a small share of the total) but more often to upgrade and replace "stressed" equipment and enhance force protection.

Some observers have questioned whether all of DOD's war-related procurement reflects the stresses of war. For example, a recent CBO study found that more than 40% of the Army's spending for reset — the repair and replacement of war-worn equipment — was not for replacing lost equipment or repairing equipment sent home. Instead, Army funds were spent to upgrade systems to increase capability, to buy equipment to eliminate longstanding shortfalls in inventory, to convert new units to a modular configuration, and to replace equipment stored overseas for contingencies.[38]

Operating Costs Rise in Afghanistan. In the case of Afghanistan, spending rates are growing for operations for reasons that are not clear though troop levels have increased this year with the deployment of an additional U.S. combat brigade.

As of September 2007, obligations are running about $12 billion a month with Iraq at $10.3 billion and Afghanistan at $2.0 billion.[39] The monthly average for enhanced security (Operation Noble Eagle) has fallen substantially from $520 million per month in FY2003 to $45 million in FY2007 as one-time costs ended and costs have been incorporated in day-to-day base operations.

Total Obligations to Date. DOD reports that as of its January 2007 reports, $538.6 billion has been obligated since FY2003:

- $416.0 billion or 77% is for Iraq;
- $94.7 billion or 18% is for Afghanistan and other GWOT; and
- $27.9 billion or 5% is for enhanced security (see **Table 5**).

This does not include obligations for intelligence or other expenses that are included in CRS estimates but not captured by DOD's DFAS reports.

Potential War Cost Issues for the 110th Congress

The following sections discuss several war cost issues that may arise during consideration of DOD's pending FY2008 Supplemental War Request of some $101 billion including:

- How long the Army can operate before passage of the FY2008 supplemental;

- What are the cost implications if DOD were to withdraw more troops beyond the five combat brigades that were sent in last

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[38] CBO, *Replacing and Repairing Equipment Used In Iraq and Afghanistan: The Army's Reset Program* by Frances M. Lussier, September 2007, p. ix, pp. 35-37; [http://www.cbo.gov/showdoc.cfm?index=8629&sequcence=0&from=7].

[39] CRS estimates would be somewhat higher.

spring's "surge," including the effect of any basing agreements under consideration;

- What is the likely current and future cost of reset — the repair and replacement of war-worn equipment — and how does this compare to DOD's requests, and are these requests emergency war expenses or are some more appropriately part of DOD's regular budget?

- How to judge and respond to readiness problems that stem from war operations;

- How to use congressional funding mechanisms to affect policy options for Iraq; and

- What are the problems in war cost reporting.

How long Can the Army Operate Without Additional Funds

This issue of how long the Army (and sometimes the Marine Corps) can operate before passage of supplemental war funds has become controversial in the past several years. Most recently, Congress faced considerable pressure from DOD to pass the FY2008 war request, where DOD argued that a shutdown of Army bases and furlough of Army civilians would be necessary if Congress did not pass the supplemental by December 2007.

With the inclusion of a $70 billion bridge fund to cover war costs in the FY2008 DOD Appropriations Act, pressure has temporarily subsided. In the press conference on the FY2009 budget, however, Secretary of Defense Gates urged that Congress pass the remaining $102.5 billion of DOD's war funding request "as quickly as possible," arguing that "delay degrades out ability to operate and sustain the force at home and in theater and makes it difficult to manage this department in a way that is fiscally sound."[40]

Pressure on Congress is likely to resurface in the spring of 2008 when funds from the FY2008 bridge fund in the FY2008 Consolidated Appropriations Act begin to run low. According to DOD, the Army could finance its Operations & Maintenance (O&M) costs until the beginning of July 2008 and its Military Personnel costs until about late June using funds appropriated to date.[41] While these time-lines reflect the amounts of funding provided to the Army as of the FY2008 Consolidated Appropriations Act, DOD's estimates do not reflect ways that DOD can extend funding using other available tools and authorities such as transfer authority.

Based on an analysis of past obligations, current funding and DOD authorities, CRS estimates that DOD could continue to finance war costs for an additional one

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[40] DOD, News Briefing with Secretary Gates, Under Secretary Jonas, and Vice Adm. Stanley from the Pentagon," February 4, 2008;[http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4135], p. 1.

[41] DOD, "Briefing to Congressional staffers," January 2008.

to two months by using currently available tools such as transfer authority to provide additional resources to the Army if Congress has not passed the pending FY2008 Supplemental request by July 2008.

Similar arguments about the disruption and harmfulness of delays in providing war funds have been made in previous years. DOD contended that if Congress did not pass the FY2007 supplemental in the spring of 2007, the Army would run out of funds for its wartime and peacetime operations, and face serious readiness problems and disruption in Army operations. To cope with the delay, the Army adopted a series of restrictions to slow non-war-related activities to conserve funding that would not affect readiness, projecting that $3.6 billion could temporarily be saved and used to fund war needs.

Since FY2005, Congress has provided DOD with bridge funds to cover the gap in funding of war costs before passage of a supplemental, providing $25 billion in FY2005 (P.L. 108-287), $50 billion in FY2006 (P.L. 109-148), $70 billion in FY2007 (P.L. 109-289), and $86 billion in FY2008 (see **Table A1**).[42] With these bridge funds, the debate has shifted to the spring of each year as those funds run low.

In the case of both the FY2007 and FY2008 supplementals, DOD appears to have taken advantage of some but not all the tools at its disposal to extend these time lines and provide additional funding to the Army. Based on DOD data, CRS and the Army estimated that the Army had sufficient funds to last through June 2007 before passage of the FY2007 Supplemental.[43] The supplemental was enacted on May 25, 2007.[44] In the case of the FY2008 war request, DOD argued in November 2007 that passage was needed by December 2007 to avoid furloughs of civilian personnel in February 2008. At that time, CRS estimated that the Army could last until late March by using available transfer authority, excess cash and delaying placing depot orders. In December 2007, Congress included $70 billion for war funds in the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161). With those funds, DOD estimates that the Army can last until early July 2008.

Time Line for the FY2008 Supplemental. CRS checked DOD estimates that the Army could operate until early July 2008 with the $70 billion bridge fund in the FY2008 Consolidated Appropriations Act by analyzing Army obligations in FY2007 taking into account DOD's current plans to withdraw this spring the five additional combat brigades sent to Iraq and Afghanistan in last year's "surge." Although CRS estimates also suggest that the Army's current funding will be

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[42] Army Budget Office, "OMA FY07 Spending Projections," February 5, 2007. The FY2006 Supplemental was enacted in mid-June 2006, while the Army claimed that the supplemental needed to be enacted by the end of April 2007 to avoid disruptions to Army operation and maintenance activities, including childcare centers.

[43] For additional information about the FY2007 Supplemental, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et. al. Department of Defense Press Release, "President Bush's FY2008 Defense Submission," February 5, 2007.

[44] Army Briefing, April 2007. See the section titled, "Financing Army Operations Until Passage of the Supplemental," in CRS Report RL33900, for more details.

exhausted by until early July 2008, DOD could extend that time line by one to two months — or until mid-to-late August 2008 if necessary by using available authority to transfer additional funds to the Army or by temporarily slowing spending (see **Table 6**).

With the current bridge fund, the Army has $62.5 billion available in regular and emergency appropriations to cover its total costs — both wartime and regular — for Army Operations and Maintenance. Although Army obligations for Operation and Maintenance (O&M) dipped and spiked from month to month in FY2007, CRS estimates that is likely that monthly obligations will be lower in the first quarter of FY2008 ($5.9 billion actual) as the Army benefits from high obligations or supply orders placed at the end of FY2007, and in the third quarter ($6.2 billion) as the additional troops sent to Iraq last spring are withdrawn. Conversely, obligations are likely to be higher in the quarter of FY2008 ($7.0 billion) as the Army reorders and at the end of the year as the Army places its orders to repair equipment returning home with the planned withdrawal of the five brigades sent last year ($6.5 billion).[45]

In the case of military personnel, the Army has some $32.3 billion to fund its regular and wartime military personnel costs, which DOD estimates will last until about late June 2008. Again, while it appears that currently available funding could run out by that time — taking into account the 15% decrease in average strength once the five additional brigades are withdrawn during the first six months of 2008 — the DOD estimate does not reflect the use of available tools to extend this time line.

Tools to Extend How Long the Army Can Last. **Table 5** below outlines tools that are currently available to DOD that could extend financing of Army military personnel and Operations and Maintenance should passage of the FY2008 Supplemental be delayed and outlines precedents and potential consequences of using these tools. Although these tools are routinely used by DOD to meet unanticipated needs, tapping these authority for war needs would reduce DOD's flexibility to finance other unanticipated higher priority needs.

The most readily available tool for DOD to extend financing of war costs is to transfer funds into Army military personnel and O&M accounts from other accounts. In FY2008, DOD has available two sources of transfer authority that total $7.7 billion which permits DOD to respond to unanticipated higher priority needs by moving funds between accounts. This total includes:

- $3.7 billion in general transfer authority where funds can be moved
- from DOD's baseline program to war needs; and

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[45] CRS's cross-check of DOD estimates assumes total Operation and Maintenance, (O&M) Army budget authority from both baseline and emergency funds of $62.5 billion with monthly obligations for Army Operation and Maintenance by quarter as follows: $5.9 billion in 1st quarter based on actuals; estimate of $7.0 billion in 2nd quarter, estimate of $6.2 billion in 3rd quarter; and estimate of $6.5 billion in fourth quarter based on experience in FY2007 and plans to reverse the "surge."

- $4.0 billion within the $70 billion in emergency supplemental appropriations which could be moved between wartime needs, e.g. from procurement to operations.

Table 6. Ways To Extend How Long Army Can Operate Without FY2008 Supplemental Appropriations

Option	Potential Additional Funds/Reduction in Obligation of FY2008 Funding in billions of $	Potential Number of Weeks or Days Financed at Obligation Rate Assumed by Army	Date Funding Might Run Out if Options Are Cumulative and Fully Implemented Precedents/ Notes	Precedents/Notes	Potential Consequences
CURRENTLY AVAILABLE TOOLS					
Cash flow using FY2008 DOD Appropriations	$27.4 billion for Army O&M and $31.5 billion in Army Military Personnel in FY2008 DOD Appropriations Act earlier in the year	38 to 40 weeks	3rd week of June for Military Personnel and early July for O&M	"Cash flowing" — i.e., moving funds from the end of the year to the beginning has been common in recent years.	Services have long complained that "cash flowing" such large amounts is disruptive.
Use general transfer authority provided in FY2008 DOD Appropriations Act (Sec. 8005, P.L. 110-116)	$3.7 billion	2 weeks	Until mid-July 2008	General Transfer Authority was used in FY2007 was later restored by Congress. Requires approval of congressional defense committees.	Would exhaust $3.7 billion in General Transfer Authority which DOD would prefer to have available for other unanticipated needs unless and until Congress were to restore it.
Use special DOD transfer authority in FY2008 Consolidated Appropriations (Sec. 603, P.L. 110-161)	$4.0 billion	2 weeks	End of July 2008	Special Transfer Authority is intended and has been used to respond to unanticipated wartime needs, such as purchase of uparmored HMMWVs or MRAPs	DOD would not be able to use this authority for other unanticipated war needs.

