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

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Summary

With enactment of the FY2008 Supplemental and FY2009 Bridge Fund(H.R. 2642/P.L. 110-252) on June 30, 2008, Congress has approved a total of about $864 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 $864 billion total covers all war-related appropriations from FY2001 through part of FY2009 in supplementals, regular appropriations, and continuing resolutions. Of that total, CRS estimates that Iraq will receive about $657 billion (76%), OEF about $173 billion (20%), and enhanced base security about $28 billion (3%), 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 July 2008, DOD's monthly obligations for contracts and pay averaged about $12.3 billion, including $9.9 billion for Iraq, and $2.4 billion for Afghanistan.

The recently enacted FY2008 Supplemental (H.R. 2642/P.L. 110-252) includes a total of about $160 billion for war costs for the Department of Defense (DOD) for the rest of FY2008 and part of FY2009. Funds are expected to last until June or July 2009 well into a new Administration. The Administration did not submit a request to cover all of FY2009.

While Congress provided a total of $188 billion for war costs in FY2008—$17 billion more than the prior year—this total was a cut of about $14 billion to the Administration's request, including both reductions in DOD's investment accounts and substitutions of almost $6 billion in non-war funding. CRS figures exclude non-war funding.

Congress also cut funding for foreign aid and diplomatic operations for Iraq and Afghanistan by $1.4 billion, providing a total of $4.5 billion. For FY2009, Congress provided $67 billion, close to the request. Earlier, to tide DOD over until passage of the supplemental, the House and Senate appropriations committees approved part of a DOD request to transfer funds from its regular accounts.

In an August 2008 update, the Congressional Budget Office projected that additional war costs for the next ten years from FY2009 through FY2018 could range from $440 billion, if troop levels fell to 30,000 by 2010 to $865 billion, if troop levels fell to 75,000 by about 2013. Under these CBO projections, funding for Iraq, Afghanistan and the GWOT could total about $1.3 trillion or about $1.7 trillion for FY2001-FY2018. This report will be updated as warranted.

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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 July 2008 to future withdrawal options. This report analyzes war funding for the Defense Department and tracks funding for USAID and VA Medical funding.

For congressional action on the FY2008 Supplemental, see CRS Report RL34451, *FY2008 Spring Supplemental Appropriations and FY2009 Bridge Appropriations for Military Operations, International Affairs, and Other Purposes (P.L. 110-252)*, by Stephen Daggett et al.

Total War Funding As of the FY2009 Bridge Fund

In the FY2008 Supplemental (H.R. 2642/P.L. 110-252), Congress funded DOD's war costs not only for the rest of FY2008 but also for the first part of FY2009 in order to give a new Administration breathing room to set its war policies. As of enactment of H.R. 2642, the FY2008 Supplemental, the cumulative total for funds appropriated since the 9/11 attacks to DOD, State/USAID and VA for medical costs for the wars **i**n Iraq, Afghanistan and enhanced security total $864 billion. This total includes:

- $657 billion for Iraq;
- $173 billion for Afghanistan;
- $28 billion for enhanced security; and
- $5 billion unallocated (see **Tables 2, 3, and 4**).

Of this total, 76% if for Iraq, 20% for Afghanistan, 3% for enhanced security and 1% unallocated. Almost all of the funding for Operation Enduring Freedom (OEF) is for Afghanistan.

Some 94% of this funding goes to the Department of Defense to cover *incremental* war-related costs, that is, costs that are in addition to normal peacetime activities. These costs include funds to deploy troops and their equipment to Iraq and Afghanistan, to conduct military operations, to

provide in-country support at bases, to provide special pay for deployed personnel, and to repair, replace, and upgrade war-worn equipment. DOD's baseline or regular budget covers the costs of normal pay for all military personnel, training activities, running and building facilities on U.S. installations, buying new military equipment, and conducting research to enhance future military capabilities.

FY2009 Bridge Fund Finances War Costs Through June 2009

When the Administration submitted its original request in January 2008, the Defense Department stated that its intent was for the bridge fund to last until after a new Administration was in-place.[1] With the $66 billion provided for FY2009 in the bridge fund included with the latest supplemental, Congress ensured that war funding would last through June or July 2009 (check) or until after a new Administration was in place.[2]

Based on FY2008 spending rates for Army operations, the service with the largest war funding demands, and by temporarily tapping both the FY2009 bridge and tapping baseline funds, the Army could finance war costs until July 2009 assuming that troop levels remain at the post-surge level of 15 brigade combat teams in Iraq. This is a conservative estimate since troop levels in FY2009 could be lower than in FY2008 when 20 brigades were in place for the first part of the year for the "surge" and were then gradually withdrawn in the latter part of the fiscal year.[3]

War Cost Issues in the 110th Congress

This report is designed to answer frequently asked questions as well as to address some of the major war cost issues that arose in the 110th Congress and are likely to confront the next Congress as well.