Option	Potential Additional Funds/Reduction in Obligation of FY2008 Funding in billions of $	Potential Number of Weeks or Days Financed at Obligation Rate Assumed by Army	Date Funding Might Run Out if Options Are Cumulative and Fully Implemented Precedents/ Notes	Precedents/Notes	Potential Consequences
CURRENTLY AVAILABLE TOOLS					
Use all remaining excess cash balances in working capital funds	$2.1 billion as of the beginning of the fiscal year	1 week	1st week of August 2008	Cash balances are a common source of funding for O&M accounts; requires approval of congressional defense committees	Would probably require action before funds run out.
Slow obligations of baseline O&M funds as the Army did in FY2007	$3.6 billion	2 weeks	3rd week of August 2008	In April, DOD achieved savings from delaying contracts and other belt-tightening measures. Monthly obligations often fluctuate.	Proposed measures appeared likely to become increasingly disruptive to Army operations over time. Effects uncertain.
Invoke Feed and Forage Act, 41 U.S.C. 11	To be determined (TBD)	4 weeks?	TBD	This emergency authority to contract without having appropriations in hand has been invoked 11 times since 1962 for as much as $7.4 billion. Requires appropriations once payment is due.	Requires contractors to accept potential delays in payment for goods or services, which could mean higher prices.

Option	Potential Additional Funds/Reduction in Obligation of FY2008 Funding in billions of $	Potential Number of Weeks or Days Financed at Obligation Rate Assumed by Army	Date Funding Might Run Out if Options Are Cumulative and Fully Implemented Precedents/ Notes	Precedents/Notes	Potential Consequences
CURRENTLY AVAILABLE TOOLS					
Transfer responsibility for LOGCAP, Other Base Support, Civilian Subsistence and Linguists from Army to another services.	Illustrative $5 billion to $10 billion	3 to 6 weeks	TBD	Secretary of Defense has the authority to assign responsibility for management and funding of war-related support to any service, and to transfer civilian personnel managing those services.	No precedents. Could be analogous to lead roles of individual services in specific missions; e.g. Air Force role in space-based intelligence; uncertain whether there would be implementation problems. Could erode congressional controls on use of funds unless Congress endorses transfers.

Notes and **Sources**: CRS calculations based on Army, *Justification of FY2008 GWOT Operation and Maintenance Request*, October amendment, 2007; *H. Report 110-434, Conference report on FY2008 DOD Appropriations Act*, November 6, 2007; Department of Defense, *Supplemental & Cost of War Execution Reports*, monthly for FY2007; H.R. 2764, December 17, 2007; see Division L, "Emergency Supplemental Appropriations for Operation Enduring Freedom and for Other Purposes," FY2008 Consolidated, H.R. 2764, as amended/P.L. 110-161; [http://www.rules.house.gov/110/text/omni/amnd2/110_hr2764amnd2.pdf].

Other available tools that DOD could use to extend funding, such as using excess working capital fund cash (often done in the past), deferring placing depot maintenance orders or slowing baseline operations, would need to be implemented before funds run out to be effective (see **Table 6**).[46]

Slowing spending as the Army did last spring could temporarily save $3.6 billion but would have to be implemented soon. DOD has argued that slowdowns or "belt-tightening," achieved mostly by delaying contracts to upgrade facilities and deferring orders of non-essential supplies by relying on current inventories at bases, would not be worthwhile in light of the amount of time gained vs. the potential disruption to Army operations.[47] Last spring, while the slowdown was in effect, the Army's regular O&M obligations slowed considerably without evidence of harmful effects, perhaps partly because obligations were higher in the early part of the year.

Deferring placing depot maintenance orders would not necessarily delay equipment repairs because the Army's has a 7½ months backlog of work awaiting repairs at depots. A deferral all new FY2008 depot maintenance contracts for four months would reduce the backlog to about three months, similar to backlogs in previous years. In addition, the Army could use this hiatus to evaluate which orders should be placed first in line to meet the needs of troops preparing to deploy. Both GAO and CBO have criticized the Army for its lack of priority setting for repairing items in depot maintenance that are needed by troops preparing to deploy.[48]

Another longstanding authority that has been used in emergency situations is to invoke the Feed and Forage Act, an emergency authority that allows DOD to contract for emergency operational needs without having the necessary appropriations. Although DOD has mentioned this civil war era authority that permits the department to sign contracts to provide support for troops even if appropriations are not available, and it has been used periodically, the authority has been criticized for

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[46] Sec. 8008, P.L. 110-116 provides the authority to transfer excess working capital fund cash to operations and maintenance accounts, a provision that has been included in DOD appropriations for some years.

[47] Army Memorandum, "Operation and Maintenance, Army Spending Restrictions Plan for FY07," April 13, 2007; [http://www.comw.org/warreport/fulltext/0704armyspending.pdf]; see also CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes* by Stephen Daggett, Army Belasco, Pat Towell, Susan B. Epstein, Connie Veillette, Curt Tarnoff, Rhoda Margesson, and Bart Elias, "Financing Army Operations Until Passage of the Supplemental," p. 5.

[48] GAO-07-814, Defense Logistics: *Army and Marine Corps Cannot Be Assured That Equipment Reset Strategies Will Sustain Equipment Availability While Meeting Ongoing Operational Requirements*, September 2007; [http://www.gao.gov/new.items/d07814.pdf; GAO-07-439T], *Defense Logistics: Preliminary Observations on the Army's Implementation of Its Equipment Reset Strategies*, January 31, 2007; [http://www.gao.gov/new.items/d07439t.pdf]; CBO, *Replacing and Repairing Equipment Used In Iraq and Afghanistan: The Army's Reset Program* by Frances M. Lussier, September 2007; [http://www.cbo.gov/showdoc.cfm?index=8629&sequence=0&from=7].

eroding congressional authority, particularly the War Powers Act .[49] If implemented at the maximum level used in the past, it would finance one month of Army needs.. At the same time, DOD might have to convince contractors to accept delayed payment, which could raise prices.[50]

New Tools. A new tool that would require some planning and early implementation, for which there is not a precedent but where the authority is currently available, would be to transfer funding and management responsibility for certain war-related support functions from the Army — such as $6.2 billion in wartime logistical support for all the services (LOGCAP), other base support ($3 billion), a $1.1 billion contract for linguists, and $675 million in subsistence costs for DOD civilians and contractor personnel.[51] — to the Air Force and Navy. This could finance an additional month or two of Army operations and would reduce funding for Air Force and Navy by about two months. Assessing whether such a change is worth considering now and for future years could also depend on the likelihood that providing war funds continues to be a contentious issue.

Under statute, the Secretary of Defense has the authority to transfer support functions for deployed forces to any service. Title X, section 165 provides that "the Secretary of Defense may assign the responsibility (or any part of the responsibility) for the administration and support of forces assigned to the combatant commands to other components of the Department of Defense..."[52] The Secretary also has authority to detail civilian personnel from one service to another as part of his general responsibility for managing the department so Army personnel currently managing these contracts could be detailed to another service to ensure continuity.[53]

If the Secretary were to transfer responsibility for these types of activities, the Army could be relieved of $5 billion to $10 billion of funding responsibility for wartime support activities. While this would extend the time the Army or Marine Corps could operate without a supplemental, it would reduce the funding for Air Force and Navy operations by about two months. War costs of the Air Force and Navy are much smaller than those of the Army.[54] Congress might be concerned by this action because it could undermine congressional limitations on funds and the integrity of the account structure.

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[49] Department of Defense News Briefing, Transcript, "Defense Department Holds Regular News Briefing, November 20, 2007, p. 12; [http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4091].

[50] For additional information, see CRS Report RL34275, *How Long Can the Defense Department Finance FY2008 Operations in Advance of Supplemental Appropriations?* By Amy Belasco, Stephen Daggett, and Pat Towell.

[51] Department of the Army, *Fiscal Year (FY) 2008 Supplemental Budget Estimate, Operation and Maintenance, Army, Justification Book — Amendment*, October 2007, p. 13 and p. 22; [http://www.asafm.army.mil/budget/fybm/fy08-09/sup/fy08/oma-v1.pdf].

[52] Sec. 165, Title X.

[53] See Title 5, Section 3341 and Title 10, Sec. 113 (d).

[54] For example, Navy O&M war-related obligations totaled $6.5 billion in FY2007 compared to $33.1 billion for its FY2008 baseline O&M.

Cost Implications of Troop Withdrawals and Basing Decisions

As of January 2008, it is unclear whether the Department of Defense will continue troop withdrawals after the reversal of the "surge" of five combat brigades that occurred last spring. Although Secretary of Defense Robert Gates has stated a desire to continue withdrawals, General David Petraeus, head of Multi-National Forces, Iraq has voiced caution and suggested that a "pause" in further troop withdrawals might be advisable. A decision is likely this spring.[55]

The FY2008 war budget request is predicated on maintaining 15 combat brigades in Iraq once the five additional brigades are withdrawn by June 2008.[56] The FY2007 Supplemental included about $4 billion to $5 billion to fund the increase troops in Iraq by five combat brigades or about 30,000 personnel to establish security in Baghdad and Anbar province as well as to heighten naval presence in the Gulf by deploying an additional carrier and extending one Marine Expeditionary Group "as a gesture of support to our friends and allies in the area who were becoming very worried about Iran's aggressiveness" according to Secretary of Defense Gates.[57]

There has been little discussion thus far of the cost implications of additional troop withdrawals. How war funding could fall if additional troops are withdrawn will depend on the pace of withdrawals and how many bases DOD maintains. Moreover, the cost of the troops added in 2007is not necessarily a guide to the effect on costs of further withdrawals because little if any additional infrastructure was required for their support.[58]

At the same time, the increase in troops was only in effect for part of the year, so costs would have to be pro rated. For example, average overall troop strength for Iraq and Afghanistan was only 4% higher in FY2007 compared to FY2006 even

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[55] Washington Post, "Debate Grows on Pause in Troops Cuts," February 2, 2008.

[56] DOD's October amendment to its FY2008 supplemental includes an additional $6.5 billion to continue the surge, with a return to pre-surge levels by May or June of 2008.

[57] DOD reduced its initial estimate of the cost of the additional troops. The estimate also included the cost of increasing naval presence as well. House Armed Services Committee, transcript of hearing on "Fiscal 2008 Budget: Defense Department," February 7, 2007, p. 45. DOD revised its request in March 2007 to include support troops after CBO estimated that additional funds would be needed; see CBO, Cost Estimate for Troop Increase Proposed by the president, 2-1-07 [http://www.cbo.gov/ftpdocs/77xx/doc7778/TroopIncrease.pdf]. DOD, FY2007 Supplemental, p. 83; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf].

[58] DOD disagreed with the CBO estimate of the cost of the additional troops for this reason; CBO, Cost Estimate for Troop Increase Proposed by the president, 2-1-07 [http://www.cbo.gov/ftpdocs/77xx/doc7778/TroopIncrease.pdf]. DOD, FY2007 Supplemental, p. 83; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf]

though troop levels at the end of the year were 10% higher when the "surge" was fully implemented compared to the beginning of the year.[59]

An important factor in estimating the effects of further troop withdrawals are the Administration's plans for basing in Iraq — whether DOD plans to consolidate or disperse U.S. personnel if troop levels decline. Congress has included provisions in both the National Defense Authorization Act and DOD appropriations acts for the past two years that prohibit permanent basing in Iraq. The Administration is currently discussing "the 'size and shape' of any long-term U.S. presence basing arrangements with the Iraq government," as part of ongoing negotiations of a strategic framework agreement according to General Douglas Lute, Assistant to the President for Iraq and Afghanistan but it is not clear whether permanent bases would be included.[60]

Reset and Reconstitution

Another major unsettled war cost issue that may arise during consideration of the FY2008 Supplemental this spring and the FY2009 bridge fund once it is presented to Congress is the amount of funds needed to "reset" or restore the services' equipment to pre-war levels. In its FY2008, DOD requested $46 billion for reconstitution, primarily procurement funds. In the FY2008 bridge, Congress funded only a small portion of that request.[61] The largest single reason for the increase is war costs between FY2004 and FY2007 is the amount requested and received by DOD for reset. Although repair and replacement costs might be expected to grow over time as operations wear down equipment, it appears that much of the growth reflects a broadening of the definition of what is required.[62]

DOD Changes Definition of War Costs. For the past ten years, DOD financial regulations have defined the cost of contingencies to include only incremental costs directly related to operations. Until October 2006, that guidance was largely used by the services to prepare their estimates for Iraq and GWOT. The guidance required that the service show assumptions about troop levels, operational tempo, and reconstitution and limits requests to incremental costs — "that would not have been incurred had the contingency operation not been supported." Investment requests are also to be incremental and included "only if the expenditures were

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[59] CRS calculations based on Defense Manpower Data Run, *DRS 17253, Average Number of Members by Month, 0901-1107*, received January 11, 2008.

[60] See testimony by CRS analyst, Kenneth Katzman, before the Subcommittee on the Middle East and South Asia, House Foreign Affairs Committee, January 23, 2008; [http://foreignaffairs.house.gov/hearing_notice.asp?id=936].

[61] Division L

[62] CRs, Statement of Amy Belasco before the House Budget Committee, " The Growing Cost of the Iraq War, " October 24, 2007; [http://budget.house.gov/hearings/2007 /10.24Belasco_testimony.pdf].

necessary to support a contingency operation."[63] (Little of this information was provided to Congress in DOD's requests.)

In the July 19, 2006 guidance to the services for developing the FY2007 Supplemental and FY2008 war cost requests, these strictures were reiterated. That guidance also prohibited including Army modularity "because it is already programmed in FY2007 and the outyears," and warned that the services would have to demonstrate that investment items were "directly associated with GWOT operations," rather than to offset "normal recurring replacement of equipment."[64] In addition, the services would have to show that reset plans could be executable in FY2007, likely to mean within the last several months of the fiscal year based on experience in FY2006.

On October 25, 2006, Deputy Secretary of Defense Gordon England issued new guidance for requesting war funds to the services, requiring them to submit new requests within two weeks that reflect the "longer war on terror" rather than strictly the requirements for war operations in Iraq, Afghanistan and other counter-terror operations.[65] Such a substantial change would be expected to reflect guidance from the Secretary of Defense, the Office of Management and Budget and the President. This new definition appeared to open the way for including a far broader range of requirements particularly since the needs of the "longer war" are relatively undefined.

In its review of the FY2007 Supplemental, the appropriators rejected certain procurement and depot maintenance requests as either unexecutable or not clearly an emergency. (See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.) Since the long war on terror is now part of DOD's key missions according to the national strategy, it could be argued that these types of expenses should be included in DOD's regular budget where they would compete with other defense needs.

Procurement Requests in the FY2007 Emergency Supplemental. War-justified procurement requests have increased substantially in recent years from $20.4 billion in FY2006 to $39.7 billion in FY2007 and $64.0 billion in FY2008. Although some of this increase may reflect additional force protection and replacement of "stressed" equipment, much may be in response to Mr. England's new guidance to fund requirements for the "longer war" rather than DOD's traditional definition of war costs as strictly related to immediate war needs.

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[63] DOD, *Financial Management Regulations*, Chapter 12, Sec. 23, "Contingency Operations," p 23-11ff, 23-21, 23-25, 23-27; [http://www.dod.mil/comptroller/fmr/12/12_23.pdf].

[64] Under Secretary of Defense, Memorandum for Secretaries of the Military Departments, "Fiscal Year (FY) 2008-2013 Program and Budget Review," July 19, 2006, p. 34-49, specifically p. 36, 39, 41.

[65] Deputy Secretary of Defense Gordon England, Memorandum for Secretaries of the Military Departments, "Ground Rules and Process for FY'07 Spring Supplemental," October 25, 2006.

For example, the Navy initially requested $450 million for six EA-18G aircraft, a new electronic warfare version of the F-18, and the Air Force $389 million for two Joint Strike Fighters, an aircraft just entering production; such new aircraft would not be delivered for about three years and so could not be used meet immediate war needs. Other new aircraft in DOD's supplemental request include CV-22 Ospreys and C-130J aircraft. In its March amendment to the FY2007 Supplemental, the Administration withdrew several of these requests, possibly in anticipation that Congress would cut these aircraft.

Front Loading Reset Funding. The FY2007 Supplemental included an additional $14 billion for reset — the replacement of war-worn equipment. DOD's request appears to front load (or fund in advance) DOD's reset requirements, a fact acknowledged by then-OMB Director Robert Portman in recent testimony.[66] According to DOD figures, Army and Marine Corps reset requirements were fully met in the enacted FY2007 bridge fund when Congress provided $23.7 billion for Army and Marine Corps reset costs, the amount that the services said was needed.[67]

As substantial amounts of equipment are being sent back to the United States for repair, the Army and Marine Corps would be expected to be able to check previous estimates of the effect of current operations on wear and tear of equipment. As of enactment of the FY2007 Supplemental, DOD has received about $64 billion for reset, which is defined as the "process of bringing a unit back to full readiness once it has been rotated out of a combat operation," by repairing and replacing equipment and resting and retraining troops.[68] The services are to repair equipment if economical or replace it if replacement costs almost as much as repair.

The FY2007 Supplemental and the FY2008 war request both appear to include an extra year of Army and Marine Corps reset requirements. According to statements by Army Chief of Staff, General Peter J. Schoomaker and other military spokesman, Army reset is estimated to be $12 billion to $13 billion a year as long as the conflict lasts at the current level and "for a minimum of two to three years beyond"[69]

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[66] Testimony of OMB Director Robert Portman before the House Budget Committee, *Hearing on the FY2008 DOD Budget*, February 6, 2007, p. 41 of transcript.

[67] See table inserted by Senator Stevens in *Congressional Record*, August 2, 2006, p. S8571 showing $23.7 billion for reset, including $14 billion in procurement; total funded also provided $4.9 billion for unfunded FY2006 requirement; see also DOD's *Report to Congress, Long-Term Equipment Repair Costs*, September 2006.

[68] See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al; for definition, see Office of the Secretary of Defense, Report to Congress, *Ground Force Equipment Repair, Replacement, and Recapitalization Requirements Resulting from Sustained Combat Operations*, April 2005, p. 8; see also GAO-06-604T, *Defense Logistics: Preliminary Observations on Equipment Reset Challenges and Issues for the Army and Marine Corps*, p. 3.

[69] Statement of Peter J. Schoomaker, Chief of Staff, Department of the Army, before the House Armed Services Committee, "Reset Strategies for Ground Equipment and Rotor Craft," June 27, 2006, p.2; see also testimony of Brigadier General Charles Anderson, U.S. Army, House Armed Services Subcommittee on Readiness and Subcommittee on Air and

(continued...)

According to Marine Corps Commandant, General Michael Hagee, their requirements are about $5 billion a year for a total of about $17 billion for the two services most heavily affected.[70]

DOD estimated that reconstitution would total $37.5 billion in FY2007 and $46 billion in FY2008, which was largely supported by Congress in FY2007.[71] The front loading of requirements may be an attempt by the services to avoid being in the position of requesting reset funds after U.S. troops have started to withdraw. While Congress endorsed most of the repair piece of reconstitution (funded in O&M) in the $70 billion FY2008 bridge fund, only $6 billion of procurement monies related to reconstitution was included.[72]

Carryover of DOD War Investment Funding. DOD's latest procurement request for reconstitution could be considered less urgent because DOD had a $45 billion carryover of war-justified investment funds — i.e., funds provided in previous years' acts but not yet obligated or placed on contract — as of the beginning of FY2008.[73] Because investment funding is available for two to three (RDT&E for two years, procurement and military construction for three years), some of the funds may be obligated beyond the first year as contracts are written and processed.

Most of these funds are procurement monies, suggesting that unobligated war-related procurement funds still available to be spent are about half of the $81 billion in procurement funds provided to DOD in FY2007 for its regular appropriations.[74]

Accuracy and Expansion of Reconstitution Requests. Although it is clear that reset requirements reflect the stress on equipment from operations, the accuracy of services estimates has not been determined. Recently, GAO testified that until FY2007, the Army, with the largest reset requirement, could not track reset or ensure that funds appropriated for reset were in fact spent for that purpose, making

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[69] (...continued)
Land Forces Hold, transcript, "Joint Hearing on Costs and Problems of Maintaining Military Equipment in Iraq," January 31, 2007, p. 6.

[70] Testimony of General Michael Hagee, Marine Corps Commandant before the House Armed Services Committee, "Army and Marine Corps Reset Strategies for Ground Equipment and Rotor Craft," June 27, 2006, p. 41.

[71] DOD, *FY2008 Global War on Terror Request*, February 2007, Table 3; [http://www.dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2008_Global_War_On_Terror_Request.pdf] hereinafter, DOD, *FY2008 GWOT Request.*

[72] Congress also provided $16.8 billion to buy and support MRAPS, a force protection request not related to reconstitution; see December 18, 2007 Congressional Record, p. S15858 for procurement items funded in the FY2008 bridge included in Division L of the FY2008 Consolidated Appropriations Act.

[73] CRS, Statement of Amy Belasco before the House Budget Committee, "The Rising Cost of the Iraq War," October 24, 2007; [http://budget.house.gov/hearings/2007/10.24Belasco_testimony.pdf].

[74] See Table 2 in CRS Report RL33999, *Defense: FY2008 Authorization and Appropriations* by Pat Towell, Stephen Daggett, and Amy Belasco.

it more difficult to assess the accuracy of DOD's requests.[75] In addition, presumably much of the equipment that is being repaired now because of the effect of war operations, was originally slated for repair or replacement at a later date, and so is being repaired or replaced sooner than anticipated. That could mean DOD's baseline budget could be reduced to offset war funding already provided.