Some of the most commonly asked questions center on total war-related costs.

- 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 with currently available funding?
- How could war cost requests be made more transparent and what are the problems with current war cost reporting.

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

[2] CRS estimate based on funding in P.L. 110-252, and average Army obligations in FY2008 (check).

[3] DOD's request includes $31.2 billion for baseline OMA and $35.6 billion for funds for war or a total of $66.8 billion. Assuming monthly obligations of $6.9 billion, those funds would last almost ten months.

Current war cost issues that have been addressed in the past and are likely to confront the new Congress include the following.

- What are the bounds of future war costs under various scenarios assuming more or less gradual draw downs in the number of troops over the next several years?
- 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;
- What are the pros and cons of continued reliance on emergency supplementals to fund DOD war costs?
- What mechanisms can Congress use to increase Iraqi burden-sharing of war-related costs to rebuild their security forces?
- What types of congressional funding restrictions are available to affect policy options for Iraq.

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. It's followed by a discussion of some of the major budgetary war issues facing the Defense Department.

For information about State Department and USAID programs, see CRS Report RL34023, *State, Foreign Operations, and Related Programs: FY2008 Appropriations*, by Connie Veillette and Susan B. Epstein; CRS Report RL31833, *Iraq: Reconstruction Assistance*, by Curt Tarnoff; and CRS Report RL30588, *Afghanistan: Post-Taliban Governance, Security, and U.S. Policy*, by Kenneth Katzman; CRS Report RL34276, *FY2008 Emergency Supplemental Appropriations for International Affairs*, by Susan B. Epstein, Rhoda Margesson, and Curt Tarnoff.

War Cost Estimates Through Enactment of the FY2008/FY2009 Bridge

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.

Although CRS and CBO estimates of total war funding to date are close, there continue to discrepancies with DOD, which appear to reflect different interpretations of which funding is war-related. As of passage of the FY2008 Supplemental (including partial FY2009 funding), CRS and CBO estimates of total funding appropriated to date for DOD, State/USAID and VA Medical are similar—$864 billion for CRS and $858 billion for CBO. The CBO total of $809 billion and the CRS total of $815 billion for DOD are higher than DOD's total of $802 billion.[4] CBO and

[4] See Box 1-1, CBO, *The Budget and Economic Outlook: An Update*, September 2008, p. 13. For DOD, see Office of the Secretary of Defense, Comptroller, "Cost of War Update as of July 31, 2008," p. 6; to compare the estimates, CRS (continued...)

CRS totals may be larger because they include funds transferred from DOD baseline appropriations and some funds that DOD does not count as GWOT-related.[5]

For consistency, CRS also excludes certain funds that do not appear to be war-related (e.g. funds to cover higher fuel costs in DOD's regular programs), includes funds transferred from regular accounts to meet war needs, and includes funds previously considered war related but no longer requested in supplementals (enhanced security). DOD also considers some congressional additions, such as C-17 transport aircraft, as not-war related.[6] CRS war cost estimates also exclude funding in supplementals for other emergency programs such as additional food aid, military and economic assistance to Pakistan and foreign assistance activities in several African countries.

In its FY2007 and FY2008 requests, DOD allocated enacted and requested budget authority (BA) between Iraq, Afghanistan and enhanced security, but failed to do so in its FY2008 and FY2009 bridge requests.[7] In a monthly report, DOD also reports annual and cumulative obligations incurred for each operation, which reflects when personnel are paid, contracts are signed, or orders placed.[8] This reporting system, however, exclude some $56 billion of DOD funding for programs and activities that DOD does not track.[9] Obligations also do not include funds that have been requested or appropriated but have not yet been obligated.

(...continued)

added $66 billion for the FY2009 bridge, which DOD does not include.

[5] 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: An Update*, Box 1-1, p. 13, September 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. Specifically, CRS calculations of DOD funding include some $5 billion appropriated for GWOT in FY2003 in P.L. 107-48, about $10 billion in transfers from DOD's baseline appropriations that were transferred to meet war needs, as well as intelligence and other funding not tracked by DOD (see **Table B-1** and section, "Problems in War Cost Estimates and Reporting").