Reset requirements may also be uncertain because the number of troops and intensity of operations may change. Service estimates of requirements have changed over the past couple of years. In a September 2006 report to Congress, for example, annual reset requirements in FY2008 were estimated to be $13 billion for the Army and about $1 billion for the Marine Corps.[76] Several months earlier in the spring of 2006, the Army estimated that reset requirements would decrease from $13 billion a year to $10.5 billion a year for the next two years and then decline to $2 billion a year if troops were withdrawn over a two-year period.[77] A year earlier, in March 2005, CBO estimated that annual repair and replacement costs would run about $8 billion a year based on the current pace of operations and service data.[78] In a report last fall, CBO estimated that 40% of the Army's war requests were not directly for reset needs.[79]

DOD's definition of reset now includes not only replacing battle losses (typically about 10% of the total), equipment repair (about half) but also recapitalization that typically upgrades current equipment, and repair and replacement of prepositioned equipment stored overseas that has been tapped to meet war needs. The Army has been planning to recapitalize equipment and modernize prepositioned equipment stocks to match the new modular designs as part of its ongoing modernization. For this reason, it's not clear whether these expenses are actually incremental wartime requirements.

Modularity as an Emergency Expense. The distinction between war-related and regular funding has also ben made murky by DOD requests to treat conversion of Army and Marine Corps units to new standard configurations — known as modularity and restructuring — as a war requirement. In a report last year, for example, the Army acknowledged that "since modularity requirements mirror the

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[75] GAO-07-439T, Testimony of William Solis before the Subcommittee on Readiness and Air and Land Forces, House Armed Services Committee, January 31, 2007, p. 2 and 3.

[76] Office of the Secretary of Defense, Report to the Congress, "Long-Term Equipment Repair Costs," September 2006, p. 24 and p. 25.

[77] Army Briefing, "Army Equipment Reset Update," May 18, 2006, p. 8.

[78] CBO Testimony by Douglas Holtz-Eakin, Director, "The Potential Costs Resulting from Increased Usage of Military Equipment in Ongoing Operations," before the Subcommittee on Readiness, House Armed Services Committee April 6, 2005, p. 2.

[79] CBO, *Replacing and Repairing Equipment Used In Iraq and Afghanistan: The Army's Reset Program* by Frances M. Lussier, September 2007; [http://www.cbo.gov/showdoc.cfm?index=8629&sequence=0&from=7], p. ix.

equipment requirements the Army already procures for its units, the ability to precisely track modularity funds is lost."[80]

At DOD's request, Congress agreed to provide $5 billion in the FY2005 and in FY2006 supplementals for converting units with the understanding that DOD would move these funds back to its regular budget in later years. The FY2007 supplemental again included $3.6 billion to convert two Army brigade teams and create an additional Marine Corps regimental combat team highlighting the issue of whether funds that are part of DOD's regular requirements are being shifted to emergency funding. The FY2008 war request also includes $1.6 billion to accelerate the creation of more modular brigades plus additional funds for equipping them.[81]

DOD argued that these costs should be considered war-related because having more modular units makes it easier to rotate units to the war zone and hence would extend the time between deployments giving soldiers more time at home, or "dwell time" and hence improving readiness. This conclusion has been questioned in studies by CBO and the RAND. Both studies found that modularity would only marginally improve rotation schedules. CBO estimated that the Army's modularity initiative would only make available an additional 6,000 to 7,000 troops.[82] DOD does not estimate the effect of either its previous or new funding for modularity on the amount of time soldiers have at home between deployments.

Congress included the funds in the FY2005 and FY2006 with some reluctance (effectively giving the Army more room in its regular budget for two years) based on an understanding with DOD that this funding would return to the regular budget after FY2006 and that $25 billion was set aside for the Army in future years to cover these costs.[83] Congress appears to have approved these costs in FY2007 as well.

Growing the Force as a War Cost. Previously, Congress has provided funding to cover "overstrength" or the cost of recruiting and retaining additional personnel above the Army's pre-war end strength of 482,000 and the Marine Corps end strength of 175,000. DOD has argued that these increases were required to reduce the stress on forces and that the increases would be temporary. In January 2007, the President announced plans to permanently increase the size of the Army and Marine Corps by 92,000 over the next six years including the almost 30,000 additional personnel already on board.

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[80] Secretary of the Army, "Sec. 323 report required by the FY2007 National Defense Authorization Act, P.L. 109-364," February 14, 2007, p. 4.

[81] DOD, *FY2008 Global War on Terror Amendment*, October 2007, [http://www.defenselink.mil/comptroller/defbudget/fy2008/Supplemental/FY2008_October_Global_War_On_Terror_Amendment.pdf], p. 48 and 49.

[82] The RAND study argued that the types of units created were not those most needed. RAND, *Stretched Thin: Army Forces for Sustained Operations*, 7-15-05; [http://www.rand.org/pubs/monographs/2005/RAND_MG362.pdf]. CBO, *An Analysis of the Military's Ability to Sustain an Occupation in Iraq: an Update*, October 5, 2005; [http://www.cbo.gov/ftpdocs/66xx/doc6682/10-05-05-IraqLetter.pdf].

[83] Program Budget Decision 753, "Other Secretary of Defense Decisions," December 23, 2004, p. 1.

The FY2007 supplemental included a total of $4.9 billion to cover the military personnel cost of additional troops plus $1.7 billion for equipment and infrastructure for the forces to be added in FY2007. DOD promises that funding to equip future increases in the force will be funded in the regular budget starting in FY2009.

In a reversal of its previous position, DOD argued that the Army and Marine Corps need to be permanently expanded by 92,000 by 2012. The President's proposal marks a major change and appears to assume that the United States needs to be able to deploy substantial numbers of troops on a permanent basis. CBO estimates that adding two divisions to the Army — roughly equivalent to the President's proposal — would require an additional $108 billion between FY2008 and FY2017, a major investment.[84]

Questions About War-Related Procurement Issues. To evaluate DOD's war-related reconstitution and procurement requests, Congress may want to consider

- whether reset requirements are sufficiently firm to justify front loading and what assumptions about force levels and the pace of operations underlie those requests;
- whether upgrading equipment and replacing prepositioned equipment is actually a war expense rather than a part of ongoing modernization initiatives;
- how war funding of repair and replacement of equipment could affect maintenance and procurement needs funded in DOD's regular budget;
- whether upgrades requested reflect requirements to equip deployed or deploying forces — war-related — or the entire force; and
- whether DOD estimates of war requirements for force protection reflect war-related requirements for deploying forces or modernization of the entire force.

To some extent, these war-related requirements for recapitalization, modularity, force protection, and upgrades overlap each other and the baseline budget since all involve the purchase of new equipment to improve capability. Since DOD is constantly modernizing, some of the funding for these requirements may have been assumed in estimates for the later years of DOD's baseline budget. DOD appears to have shifted some of its baseline requirements to war requests.

Shifting funding from the regular budget to emergency funding is attractive because DOD's emergency spending has not been subject to budget caps, allowing the services to substitute other less urgent requirements in their baseline budgets. On the other hand, DOD consistently faces budget pressure from unanticipated increases in the cost of its new weapon systems.

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[84] CBO, *Budget Options*, February 2007, p.9-10; [http://www.cbo.gov/ftpdocs/78xx/doc7821/02-23-BudgetOptions.pdf].

The FY2007 Supplemental also includes a more than doubling of the amounts for force protection, and substantial increases in funding Iraq and Afghan Security Forces as well as over $1 billion for military construction funding in FY2007. See CRS Report RL33900, *FY2007 Supplemental Appropriations fo Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al for additional information on these and other war issues.

Potential Readiness Issues

For some time, service representatives and Members of Congress have raised concerns about current readiness levels, particularly the Army's ability to respond to the full range of potential war scenarios with trained personnel and fully-operational equipment, a concern recently reiterated to Congress by General Pace, Chair of the Joint Chiefs of Staff.[85] According to reports, current Army readiness rates have declined to the lowest levels since the end of the Vietnam war with roughly half of all Army units, both active and reserve, at the lowest readiness ratings for currently available units.[86]

Because DOD's standard ratings (known as C-ratings) assess readiness relative to the full range of standard wartime scenarios, however, they do not necessarily reflect whether units are ready to deploy to Iraq and Afghanistan to conduct counterinsurgency operations. For example when asked about his readiness concerns during a hearing of the House Armed Services Committee, General Schoomaker, Chief of Staff of the Army stated that "I have no concerns about how we are equipping, training and manning the forces that are going across the berm into harm's way. But I do have continued concerns about the *strategic depth* of the Army and its readiness," referring to other potential missions of the Army [italics added].[87]

General Schoomaker's testimony may reflect an alternate DOD readiness system that assesses units about to deploy to carry out missions that are not their traditional ones. In this circumstance, the services use an alternate readiness reporting system known as "Percent Effective" or PCTEF. Unlike standard ratings, which largely reflect specific quantitative criteria, percent effectiveness ratings reflect a "subjective assessment of the unit's ability to execute its currently assigned 'nontraditional' mission."[88] Unit commanders are to judge whether the unit has:

- the required resources and is trained to carry out all missions (a rating of 1);
- most of its missions (a rating of 2);
- many but not all of its missions (a rating of 3); or

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[85] Washingtonpost.com, "General Pace: Military Capability Eroding," February 27, 2007.

[86] U.S. House of Representatives, Committee on Appropriations — Democratic Staff, "United States Army Military Readiness," September 13, 2006, pp. 2-4.

[87] Transcript of hearing before House Armed Services Committee, "Hearing on Iraq Policy Issues: Implications of the President's Policy for Readiness, the Total Force and Strategic Risk," January 23, 2007, p. 10.

[88] Joint Chiefs of Staff, "Chairman of the Joint Chiefs of Staff Manual 3150.02A", p. J-4.

- requires additional resources to carry out its assigned missions (a rating of 4).[89]

According to reports, the Army is facing shortages of certain equipment and personnel for state-side units who are currently either training up so as to deploy at a later date or are part of the strategic reserve who could be called upon should other contingencies arise elsewhere. Such shortages could affect a unit's ability to train and be fully prepared for its various missions. At the same time, some training limitations that are captured in a unit's standard readiness ratings — for example, for large-scale combat operations — may not affect a unit's ability to conduct counter-insurgency operations in Iraq or Afghanistan. In testimony in January 2007, however, then-Army Chief of Staff, General Peter Schoomaker acknowledged that for deploying units, "there is important equipment that is only available in Kuwait that they must train on before they cross the berm," that is training conducted shortly before final deployment in-country.[90]

Another readiness concern is the fact that some active duty members are redeploying with less than a year at home to rest and retrain raising concerns that members may choose not to reenlist which could create problems in meeting recruitment and retention goals. Although there were some shortfalls in FY2005, the Army was only 1% short of meeting its FY2006 goal of recruiting 186,000 personnel for its active-duty and reserve forces, and retention continues to exceed goals.[91]

While some units redeploy within a year, many of the individuals that make up those units are no longer in that unit because of new assignments. A better measure may be the fact that of the 1.5 million individuals who have deployed for Iraq of OEF, about 30% have had more than one deployment.[92]

Reserve units have also been frequently cited as short of equipment because some equipment has been left behind in Iraq and replacement equipment has not been delivered. Problems with reserve readiness are longstanding because until the Afghan and Iraq operations, reservists were seldom deployed for contingencies and thus were traditionally given less equipment and fewer personnel.[93] Recent DOD requests include substantial funding for new equipment for the reserves.

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[89] Ibid.

[90] Transcript of hearing before House Armed Services Committee, "Hearing on Iraq Policy Issues: Implications of the President's Policy for Readiness, the Total Force and Strategic Risk," January 23, 2007, p. 10.

[91] See Tables 1, 3, and 5 in CRS Report RL32965, *Recruiting and Retention: An Overview of FY2005 and FY2006 Results for Active and Reserve Component Enlisted Personnel*, by Lawrence Kapp and Charles A. Henning.

[92] Defense Manpower Data Center, "Contingency Tracking System Deployment File for Operations Enduring Freedom & Iraqi Freedom," As of December 31, 2006.

[93] GAO-5-660, *Reserve Forces: An Integrated;* GAO-06-1109T, *Reserve Forces: Army National Guard and Army Reserve Readiness for 21st Century Challenges, September 21, 2006.*

While some readiness concerns, like those of the reserves, are longstanding, it is not clear how long other readiness problems have persisted or how long they will continue. This debate about readiness has sharpened with the President's decision to increase troop levels in Iraq and Afghanistan by about 35,000 and congressional consideration of withdrawal options. At issue may be how long readiness problems are expected to persist and whether problems reflect lack of resources or management problems such as an inability to identify ongoing reset and hence ensure that equipment that is needed most urgently is fixed or replaced first.

Readiness of Afghan and Iraqi Security Forces. Congress has raised considerable concerns about the readiness of Afghan and Iraqi security forces. Despite concerns about the effectiveness of training efforts thus far, Congress has provided full funding of DOD's request in the FY2007 Supplemental because of the high stakes involved. With passage of the supplemental, annual appropriations to train and equip Afghan forces grow from $1.9 billion in FY2006 to $7.4 billion in FY2007. For Iraqi security forces, FY2007 appropriations increase from $4.9 billion in FY2006 to $5.5 billion in FY2007. Thus far, Congress has provided a total of $33 billion for these purposes, including $20.75 billion for Iraq and at least $12.3 billion for Afghanistan (see **Table 7**).[94]

It is not clear whether these increases can be absorbed effectively in both countries. As of March 2007, DOD had available about $1.9 billion for Iraqi training and about $300 million for Afghan training from prior year monies. With the funds appropriated in FY2007 supplemental, DOD will have a total of $7.5 billion for the Iraq Security Forces Fund (ISFF) and $6.1 billion for the Afghanistan Security Forces Fund (ASFF) to spend over the next 18 months based on DOD accounting reports. By way of comparison, DOD obligated $5.1 billion for Iraq and $1.8 billion for Afghanistan in FY2006.[95]

To monitor progress, Congress required in the FY2007 Supplemental that by September 22, 2007, DOD submit an assessment by a private entity of the capability of the Iraqi Security Forces to provide security within the next 12 to 18 months and the "likelihood that, given the ISFF's record of preparedness to date ... the continued support of U.S. troops will contribute to the readiness of the ISF to fulfill" its missions (see Section 1313 (e) (2)).[96] The final version also requires a DOD report on the readiness of individual Iraqi units within 30 days, a detailed report by OMB on individual projects, and an estimate of the total cost to train both Iraqi and Afghan security forces within 120 days with updates every 30 days (Sec. 3301).

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[94] Total includes $5 billion appropriated to the State Department for Iraq training in FY2004. Afghanistan has also received funding for its training from State Department accounts.

[95] CRS calculations based on Defense Finance and Accounting Service (DFAS), *Supplemental & Cost of War Execution Reports*, September 2006 and March 31, 2007; ASFF and ISFF funds are available for two years.

[96] Sec. 1313, P.L. 110-28 requires that the report is to be submitted to the armed services, appropriations, foreign relations, international relations, and intelligence committees of both houses 120 days after enactment.

Table 7. Afghan and Iraq Security Forces Funding: FY2004-FY2008
(in billions of dollars)

Account	FY04	FY05	FY06	FY07	FY08 Enacted[a]	Total Enacted[b]	Pending FY08 Req.
Afghan Security Forces Fund[a]	[.348][a]	1.285	1.908	7.406	1.350	12.300	1.350
Iraq Security Forces Fund[a]	[5.000][a]	5.700	3.007	5.542	1.500	20.750	1.500
TOTAL[a]	**[5.339]**	**6.985**	**4.915**	**12.948**	**2.850**	**33.050**	**2.850**

Notes and **Sources**:
a. Enacted as of FY2008 Consolidated (H.R. 2764/P.L. 110-161).
b. Figures in [ ] brackets are funds to train Iraqi security forces that were appropriated to the President and transferred to the Coalition Provisional Authority, and implemented by the Army. Iraq total includes enacted funds from all sources. Afghanistan total does not include about $1 billion to $2 billion that Afghan security forces received in FY2004 and FY2005 through State Department or foreign military sales financing according to GAO-05-575, *Afghanistan Security: Efforts to Establish Army and Police Have Made Progress, but Future Plans Need to Be Better Defined*, June 2005, p. 9. Figures reflect CRS calculations from public laws and conference reports.

Congressional Options to Affect Military Operations

As interest in alternate policies for Iraq has grown, Congress may turn to the Vietnam and other experience to look for ways to affect military operations and troop levels in Iraq. In the past, Congress has considered both funding and non-funding options. Most observers would maintain that restrictions tied to appropriations have been more effective. (For an analysis of the legal issues in restricting military operations, see CRS Report RL33837, *Congressional Authority to Limit U.S. Military Operations in Iraq*, by Jennifer K. Elsea, Michael John Garcia, and Thomas J. Nicola. For examples of past enacted and proposed restrictions, see CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and Kosovo: Funding and Non-Funding Approaches*, by Amy Belasco, Hannah Fischer, Lynn Cunningham, and Larry Niksch. For recent proposals to restrict military operations, see CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, by Stephen Daggett et al.)

Restrictive funding options generally prohibit the obligation or expenditure of current or previously appropriated funds. Obligations occur when the government pays military or civilian personnel, or the services sign contracts or place orders to buy goods or services. Expenditures, or outlays, take place when payment is provided.

Past attempts or provisions to restrict funding have followed several patterns including those that

- cut off funding for particular types of military activities but permit funding for other activities (e.g., prohibiting funds for combat activities but permitting funds to withdraw troops);
- cut off funds as of a certain date in a specific country;
- cut off funds "at the earliest practical date," which essentially gives the president leeway to set the date;
- cut off funds if certain conditions are met (such as a new authorization) or certain events take place (such as the release of U.S. prisoners of war).

Other non-funding approaches to restrict military operations have

- required that troops be withdrawn by a specified date in the future or at the "earliest practical date;"
- withdrawn funds unless there was a declaration of war or a specific congressional authorization of the war activities; or
- repealed previous congressional resolutions authorizing military activities.

One or both houses may also state a "sense of the Congress," or non-binding resolution that does not need to be signed by the President that U.S. military operations should be wound down or ended or forces withdrawn.

While only a handful of provisions have been enacted, congressional consideration of these various limiting provisions placed pressure on the Administration and thus influenced the course of events. For example, the well-known Cooper-Church provision that prohibited the introduction of U.S. ground troops into Cambodia was enacted in early 1971 after U.S. forces had invaded and then been withdrawn from Cambodia; that provision was intended to prevent the reintroduction of troops.[97]

Although President Nixon did not reintroduce U.S. troops, the United States continued to bomb Cambodia for the next three years. Later in 1973, Congress passed two provisions that prohibited the obligation or expenditures of "any funds in this or any previous law on or after August 15, 1973" for combat "in or over or from off the shores of North Vietnam, South Vietnam, Laos or Cambodia."[98] The final version reflected negotiations between the Administration and Congress about when the prohibition would go into effect with August 15, 1973 set in the enacted version and bombing did stop on that day.

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[97] See discussion and language of the Cooper-Church amendment (Sec.7, P.L. 91-652) in CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and Kosovo: Funding and Non-Funding Approaches*.

[98] One provision was included in both P.L. 93-52, the Continuing Appropriations Act of 1974 and the Second Supplemental Appropriations Act of 1973, P.L. 93-50, both enacted July 1,1973; see CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and Kosovo: Funding and Non-Funding Approaches*, by Amy Belasco, Hannah Fischer, Lynn Cunningham, and Larry Niksch.

Several well-known proposals that were not enacted — two McGovern-Hatfield amendments and an earlier Cooper-Church amendment — were also part of this Vietnam Era jockeying between the Administration and Congress. One McGovern-Hatfield amendment prohibited expenditure of previously appropriated funds after a specified date "in or over Indochina" except for the purpose of withdrawing troops or protecting our Indochinese allies while another also prohibiting spending funds to support more than a specified number of troops unless the president notified the Congress of the need for a 60 day extension. The earlier Cooper-Church amendment prohibited the expenditure of any funds after July 1, 1970 to retain troops in Cambodia "unless specifically authorized by law hereafter."[99]

Generally, Congress continued to provide funds for U.S. troops in Vietnam at the requested levels as the Nixon Administration reduced troop levels. Overall, funding restrictions have generally proven more effective than the War Powers Act, which has been challenged by the executive branch on constitutional grounds.[100]

Problems in War Cost Estimates and Reporting

GAO, CBO and CRS have all testified to Congress about the limited transparency in DOD' war cost estimating and reporting.[101] While DOD has provided considerably more justification material for its war cost requests beginning with the FY2007 Supplemental, many questions remain difficult to answer — such as the effect of changes in troop levels on costs — and there continue to be unexplained discrepancies in DOD's war cost reports.

How might Congress get better, accurate information on war costs? To provide Congress a better basis for oversight, DOD could:

- provide estimates of the allocations of all budget authority provided for OIF and OEF, and compare those to outlays to date;
- provide past, current and future estimates of average troop strength — both deployed and total — for each operation and other key cost drivers such as operating tempo;
- set up separate appropriation accounts for war funding to create visibility on outlays and increase accuracy;
- compare all budget authority appropriated for war with obligations for each operation to identify trends and reporting inconsistencies;

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[99] See H.R. 17123, H.R. 6531, and H.R. 15628 in Table 1 and Appendix of CRS Report RL33803.

[100] CRS Report RS20775, *Congressional Use of Funding Cutoffs Since 1970 Involving U.S. Military Forces and Overseas Deployments*, by Richard F. Grimmett.

[101] See testimony to House Budget Committee, October 24, 2007, July 31, 2007, and testimony to Subcommittee on National Security, Emerging Threats and International Affairs, House Government Reform, July 18, 2006.

- explain the rationale and assumptions underlying estimates of reset requirements to repair and replace equipment that is worn out or lost in combat, and track amounts actually spent;
- estimate and explain how recapitalization and upgrade requirements are related to war needs rather than ongoing modernization;
- show how funding provided in supplemental appropriations may reduce DOD's baseline requests by funding maintenance or procurement earlier than anticipated;
- estimate future costs under various scenarios.

In its Section 9010 report, DOD provides Congress with fairly detailed quarterly reporting on various metrics for success in Iraq — ranging from average daily hours of electrical power by province to average weekly attacks on civilians, Iraq Security Forces and coalition forces — but measures of U.S. military costs are not required. Detailed reporting of different military costs and troop levels could be included as a metric for assessing operations Iraq, Afghanistan and other counter terror operations.[102] Particularly if the global war on terror is indeed "the long war" of indefinite duration, better cost reporting could aid congressional oversight and assessment of emergency funding requests.