[6] For example, CRS estimates DOD's FY2008 request as $101.3 billion rather than $102.5 billion because CRS excludes as non-war costs funds for baseline fuel and repairs of Walter Reed. 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.

[7] 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.pdf; 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.

[8] Compiled by the Defense Finance Accounting Service (DFAS) each month, these reports are entitled "Supplemental and Cost of War Execution Reports," and show different types of costs as well as totals by Operation Enduring Freedom (Afghanistan), Operation Iraqi Freedom, and Operation Noble Eagle (enhanced security).

[9] DOD, "Global War on terror: Appropriated vs. Obligated Funds, FY 2001 - FY2008," October 2008.

As of July 31, 2008, DOD reported that $608.5 billion has been obligated for the Global War on Terror (GWOT) including

- $473.7 billion for Iraq,
- $106.9 billion for Operation Enduring Freedom, and
- $27.9 billion for Operation Noble Eagle (enhanced security).[10]

In this report, CRS estimates the allocation of all funds appropriated to DOD for war costs (excluding non-war items in supplementals) 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 1**, **2**, and **3**).

Table 1. Estimated War Funding by Operation: FY2001-FY2009 Bridge

(CRS estimates in billions of dollars of budget authority)

Operation	FY01 and FY02	FY03[a]	FY04[b]	FY05[b]	FY06	FY07	FY08[c]	FY09 Bridge[d]	Enacted Cum.: FY01-FY09 Bridge as of H.R. 2642, P.L. 110-252, 6-30-08[cd]
Iraq	0.0	53.0	75.9	85.5	101.7	133.6	153.5	54.1	**657.3**
OEF	20.8	14.7	14.5	20.0	19.0	36.9	34.0	13.1	**172.9**
Enhanced Security	13.0	8.0	3.7	2.1	0.8	.5	.2	0	**28.3**
Unallocated	0.0	5.5	0.0	0.0	0.0	0	0	0	**5.5**
Total	**33.8**	**81.1**	**94.1**	**107.6**	**121.5**	**171.0**	**187.7**	**67.2**	**864.0**
Annual Change	NA	140%	16%	14%	14%	41%	10%	NA	NA
Change Since FY03	**NA**	**NA**	**16%**	**33%**	**50%**	**111%**	**131%**	**NA**	**NA**

Sources and Notes: NA = not applicable. Totals may not add due to rounding. For a further breakdown of agency spending by operation, see **Table 3**. 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*, February 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.

[10] DOD, "Cost of War Car Card Through July 31, 2008," September 2008.

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), $70 billion in Division L, FY2008 Consolidated Appropriations Act (P.L. 110-161), and $92.2 billion in FY2008 Supp (H.R. 2642/P.L. 110-252). In FY2008, CRS includes funds for enhanced security in DOD's regular budget, and excludes as non-war related funds to cover higher fuel prices in DOD's regular program, base closure funding, and childcare centers, hospitals, medical facility and Army barracks renovation funds for facilities in the United States 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 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; excludes VA Medical funding for OIF and OEF in FY2009 baseline request; State/USAID funds may change with new agency allocations.

d. In the enacted FY2008 Supplemental, 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. CRS also excludes FY2008 baseline requests that were not enacted in the FY2008 Consolidated Appropriations (P.L. 110-161).

Funding for Each Operation

According to CRS estimates, Congress has appropriated about $864 billion in budget authority (BA) from FY2001 through the recently passed FY2008 Supplemental for DOD, the State Department and for medical costs paid by the Department of Veterans' Affairs (P.L. 110-252). CRS estimates that this total includes about

- $657 billion for Iraq (76%),
- $173 billion almost all for Afghanistan with a small amount for other counter terrorism operations (20%),
- $28 billion for enhanced security (4%), and
- $5 billion that CRS cannot allocate (see **Table 1**).

Funding for Each Agency

Of the $859 billion enacted thus far, about $809 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 2. Estimated War Funding by Agency: FY2001-FY2009 Bridge

(CRS estimates in billions of dollars of budget authority)

Agency	FY01 & FY02	FY03	FY04	FY05	FY06	FY07	FY08[ab]	FY2009 Bridge[c]	Cum.: FY01-FY09 Bridge Enacted as of H.R. 1642/P.L. 110-252, 6-30-08[b]
DOD	33.0	77.4	72.4	102.6	116.8	165.0	181.2	65.9	**814.5**
State/USAID	0.8	3.7	21.7	4.8	4.3	5.0	5.1	1.2	**46.6**
VA Medical	0.0	0.0	0.0	0.2	0.4	1.0	1.3	0	**2.9**
Total	**33.8**	**81.1**	**94.1**	**107.6**	**121.5**	**171.0**	**187.7**	**67.2**	**864.0**

Sources: Public laws, congressional appropriations reports, and CRS estimates; see **Table 3**.