Difficulties in Explaining DOD's War Costs

What makes war costs change? Changes in war costs would be expected to vary with troops levels, war-related benefits, the intensity of operations, and levels of basing and support. The extent of competition in contracts and the price of oil would also be expected to affect the prices of goods and services purchased by DOD.

A list of the primary war cost drivers would be expected to include:

- the number of troops deployed or anticipated to deploy;
- changes in the pace of operations or optempo;
- changes in the amount of equipment and number of personnel to be transported to the theater of operations;
- whether support is designed to be temporary or longer-term;
- force protection needs;
- how quickly equipment breaks down and how quickly it is to be replaced or upgraded; and
- military basing plans that underlie construction requests.

Troop levels would be expected to be the basic underlying factor that determines the cost of military activities and support ranging from the number of miles driven by trucks (which, in turn, affects how quickly trucks break down), purchases of body armor (varying with the threat), or meals served and housing provided. Troop levels, however, have risen far less than costs.

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[102] H.Rept. 109-72, p. 97; DOD, Section 9010 Report to Congress, "Measuring Stability and Security in Iraq;"[http://www.defenselink.mil/pubs/iraq_measures.html].

Little of the $93 billion DOD increase between FY2004 and FY2007 appears to reflect changes in the number of deployed personnel, which has grown by only 15% (see **Table 3**). Rather the increase is attributable to several factors:

- certain unanticipated requirements for force protection gear and equipment;
- the cost of training and equipping Afghan and Iraqi security forcesx; and
- even more, a broadened definition of th types of programs that DOD considers part of war reconstitution or reset — funds to repair and replace war-worn equipment.[103]

Changes in Troop Strength. In testimony and supplemental requests, DOD typically cites the number of "boots on the ground" at a particular time to illustrate military personnel levels. For example, DOD figures show that there were about 139,000 troops in Iraq and 19,000 in Afghanistan or about 158,000 as of October 1, 2006.[104] Similar figures are cited by DOD witnesses in hearings.

This figure, however, does not include all troops in the region deployed for OIF or OEF operations or capture the annual average as troops rotate in and out of the theater during the year. Nor does it capture activated reservists in the United States who are training, backfilling for deployed troops, or supporting DOD's enhanced security (ONE) mission. For these reasons, "boots on the ground" figures understate the number of military personnel dedicated to these operations.

For example, in FY2006, average troop strength was some 297,000 for operations in Iraq, Afghanistan and other counter-terror operations or almost twice as high as "boots on the ground" figures (see **Table 7**). In its new supplemental request, DOD cites about 320,000 for its troop strength in FY2007, acknowledging the higher troop levels for the first time.[105] The reported average for the year was 303,000 (see **Table 7**).

In FY2004, the first year of occupation, DOD figures show average troop strength for all three missions of 304,000. In its FY2007 Supplemental request, DOD projected a total of about 319,000 troops, a 5% increase since FY2004. Costs would more than double from $72 billion in FY2004 to $165 billion for FY2007 (see **able 3**). Reported troop strength for FY2007 was 303,000 (see **Table 7**).

Some would argue that the average number of *deployed* troops dedicated to Iraq and GWOT operations would be provide a better metric to explain war costs because those are the troops carrying out ongoing operations. Under this reasoning, reservists

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[103] See CRS, Statement of Amy Belasco before the House Budget Committee, Hearing on "The Rising Cost of the Iraq War," October 24, 2007; [http://budget.house.gov/hearings /2007/10.24Belasco_testimony.pdf] Stat.

[104] DOD, Information Paper, "Congressional Research Service Request for Boots on the Ground (BOG) Statistics for Iraq and Afghanistan, January 1, 2007," 1-2-07.

[105] DOD, *FY2007 Emergency Supp*, p. 16. [http://dod.mil/comptroller/defbudget/fy2008/fy2007_ supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf].

in the United States — whether training up or backfilling — are considered the support tail for deployed troops.

Between FY2004 and FY2006, average deployed troop strength increased from about 216,000 to 247,000 or by about 14% whereas funding levels increased by 60% (see **Table 7**). DOD's "surge" or "plus-up" for FY2007 of about 30,000 troops increased average troop strength by only 10,000 or about 4% over FY2006 (taking into accounts dips earlier in the year and the fact that additional troops would be in place for only part of the year). That brought troop strength for FY2007 to about 256,000 or about 19% above FY2004. At the same time, DOD's enacted funding for FY2007 is more than double the amount in FY2004. Changes in troop strength do not explain such increases. Defense Manpower Data Center does not show average troop strength data by operation.

Table 8. Average Troop Strength for Iraq, Afghanistan and other Counter-Terror Operations, FY2001-FY2007

(in thousands)

By Service	FY01	FY02	FY03	FY04	FY05	FY06	FY07
Average Deployed	**51**	**77**	**220**	**216**	**245**	**247**	**256**
Army	8	17	110	143	156	156	156
Navy	29	30	42	25	29	32	40
Marine Corps	0	4	32	25	35	32	32
Air Force	14	26	35	24	25	27	27
Activated Reserves State-side[a]	**NA[b]**	**51**	**92**	**87**	**66**	**50**	**46**
All OIF/OEF/ONE Military Personnel	**50**	**129**	**312**	**304**	**312**	**297**	**303**

Source: CRS calculations from Defense Manpower Data Center, *DRS17253 Report*, Average Number of Members By Month, 0901-1107, January 2008.
Note: Average strength computed by the Defense Manpower Data Center by totaling the number of days deployed for each service member in a year and then dividing that figure by the 365 days in the year. Numbers may not add due to rounding.
a. Activated reservists in the United States are training up for deployments, backfilling the positions of deployed active-duty personnel, or providing enhanced security at U.S. installations.
b. Not available.

Military personnel funding has hovered between $16 billion and $20 billion a year (see **Table 8**). About half of the $16 billion for war-related military personnel is for the cost of full-time pay and benefits to the 150,000 reservists to110,000 reservists who have been activated each year since FY2004, with the number falling in recent years.[106]

[106] Average annual strength for activated reservists from Defense Manpower Data Center, "Average Member Days Deployed by Service Component and Month/Year, 9/01 to 11/06."

Funds for war-related military personnel also include special war-related pay and benefits (e.g., hostile fire or imminent danger pay or survivors benefits) and "overstrength" or the additional active-duty personnel who have been recruited and retained to meet wartime needs above DOD's pre-war strengths — 482,000 for the Army and 172,000 for the Marine Corps. "Overstrength" has been considered a war cost because DOD initially argued that the increases would be temporary but in the FY2007 Supplemental, the Defense Department requested that these increases be part of a permanent expansion of the Army and Marine Corps, an issue still to be resolved.

Table 9. DOD's War Budget Authority by Title: FY2004-FY2007 Enacted Supplemental

(in billions of dollars)

Title	FY04	FY05	FY06	FY07
Military Personnel	17.8	19.7	16.7	18.8
Operation & Maintenance	42.0	47.9	60.0	75.0
Defense Health	0.7	1.0	1.2	3.0
Other Defense Programs[a]	0.1	0.2	0.2	0.4
Procurement	7.2	18.0	22.9	45.4
Research, Dev., Tstg. & Eval.	0.4	0.6	0.8	1.5
Working Capital Funds[b]	1.6	3.0	3.0	1.1
Military Construction	0.5	1.2	0.2	1.7
Subtotal: Regular Titles	**70.3**	**91.7**	**105.1**	**146.9**
Special Funds and Caps				
Iraqi Freedom Fund (IFF)	2.0	3.8	3.3	0.4
Afghan Sec. Forces Training Fd.[c]	0.0	1.3	1.9	7.4
Iraq Security Forces Training Fd[c]	[5.0]	5.7	3.0	5.5
Joint Improvised Explosive Device (IED) Defeat Fd[d]	0.0	0.0	3.3	4.4
Strategic Reserve Readiness Fd.[d]	0.0	0.0	0.0	1.6
Coalition Support Cap[e]	[1.2]	[1.2]	[.9]	[1.1]
Lift and sustain Cap[f]	[0]	[0]	[.4]	[.3]
Global lift and sustain Cap[e]	[0]	[0]	[0]	[0]
Global train and equip Cap[e]	[0]	[0]	[.1]	[0]
Cmdrs' Emerg.Response Cap[e]	[.2]	[.8]	[.9]	[1.0]
Special Transfer Authority Cap[f]	[3.0]	[3.0]	[4.5]	[3.5]
Subtotal: Special Funds	**2.0**	**10.7**	**11.5**	**19.3**
Dept. of Defense Total	**72.3**	**102.4**	**116.7**	**166.2**
Coast Guard Transfer	0.0	[.2]	[.1]	[.2]
Intell. Comm. Mgt Fund	0.0	0.3	0.2	0.1
Def. Nuclear Nonproliferation	0.0	0.0	0.0	0.1
Salaries & Expenses, FBI	0.0	0.0	0.0	0.1
Subtotal: Defense-Related[g]	**0.0**	**0.3**	**0.2**	**0.3**
National Defense Total	**72.3**	**102.6**	**116.8**	**166.5**

Sources: CRS calculations based on H.Rept. 110-60, S.Rept. 110-37, H.Rept. 110-107, H.R. 1591 and H.R. 2206 as passed by both houses, and "additional explanatory materials in the *Congressional Record*, May 24, 2007, p. H.8506ff. submitted by Congressman Obey, Chair of the House Appropriations Committee.

Notes: This table separates funds with special purposes such as the Afghan Security Forces Fund from the regular titles to better identify trends. For FY2007, request reflects amended FY2007 supplemental submission of March 9, 2007; see OMB, *Appendix: FY2008 Budget*, "Other Materials: FY2007 Supplemental and FY2008," February 5, 2007 for original request, p. 1143ff; [http://www.whitehouse.gov/omb/budget/fy2008/pdf/appendix/sup.pdf]. For amended request, see OMB, "Estimate No. 3," [http://www.whitehouse.gov/omb/budget/amendments/amendment_3_9_07.pdf]. Includes transfers from baseline accounts to war to meet unanticipated needs through FY2005.

a. "Other Defense Programs" includes counter drug and Office of Inspector General funds.
b. Working capital funds finance additional inventory for support items such as spare parts.
c. Training Iraqi security forces was initially funded in the State Department [shown in brackets] but is now funded in DOD. The Afghan Army also received some State Department funds.
d. The Joint IED Defeat Fund finances responses to IED attacks through transfers to procurement, RDT&E, and operation and maintenance programs. Initially, Congress appropriated $1.4 billion for IED Defeat to the Iraq Freedom Fund and then appropriated $1.9 billion to a separate new account, the Joint IED Defeat Fund. The $3.3 billion total for FY2006 includes both amounts.
e. Congress sets caps on different types of coalition support — reimbursements to allies conducting operations or logistical support for OIF and OEF, and lift, support, training and equipping of allies conducting other counter-terror operations. Congress also sets a cap on CERP, a program which permits military commanders to fund small-scale reconstruction projects in Iraq and Afghanistan.
f. Congress sets the amount of transfer authority in each bill. The table includes amounts provided for both bridge and supplemental funds. Includes $10.4 billion for Iraq Freedom Fund in FY2003 (deducting specified floors) plus $2 billion in transfer authority.
g. Defense-related programs are included in the national defense budget function.

Since FY2004, DOD has reduced its reliance on reservists with the number activated falling from 151,000 in FY2004 to 113,000 in FY2006. Despite this 25% decrease, DFAS cost reports show a more modest 8% decrease in cost from $8.8 billion to $8.1 billion. It is not clear why cost figures are inconsistent with average troop levels but GAO has found various inconsistencies in DOD reporting of military personnel costs.[107]

Reliance on Reservists Falls. Between FY2004 and FY2006, DOD reduced its reliance on reservists as their share of total personnel dedicated to war missions declined from 30% to 24% (see **Figure 1**). This change reflects the fact that some reservists have bumped up against a DOD-imposed policy set after the 9/11 attacks that limited their total deployment time to 24 months. Since reserve deployments were typically for 18 months — including time to train up — reservists were often available for only one deployment.

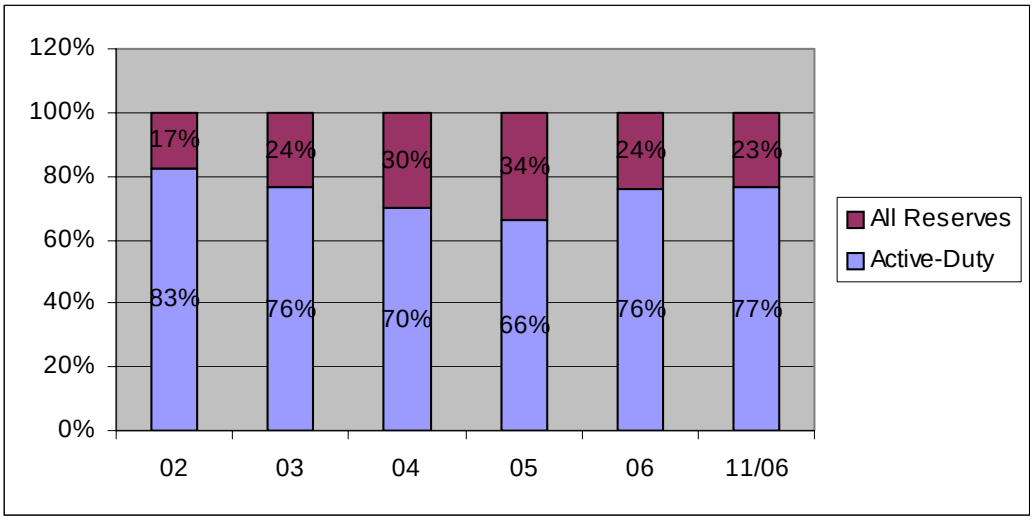
Secretary Gates recently changed this policy, setting call-ups for 12 rather than 18 months. The services could also exclude train up and demobilization time and make exceptions if necessary. The policy change also emphasizes activating units

[107] GAO, *FY2004 Costs for Global War on Terrorism Will Exceed Supplemental*, July 2004 [http://www.gao.gov/new.items/d04915.pdf].

rather than individuals to improve morale and readiness.[108] This policy change is likely to make reservists available for two tours if necessary.

Changes in Military Personnel Costs. As DOD reduces its reliance on activated reservists, war-related military personnel costs would be expected to fall because the incremental cost of active-duty personnel — special pays — is less than paying full-time salaries to reservists. Budget authority for military personnel dips in FY2006 but rises again in FY2007 (see **Table 8**). At the same time, military personnel costs increase as DOD "overstrength" or the number of personnel over the Army and Marine Corps pre-war levels — grows. Yet DFAS reports show a decline in funding for overstrength from $2.0 billion in FY2005 to $1 billion in FY2006, possibly a reporting error.[109] Although the Administration announced in January 2007 that these increases would be permanent in order to sustain higher deployments for the Global War on Terror, DOD requested the funds in the FY2007 supplemental as an unanticipated emergency expense.

Figure 1. Active-Duty and Reserve Shares of OIF/OEF Average Annual Troop Levels, FY2003-Early FY2007



Notes and Sources: Includes all activated reservists whether deployed, preparing to deploy or serving in the United States. Data from Defense Manpower Data Center, Contingency Tracking System, "Average Member Days Deployed by Service Component and Month/Year," November 2006. The Contingency Tracking System covers military personnel serving in Operation Iraqi Freedom, Operation Enduring Freedom, and Operation Noble Eagle.

Changes in Operating Costs. Even if troop strength remains the same, operational costs could grow if operating tempo intensifies, repair costs increase, or

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[108] David S. C. Chu, Under Secretary of Defense for Personnel and Readiness, "Mobilization/Demobilization Personnel and Pay Policy for Reserve Component Members Ordered to Active Duty in Response to the World Trade Center and Pentagon Attacks," September 20, 2001; and Robert M. Gates, Secretary of Defense, "Utilization of the Total Force," January 19, 2007.

[109] DFAS, *Supplemental and Cost of War Execution Reports*, September 2005 and September 2006, "DoD Totals."

support costs grow. These factors appear to explain some but not all of the $17 billion increase in operating costs from $43 billion in FY2004 to $60 billion in FY2006 (see **Table 8**). Based on DOD reporting of obligations, this increase reflects

- more body armor and other protective gear for troops (purchased with O&M funds), growth of $1 billion to $2 billion;
- the jump in oil prices and the rise in intensity of operations, growth of about $4 billion;
- the coming due of maintenance bills as equipment wears out, growth of $4 billion; and
- a $2 billion increase in command, communications, control, computers and intelligence support.[110]

With the exception of force protection gear where congressional interest has been high, DOD has provided little explanation for these changes.

With enactment of the FY2007 Supplemental, operating costs will jump from $60 billion in FY2006 to $75 billion in FY2007 or by 25%. This increase reflects the Administration's surge in troop levels and naval presence (about $5 billion), higher repair costs ($3 billion), more force protection gear (about $1 billion), a doubling in transportation costs for unspecified reasons ($2 billion), increased LOGCAP contractor support ($300 million), and higher operating tempo.[111] These factors account for some but not all of the increase though the rationales for the changes are often not clear.

Changes in Investment Costs. Since FY2004, the rise in investment costs has been dramatic — about a sixfold increase from $7.2 billion in FY2004 to $45 billion in FY2007. Procurement almost doubles between FY2006 and FY2007. Investment costs include procurement, RDT&E and military construction. As a share of DOD war appropriations, investment monies grew from about 10% in FY2004 to about 20% in FY2006 and about 29% in FY2007. Since FY2003, DOD has received about $93.5 billion in war-related procurement funds — about $11 billion more than received by DOD in its regular baseline budget in FY2007 (see **Table 8**).[112]

Again, some of the reasons for this upsurge in war-related investment costs are known:

- a push by both DOD and Congress to provide more force protection equipment and increase situational awareness (e.g., uparmored High Mobility Multipurpose Wheeled Vehicles (HMMWVs), radios, sensors);

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[110] DFAS, *Supplemental and Cost of War Execution Reports*, September 2005 and September 2006, "DoD Totals."

[111] Department of the Army, *Global War on Terrorism (GWOT)/Regional War on Terrorism (RWOT), FY2007 Supplemental Budget Estimate*, Volume 1, February 2007; [http://www.asafm.army.mil/budget/fybm/fy08-09/sup/fy07/oma-v1.pdf].

[112] DOD received $80.9 billion for procurement in FY2006; see H.Rept. 109-676, p. 135.

- a decision to fund equipment for newly configured Army and Marine Corps units, known as modularity or restructuring;
- the growing bill to rebuild or replace damaged equipment, a process known as reset or reconstitution;
- extensive upgrading of equipment; and
- the building of more extensive infrastructure to support troops and equipment in and around Iraq and Afghanistan.

These reasons do not fully explain the scope of increases thus far or sort out whether the new requests are war-related emergencies rather than being part of ongoing modernization or transformation programs. DOD has provided little rationale or explanation for its requirements or changes in requirements for replacing war-worn equipment or extensive upgrades.

In some cases, requirements do not appear to be strictly related to war needs. For example, Congress included funds for C-17 aircraft in order to keep the production line open though its relationship to current war needs is tenuous. Congress also agreed to fund the cost of equipping newly configured Army and Marine Corps units — a pre-war initiative known as modularity or restructuring initiative — in the FY2005 and FY2006 supplemental (see section on reset below and CRS Report RL33900 on FY2007 Supplemental).

Typically, war funds do not include RDT&E or military construction because both activities take considerable time, and hence do not appear to meet an emergency criterion. In this respect, the Iraq and GWOT conflicts are breaking new ground. DOD is now receiving war funding for RDT&E in both specific programs and in the Joint IED Defeat Fund, a new account where DOD transfers funds after enactment with prior reporting to Congress.

In the FY2007 Supplemental, DOD is receiving an additional $1.7 billion for military construction, almost doubling the previous peak in FY2005. Funding for military construction has been controversial for two reasons — concerns among some Members that construction indicates an intent to set up permanent bases in Iraq and construction funding in the United States that is part of proposed plans to increase the size of the force, and not clearly an emergency. Although DOD has not ruled out retaining bases in Iraq, current guidelines limit the use of concrete structures and emphasize building relocatable units and the FY2007 Supplemental continues a prohibition on spending funds to set up permanent bases in Iraq.

Special Funds and the Flexibility Issue. Since the 9/11 attacks, Congress has relied on a variety of special accounts that give DOD additional flexibility to respond to the uncertainty of wartime needs. Congress has also been more willing to approve higher levels of transfer authority which allow DOD to move funds into different accounts after enactment. The funding in these new accounts generally does not reflect troop levels or immediate operational needs.

Table 8 shows the funding provided in these flexible accounts including

- Afghan and Iraq Security Forces Funds for training and equipping police and security forces;

- the Joint Improvised Explosive Device (IED) Defeat Fund for providing funds to be transferred to procurement, RDT&E, or operation and maintenance to develop and field solutions to the IED threat;
- the Iraq Freedom Fund set up to cover war operations cost in the first year of the invasion and occupation (IFF);
- the Natural Resources Risk Remediation Fund set up to cover expected damage to Iraqi oil fields; and
- the Defense Emergency Response Fund (DERF).

Typically, Congress has given DOD latitude in how to use these funds and required after-the-fact quarterly reporting.

The Afghan and Iraq Security Forces Funds provide lump sums which DOD could then allocate between equipment and training needs. Similarly the Joint IED Defeat Fund allows DOD to decide where funds are needed to meet this threat. Although the new accounts are designated to meet particular goals, they are similar to funding flexibility given to DOD after the 9/11 attacks.