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), $70 billion in Division L of the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161), and $92.2 billion in FY2008 Supplemental (H.R. 2642/P.L. 110-252).

b. Includes funds appropriated for FY2008 in the First Continuing Resolution (P.L. 110-5), the FY2008 DOD Appropriations Act (P.L. 110-92), the FY2008 Consolidated Appropriations (P.L. 110-61), and the FY2008 Supplemental (P.L. 110-252); excludes funds for FY2009 in P.L. 110-252 and $2.9 billion in FY2009 baseline funding, funds for enhanced security in DOD's regular budget; Excludes as non-war related $5.7 billion in DOD funds to cover higher fuel prices for its regular program, base closure funding, renovations to DOD health care facilities, childcare centers and Army barracks renovations in the United States.

c. Includes funds appropriated for FY2009 in H.R. 2642/P.L. 110-252.

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 Supplemental (P.L. 110-252), which includes some but not all of the funding for FY2009 war costs, State and USAID have together received about $46.8 billion for reconstruction, embassy operations and construction, and various foreign aid programs for Iraq and Afghanistan. The full amount for FY2009 has not been requested. The Veterans Administration has received about $2.9 billion for medical care for veterans of these operations including funds above their request.[11]

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 for the preparation and invasion of Iraq in FY2003 (see **Table 3**).

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

By FY2007, annual appropriations for both wars doubled again to $171 billion. With enactment of the full year's war funding in the FY2008 Supplemental (H.R. 2642/O.L.110-252), annual war funding for both operations totaled $188 billion. This FY2008 level is double the funding in FY2004, which could be considered the first year of stability operations.

Table 3 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 4**). 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. Emergency funding is exempt from ceilings applying to discretionary spending in Congress's annual budget resolutions. 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.

Table 3. Budget Authority for Iraq, Afghanistan, and Other Global War on Terror (GWOT) Operations: FY2001-FY2009 Bridge

(CRS estimates in billions of budget authority)

By Operation and Funding Source	FY01 & FY02[a]	FY03	FY04	FY05	FY06	FY07	FY08[b]	FY09 Bridge[c]	Enacted Cum: FY01-FY09 Bridge as of H.R. 2642/P.L. 110-252, 6-30-08[c]
OPERATION IRAQI FREEDOM (OIF)[d]									
Department of Defense	0	50.0	56.4	83.4	98.1	129.6	149.7	53.4	**620.6**
Foreign Aid and Diplomatic Ops[e]	0	3.0	19.5	2.0	3.2	3.2	2.8	0.6	**34.2**
VA Medical[f]	0	0	0	0.2	0.4	0.9	1.0	0.0	**2.5**
Total: Iraq	**0.0**	**53.0**	**75.9**	**85.5**	**101.7**	**133.6**	**153.5**	**54.1**	**657.3**
OPERATION ENDURING FREEDOM (OEF)/Afghanistan and GWOT									
Department of Defense	20.0	14.0	12.4	17.2	17.9	34.9	31.4	12.5	**160.1**
Foreign Aid and Diplomatic Ops[e]	0.8	0.7	2.2	2.8	1.1	1.9	2.4	0.6	**12.4**
VA Medical[f]	0	0	0	0	0.0	0.1	0.3	0.0	**0.4**
Total: OEF	**20.8**	**14.7**	**14.5**	**20.0**	**19.0**	**36.9**	**32.8**	**13.1**	**172.9**

By Operation and Funding Source	FY01 & FY02[a]	FY03	FY04	FY05	FY06	FY07	FY08[b]	FY09 Bridge[c]	Enacted Cum: FY01-FY09 Bridge as of H.R. 2642/P.L. 110-252, 6-30-08[c]
ENHANCED SECURITY (Operation Noble Eagle)									
Department of Defense	13.0	8.0	3.7	2.1	0.8	0.5	0.2	0.0	28.3
Total: Enhanced Security[g]	**13.0**	**8.0**	**3.7**	**2.1**	**0.8**	**0.5**	0.2	0.0	**28.3**
DOD Unallocated	**0.0**	**5.5**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**5.5**
ALL MISSIONS									
Department of Defense	33.0	77.4	72.4	102.6	116.8	165.0	**181.2**	**65.9**	**814.5**
Foreign Aid and Diplomatic Operations[e]	0.8	3.7	21.7	4.8	4.3	5.0	**5.1**	**1.4**	**46.6**
VA Medical[f]	0	0	0	0.2	0.4	1.0	**1.3**	**0.0**	**2.9**
Total: All Missions	**33.8**	**81.1**	**94.1**	**107.6**	**121.5**	**171.0**	**187.7**	**67.2**	**864.0**

Sources and Notes: 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. Numbers may not add due to rounding.