In the first two years after the 9/11 attacks, Congress gave DOD substantial leeway to move funds after enactment to meet war needs by appropriating funds to special accounts. Initially, DOD received $17 billion in its Defense Emergency Response Fund (DERF), spending those funds in broadly defined allocations such as "increased situational awareness," and "increased worldwide posture."[113] In the FY2002 Supplemental, Congress appropriated $13 billion for war costs including $11.9 billion in the DERF, transformed into a transfer account, with guidelines set in the conference report.[114]

In the FY2003 Supplemental, Congress appropriated a total of $77.4 billion in war funding, including $15.6 billion in a new Iraq Freedom Fund (IFF) where DOD could transfer funds after enactment and then report to Congress.[115] Since FY2004, Congress has appropriated most war funds to specific accounts but has given DOD larger amounts of transfer authority where DOD can move funds after enactment with the consent of the four congressional defense committees (see **Table 8**) as well as setting up new transfer accounts for specific purposes such as training Iraqi security forces.

Congress has also set caps or ceilings on funding within O&M accounts for specific purposes rather than set program limits. These include funding for

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[113] Congress appropriated $20 billion in the government-wide Emergency Response Fund which could be spent by the President at his discretion (P.L. 107-38). DOD also received another $3.5 billion in the DERF but had to follow allocations that were set in the FY2002 DOD Conference report (H.Rept. 107-350, p. 423).

[114] H.Rept. 107-593, p. 17 and 128.

[115] Congress rescinded $3.5 billion of the $15.6 billion originally appropriated to the IFF and included ceilings for certain purposes, such as intelligence, within the total.

- various types of coalition support which pays U.S. allies for their logistical support in counter-terror operations related to OIF and OEF or other counter-terror operations; and
- Commanders Emergency Response Program (CERP) for small reconstruction projects selected and run by individual commanders;

The issue for Congress is the amount of flexibility to give DOD to meet needs which it cannot define when appropriations are provided.

Average Cost Per Deployed Troop and Future Costs

To give another window into trends and how changes in troop levels may affect costs, CRS estimated the average annual cost for each deployed troop — showing operational and investment costs separately. Because only some costs (e.g., for meals, body armor, operating tempo, and ammunition) are likely to vary in proportion with troop levels, the average cost per troop cannot be used to directly estimate the cost of alternate troop levels (see **Table 10**).

Table 10. Average Annual Cost Per Deployed Troop: FY2003-FY2006

Average Troop Strength & Obligations	FY03	FY04	FY05	FY06	Change Since FY2003
Number of deployed troops[a]	225,800	219,600	258,800	269,300	19%
Average annual obligations in 000s of $	$320,000	$340,000	$350,000	$390,000	22%
Operational costs[b]	$300,000	$300,000	$270,000	$325,000	8%
Investment costs[c]	$20,000	$40,000	$80,000	$65,000	225%

Notes and Sources: Numbers rounded. CRS calculations based on average deployed troop strength from the Defense Manpower Data Center (DMDC) and costs from Defense Finance Accounting Service, *Supplemental & Cost of War Execution Reports*, FY2003-FY2006 with CRS estimates of unreported expenses. DMDC troop strength does not separate Iraq and OEF.

a. Does not include additional activated reservists who are training up for deployments, backfilling for active-duty personnel or providing additional security at bases. DMDC figures do not separate military personnel in OIF and OEF.
b. Includes military personnel and operation and maintenance costs.
c. Includes procurement, RDT&E, and military construction costs.

Some costs would rise or fall immediately as troops are withdrawn (e.g., meals served, fuel consumed, spare parts replaced), whereas other costs would change more slowly (e.g., utilities costs, building maintenance, equipment wear and tear). Still other costs would temporarily increase, such as transportation costs to ship personnel and equipment back to the United States. Over time, however, support costs would begin to change in proportion with personnel levels if higher troop levels persist or if troops are withdrawn.

Since FY2003, the estimated average cost per deployed troop has risen from about $320,000 to $390,000 per deployed troop.[116] While that increase reflects primarily more spending for procurement — for replacement and upgrading of equipment — operational costs have also grown (see **Table 10**).

Estimates of Future Costs. CBO has again projected the future cost of the Global War on Terror under two alternative scenarios — both Iraq and OEF — in its most recent 2008-2018 budget outlook. Under the faster drawdown scenario, troop levels would decline from about 205,000 to 30,000 troops by FY2010. Concurrently, costs would decline from $193 billion in FY2008 (the Administration's request) to about $33 billion in FY2011 with:

- $118 billion in FY2008;
- $50 billion n FY2010;
- $33 billion in FY2011;
- $33 to $35 billion each year from FY2012 through FY2018.

Under the more gradual drawdown scenario, troop levels would decline from 205,000 to 75,000 troops by FY2013. Costs would decline to about $77 billion once the steady state was reached with:

- $161 billion in FY2009;
- $147 billion in FY2010;
- $128 billion in FY2011;
- $101 billion in FY2012;
- $79 billion in FY2013; and
- about $77 billion a year for FY2014 through FY2018.[117]

CBO did not estimate a more rapid withdrawal of troops.

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[116] CRS revised these costs because of better data on average deployed troop levels received recently from the Defense Manpower Data Center. Because this data does not segregate military personnel by OIF and OEF, CRS includes only one figure for both.

[117] See Table 1-5 in CBO, *The Budget and Economic Outlook" Fiscal Years 2008-2018*, January 2008; [http://www.cbo.gov/ftpdoc.cfm?index=8917].

Appendix

Table A1. Defense Department, Foreign Operations Funding, and VA Medical Funding for Iraq, Afghanistan and Other Global War on Terror Activities, FY2001-FY2008 DOD Appropriations

(in billions of dollars of budget authority)[a]

Name of law	Public Law No.	Date Enacted	DOD Funds	Foreign Aid Embassy	VA Medical	Total cost
FY2001 Emerg. Supp. Approp. Act for Recovery from and Response to Terrorist Attacks on the United States	P.L. 107-38	9/18/01	14.0	0.3	0.0	14.3
FY2002 Dept. Of Defense and Emergency Terrorism Response Act	P.L. 107-117	1/10/02	3.4	0.0	0.0	3.4
FY2002 Emergency Supplemental	P.L. 107-206	8/2/02	13.8	0.4	0.0	14.1
FY2002 Regular Foreign Operations	P.L. 107-115	1/10-02	0.0	0.2	0.0	0.2
FY2003 Consolidated Approps	P.L. 108-7	2/20/03	10.0	0.4	0.0	10.4
FY2003 Emergency Supplemental	P.L. 108-11	4/16/03	62.6	3.4	0.0	66.0
FY2003 DOD Appropriations[b]	P.L. 107-48	10/23/02	7.1	0.0	0.0	7.1
FY2004 DOD Appropriations Act[b]	P.L. 108-87	9/30/03	-3.5	0.0	0.0	-3.5
FY2004 Emergency Supplemental	P.L. 108-106	11/6/03	64.9	21.2	0.0	86.1
FY2004 Foreign Operations Approps.	P.L. 108-199	1/23/04	0.0	0.5	0.0	0.5
FY2005 DOD Appropriations Act, Titles IX and X[c]	P.L. 108-287	8/5/04	25.0	0.7	0.0	25.7
FY2005 Supplemental Approps[d]	P.L. 109-13	5/11/05	75.9	3.1	0.0	79.0
FY2005 Consolidated Appropriations	P.L. 108-447	12/8/04	0.0	1.0	0.0	1.0
FY2005 DOD Appropriations Act[e]	P.L. 108-287	8/5/04	2.1	0.0	0.0	2.1
FY2006 DOD Approps Act, Title IX[c]	P.L. 109-148	12/30/05	50.0	0.0	0.0	50.0
FY2006 DOD Appropriations Act[e]	P.L. 109-148	12/30/05	0.8	0.0	0.0	0.8
FY2006 Foreign Operations Approps.	P.L. 109-102	11/14/05	0.0	1.0	0.0	1.0
FY2006 Science, State, & Rel. Agencies Appropriations Act[d]	P.L. 109-108	11/22/05	0.0	0.1	0.0	0.1
FY2006 Interior & Rel. Ag. Approp.[f]	P.L. 109-54	8/2/05	0.0	0.0	0.2	0.2
FY2006 Military Quality of Life & Veterans Affairs[f]	P.L. 109-114	11/30/05	0.0	0.0	0.4	0.4
FY2006 Emergency Supplemental	P.L. 109-234	6/14/06	66.0	3.2	0.0	69.2
FY2007 DOD Appropriations Act, Baseline and Title IX[c]	P.L. 109-289	9/29/06	70.5	0.0	0.0	70.5
FY2007 Continuing Resolution[g]	P.L. 110-5	2/15/07	0.0	1.3	0.6	1.8
FY2007 Supplemental	P.L. 110-28	5/25/07	94.5	3.8	0.4	98.7
FY2008 Continuing Resolution	P.L. 110-92	9/29/07	5.2	0.0	0.0	5.2
FY2008 DOD Appropriations Act	P.L. 110-116	11/13/07	12.2	0.0	0.0	12.2
FY2008 Consolidated Appropriations Act	P.L.110-161	12/26/07	70.0	2.1	0.9	73.0

Name of law	Public Law No.	Date Enacted	DOD Funds	Foreign Aid Embassy	VA Medical	Total cost
Subtotal			**644.4**	**42.4**	**2.5**	**689.5**
Unidentified Transfers[h]	unknown	unknown	2.0	0.0	0.0	2.0
FY2003 Transfers	various	NA	1.2	0.0	0.0	1.2
FY2004 Transfers	various	NA	5.7	0.0	0.0	5.7
FY2005 Transfers	various	NA	1.5	0.0	0.0	1.5
Subtotal Transfers[h]			**10.4**	**0.0**	**0.0**	**10.4**
TOTAL ENACTED (w/ transfers)	NA	NA	**654.8**	**42.4**	**2.5**	**699.7**

Source: CRS calculations based on public laws and DOD documents.

Notes: NA=Not Applicable. Totals may not add due to rounding.

a. Totals reflect budget authority for war-related expenses from appropriations and transfers, and exclude contingent appropriations not approved, rescissions that do not affect war-related funds, and transfers that were later restored in supplemental appropriations.
b. FY2003 Appropriations Act included $7.1 billion in regular FY2003 defense appropriations for GWOT that DOD cannot track; the FY2004 DOD Appropriations Act rescinded $3.5 billion in FY2003 war monies.
c. DOD's regular appropriations bills included a separate Title IX for additional emergency appropriations for war costs in FY2005, FY2006, and FY2007 to " bridge" the gap between the beginning of the fiscal year and passage of a supplemental. Title IX funds in FY2005 do not include a $1.8 billion scoring adjustment that reverses the previous rescission of FY2004 funds because this did not change wartime monies.
d. Excludes funds for Tsunami relief.
e. Reflects funds obligated for enhanced security (Operation Noble Eagle) in FY2005 and FY2006 from DOD's baseline funds as reported by Defense Finance Accounting Service.
f. Includes VA medical funds for Iraq and Afghan veterans in emergency funding in Interior bill and in regular VA appropriations.
g. State Department figures for foreign aid, reconstruction and embassy operations in FY2007 CR and CRS estimates of likely amounts to be provided for Iraq and Afghanistan for VA medical under the FY2007 Continuing Resolution.
h. CRS calculations of transfers from DOD's regular appropriations to war funding based on DOD's 1414 reports on prior approval reprogrammings and other sources. From DOD documents, it appears that DOD transferred about $2.0 billion from its baseline funds to prepare for the Iraq invasion during the summer and fall of 2002 but the source of those funds is not identified.