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), the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-161), and the FY2008 Supplemental (H.R. 2642/P.L. 110-252).

c. Reflects H.R. 2642 as enacted on June 30, 2008 excluding funding not related to Iraq and Afghanistan; excludes $1.4 billion in the regular FY2009 State/USAID request for Iraq and Afghanistan.

d. 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.

e. 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; FY2008 Supplemental funding may be revised by State Department at a later date.

f. 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).

g. 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? Relying primarily on DOD data, congressional reports and other 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 3**). With enactment of the FY2008 Supplemental Appropriations Act on June 30, 3008 (H.R. 2642/P.L. 110-252), CRS estimates that war-related appropriations enacted to date total about $859 billion allocated as follows

- $657billion for Iraq (or 76%);
- $173billion for Afghanistan (or 20%);
- $28 billion for enhanced security (4%); and
- $5 billion unallocated (1%) (see **Table 3**).

For FY2008, this includes $16.8 billion for MRAP vehicles provided to DOD in four acts—the FY2008 Continuing Resolution (H.J.Res. 2/P.L. 110-92), the FY2008 DOD Appropriations bill (H.R. 3222/P.L. 110-116), Division L of the FY2008 Consolidated Appropriations Act (H.R. 2764/P.L. 110-61), and funds in the recently enacted FY2008 Supplemental (H.R. 2642/P.L. 110-252). (For additional information about congressional action in FY2008, see **Appendix A**)

Since the FY2003 invasion, DOD's war costs have been dominated by Iraq. Costs for OEF have risen dramatically since FY2006 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 and diplomatic operations costs peaked in FY2004 with the $20 billion appropriated for Iraq and Afghan reconstruction and since then run about $4 billion to $5 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 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 initially included a $70 billion placeholder figure for war costs that was superceded by an amendment in the spring of 2009 and more detailed justification though much of it was posted after congressional consideration was largely complete. This justification material did not estimate how long the

funds requested would last or allocate funds between Iraq and Afghanistan.[12] The Administration includes no war funding beyond FY2009 in its budget.

CBO Projections of Future Costs

Based on two illustrative scenarios assuming a more and a less gradual drawdown in deployed troop levels, CBO updated its projections for the cost of all three operations for the next ten years from 2009 - 2018 in September 2008. CBO projects that over the next ten years war costs for DOD, State, and VA could total

- $440 billion if troop levels fell to 30,000 by 2010; or
- $865 billion if troop levels fell to 75,000 by 2013.[13]

This CBO estimate does not split funding for Iraq and Afghanistan. If these CBO projections are added to funding already appropriated, the cost of Iraq, Afghanistan, and enhanced security could reach from $1.3 trillion to $1.7 trillion by 2018 if troops fell to 30,000 or 75,000 respectively.

Under CBO's "low alternate path" where troop levels fall to 30,000 troops by FY2010, additional funding would total about $440 billion in the next ten years between FY2009 and FY2018. In this projection, costs would fall from $186 billion in FY2008 for 210,000 deployed troops to:

- $147 billion for 170,000 troops in FY2009;
- $85 billion for 75,000 troops in FY2009;
- $41 billion for 30,000 troops in FY2010;
- $34 billion for 30,000 troops in FY2011;
- $34 billion for 30,000 troops in FY2012; and
- about $33 billion for 30,000 troops a year from FY2013 to FY2018.

For CBO's "high alternate path," funding would total about $865 billion over the next ten years with deployed troops reaching a steady-state level of 75,000 by FY2013. Starting from the same level in FY2008 of $186 billion for 210,000 deployed troops, CBO's year-by-year projections for costs and deployed troops levels are:

- $151 billion for 180,000 troops in FY2009;
- $137 billion for 170,000 troops in FY2010;
- $118 billion for 135,000 troops in FY2011;
- $94 billion for 100,000 troops in FY2012;

[12] Department of Defense, *Fiscal Year 2009 Global War on Terror Bridge Request*, May 2008 (posted on defenselink in late summer); http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Global_War_On_Terror_Bridge_Request.pdf; U.S. Department of Defense, *Fiscal Year 2009 Global War on Terror Bridge Request*, May 2008; http://www.defenselink.mil/comptroller/defbudget/fy2009/Supplemental/FY2009_Global_War_On_Terror_Bridge_Request.pdf http://www.defenselink.mil/comptroller/defbudget/fy2009/supplemental/FY2009_Global_War_On_Terror.pdf.

[13] See footnotes in Table 1-8 in CBO, *The Budget and Economic Outlook: An Update*, September 2008; http://www.cbo.gov/doc.cfm?index=9706.

- $73 billion for 75,000 troops in FY2013; and
- $72 billion for 75,000 troops each year from FY2013 to FY2018.[14]

Some observers would suggest that these two scenarios bound the most likely alternatives in the next ten years while others might argue that maintaining current levels or withdrawing entirely could also be options. These CBO projections assume that troops withdrawn return to the United States. Yet another option would be for some number of troops to remain deployed in neighboring countries like Kuwait. These options do not reflect specific assumptions about whether withdrawals occur in Iraq or in Afghanistan.

CBO considers these to be rough projections rather than formal estimates in part because future costs are difficult to estimate given the problems with current information from DOD on costs incurred to date, the lack of 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 each year or the pace of operations.[15]

In the more rapid CBO projection above, costs fall somewhat more slowly than troops levels in the first three years—with a cumulative cost decrease of 78% and an 86% drop in troop levels—perhaps because the cost to repair and replace war-worn equipment offsets some of the savings from the withdrawal itself. In the slower withdrawal projection, costs fall close to proportionately to troop levels in each year—for example by about a third by the third year—which may reflect both more gradual savings as troops leave and equipment is sent home for repair.

Both the FY2009 Consolidated Security, Disaster Assistance, and Continuing Appropriations Act (H.R. 2638/P.L. 110-239) and the FY2009 National Defense Authorization Act (S3001/NDAA), passed at the end of the session, recognize the need for better information on troop levels. The FY2009 NDAA requires that DOD identify separately troop levels and funding in Iraq and in Afghanistan in its budget requests while the appropriations act requires monthly reporting on current troop levels and related funding as well as those in the next three months.[16] To estimate future costs, however, better information on past troop levels and other factors driving costs would be useful; currently that information is inconsistent and spotty (see discussion on war cost reporting).

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.[17]

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[14] CBO, "Additional Information on the Alternate Paths, 2009-2018," and Table 1-8 in CBO, *Budget and Economic Outlook, September Update*, September 2008; http://www.cbo.gov/doc.cfm?index=9706.

[15] 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.

[16] Sec. 1502, S. 3001 as passed by both houses and signed by the president; no public law number assigned yet; and "Boots-on-the-Ground and Cost of War Reporting," in Joint Explanatory Statement for H.R. 2638 in *Congressional Record*, September 24, 2008, P. H9438, which may be submitted in a classified form.

[17] 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-
(continued...)

Past Trends and Future DOD Costs in Iraq

How has funding for Iraq changed over time and what is the outlook for the future? CRS estimates that Iraq funding totals about $524 billion including the FY2008 Consolidated Appropriations Act (see **Appendix A**) primarily DOD funding. That funding for Iraq has 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 $53 billion in the invasion year of 2003, about $134 billion for FY2007 and $154 billion enacted for FY2008.

Projections of Future Iraq Costs

Since FY2004, the first year of stability operations, the DOD total for Iraq has doubled (see **Table 3**).[18] The enacted total for Iraq in FY2008 is some $154 billion, or about 10% more than the previous year. Much of the large increases in recent year is due to higher procurement funding, that, in turn, reflects an expansive definition of reset—funds to restore units to pre-war condition—to cover only the repair and replacement of equipment damaged in war or that is not worth fixing but also to upgrade and buy new equipment to meet future needs for the "long war on terror (discussed further in section on reset and reconstitution).[19]

Another Withdrawal Option

In response to a request in 2006, 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.[20]

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.[21] 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.

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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.

[18] 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. CRS also excludes some DOD funding not related to war, as e.g. funds for baseline fuel cost increases.

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

[20] 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.

[21] 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.

Past Trends and Future DOD Costs in Afghanistan

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 FY2008 Supplemental, Afghanistan has received about $173 billion in appropriations for DOD, foreign and diplomatic operations, and VA medical. In recent years, funding for Afghanistan was about $20 billion annually but jumped by 75% to about $37 billion in FY2007, then falls to $34 billion in FY2008 when more funding is included for operations and less for training Afghan security forces.[22]

Cost increases reflect higher troop levels, training of Afghan forces, and a share of upgrading and replacing equipment and converting Army and Marine Corps units to a new modular configuration. The $17 billion growth in the FY2007 supplemental reflects a $5.5 billion more to equip and train Afghan security forces above the previous year as well as $510 million for 7,200 more troops, as well as other unidentified factors. The $34 billion in FY2008 includes only $1.5 billion to train Afghan forces and presumably some increase for the continued growth in troop levels. The reasons for jump in costs are not clear.

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.[23] 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, and about $200 million for FY2008 as well (see **Table 3**). 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 July 2008, DOD estimated that the cumulative total of war-related obligations were $608.5 billion.[24] Obligations capture the amount of budget authority for military and civilian pay and for contracts signed by the government or orders placed within DOD for parts, repairs, and purchase of weapons systems and supplies.

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[22] 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 $1.5 billion in FY2008, see P.L. 110-252.

[23] 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.

[24] DOD, "Cost of War Through July 2008."

Based on DOD data, CRS estimates that average monthly obligations for the first 10 months of FY2008 were running about $12.3 billion including $9.9 billion for Iraq, $2.4 billion for Afghanistan, and $12 million for enhanced security. Compared to FY2007, this monthly average for FY2008 is about $400 million lower for Iraq and $400 million higher for Afghanistan, and about the same altogether (see **Table 4**). These figures differ somewhat from those reported by DOD because CRS estimates some expenses not captured by DOD reports.[25]

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 classified activities or about $19 billion that DOD does not consider "GWOT related."[26] According to DOD, 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 aircraft—will not be captured in Defense Finance Accounting Service (DFAS) reports because the services will treat these as part of DOD's regular programs.[27]

Table 4. DOD's Obligations by Operation: FY2001-FY2008

(in billions of dollars)

Mission and Type of Spending	Average Monthly Obligations						DOD Reported Cum. Obs from FY01-July 30, 2008[a]
	FY03[a]	FY04[a]	FY05[a]	FY06[a]	FY07[a]	FY08 to Date[a]	
Operation Iraqi Freedom							
Operations[b]	4.2	4.3	4.7	5.9	7.1	7.3	**NA**
Investment[c]	0.2	0.6	1.8	1.3	3.2	2.6	**NA**
Total	**4.4**	**4.8**	**6.5**	**7.2**	**10.3**	**9.9**	**473.7**
Afghanistan and the Global War on Terror[d]							
Operations[b]	1.1	0.9	0.9	1.2	1.9	2.3	**NA**
Investment[c]	0.2	0.1	0.2	0.2	0.1	0.1	**NA**
Total	**1.3**	**1.0**	**1.1**	**1.4**	**2.0**	**2.4**	**106.9**
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**

[25] DOD, "Cost of War Card through July 2008" shows average overall obligations of $11.6 billion.

[26] DOD, "Cost of War Update as of July 31, 2008."

[27] 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.

Mission and Type of Spending	Average Monthly Obligations						DOD Reported Cum. Obs from FY01-July 30, 2008[a]
	FY03[a]	FY04[a]	FY05[a]	FY06[a]	FY07[a]	FY08 to Date[a]	
All Missions							
Operations[b]	5.8	5.5	5.8	7.2	9.1	9.6	**NA**
Investment[c]	0.4	0.7	2.0	1.5	3.2	2.7	**NA**
Total	**6.2**	**6.2**	**7.7**	**8.7**	**12.3**	**12.3**	**608.5**

Sources and Notes: 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 April 2008," 6-19-08.

a. Figures for FY2003-July 2008 reflect CRS calculations based on DFAS reports with estimated adjustments for funds excluded by DFAS such as intelligence and Congressional additions. DOD figures in last column do not include these adjustments.

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.

Although obligations go up and down from month-to-month, cumulative averages in FY2008 have been fairly stable. **Table 4** 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 July 2008.[28] These estimates show adjusted FY2008 obligations running $12.3 billion per month on average including:

- $9.9 billion for Iraq;
- $2.4 billion for Afghanistan; and
- $12 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.

[28] 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.

Changes in Average Monthly Obligations

Largely on the basis of DOD accounting reports, average monthly obligations grew from $6.2 billion in FY2004 to $12.3 billion in FY2008, a doubling in four years for Iraq and Afghanistan together.

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 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.[29] DOD has suggested that procurement obligations slowed in FY2008 as DOD awaited passage of the FY2008 supplemental.[30]

Operating Costs Rise in Afghanistan

In the case of Afghanistan, spending rates are growing for operations because of rising troop levels, increasing hostilities, and more spending to upgrade Afghan Security forces. In response, DOD deployed additional Army and Marine Corps forces in FY2008, an additional brigade will be sent in February 2009, and commanders in-country are calling for several additional brigades but a decision has not yet been made.

As of July 2008, obligations are running about $12 billion a month with Iraq at $9.9 billion and Afghanistan at $2.4 billion.[31] The monthly average for enhanced security (Operation Noble Eagle) has fallen substantially from $520 million per month in FY2003 to $12 million in FY2008 as one-time costs ended and costs have been incorporated in day-to-day base operations.

Total Obligations to Date

Overall, DOD reports that as of its July 2008, $608.5 been obligated since FY2001:

- $473.7 billion or 78% is for Iraq;
- $106.9 billion or 18% is for Afghanistan and other GWOT; and

[29] 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; available at http://www.cbo.gov/showdoc.cfm?index=8629&sequcence=0&from=7.

[30] Office of Undersecretary Comptroller, "Cost of War Update as of July 31, 2008," p. 3.

[31] CRS estimates would be somewhat higher.

- $27.9 billion or 5% is for enhanced security (see **Table 4**).

These shares have been fairly stable over time. This does not include obligations for intelligence or other expenses that are included in CRS estimates but not captured by DOD's DFAS reports.

Recent and Future War Cost Issues

The following sections discuss several war cost issues that have arisen and are likely to be faced by Congress including:

- How long the Army can operate before passage of the FY2009 supplemental;
- What are the cost implications of further troop withdrawals beyond the five combat brigades that were sent in last spring's "surge," to Iraq and of sending additional troops to Afghanistan;
- What is the total likely cost of training and equipping Iraqi and Afghan security forces who are replacing U.S. forces and how might those costs be shared with Iraqis and other coalition forces?
- What is the cumulative and likely future cost of reset—the repair and replacement of war-worn equipment—including whether part or all of future reset requests should be considered emergency war expenses or be assessed as part of DOD's regular budget?
- How to judge and respond to readiness problems that stem from war operations;
- What are the pros and cons of continued reliance on emergency supplementals to fund DOD war costs?
- What mechanisms can Congress use to increase Iraqi burden-sharing of war-related costs to rebuild their security forces?
- How to use congressional funding mechanisms to affect policy options for Iraq; and
- What are the problems in war cost reporting.

Cost Implications of Troop Withdrawals and Basing Decisions

As of November 2008, Department of Defense has announced that it will withdraw one brigade from Iraq after the withdrawal of the "surge" forces of five combat brigades that were sent to Iraq last spring. The Administration has also announced plans to send an additional brigade to Afghanistan. Additional decisions about withdrawals from Iraq or additional forces to be sent to Afghanistan are likely to await the new Administration.

The FY2008 war budget request was predicated on maintaining 15 combat brigades in Iraq once the five additional brigades are withdrawn by June 2008.[32] The FY2007 Supplemental included about $4 billion to $5 billion to fund the increase troops in Iraq by five combat brigades or about

[32] 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.

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.[33]

There has been limited 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 well as whether and how many additional troops are sent to Afghanistan. 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.[34]

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 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.[35]

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. Both President Bush and the Iraqis have said there will be no permanent bases although the "the 'size and shape' of any long-term U.S. presence basing arrangements with the Iraq government," is part of ongoing discussions about extending the basis for U.S. presence before the end of December when the U.N. mandate expires.[36]

Funding to Train and Equip Iraqi and Afghan Security Forces

U.S. commanders have argued for some time that the pace of withdrawal of U.S. forces depends on both conditions on the ground, i.e. the number and types of attacks by various insurgent groups—and the size, readiness and capabilities of Afghan and Iraqi security Forces. As of passage of the FY2008 Supplemental/FY2009 Bridge (H.R. 2642/P.L. 110-252) this summer,

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[33] 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.

[34] 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

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

[36] See CRS Report RL31339, *Iraq: Post-Saddam Governance and Security*, by Kenneth Katzman, p. 14ff.; also, 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.

funding to train and equip these forces totals $39 billion including $15.6 billion for Afghanistan and $23.2 billion for Iraq. Since FY2004, annual funding to train Afghan forces has grown rapidly reaching a highpoint of $7.4 billion in FY2007 and then falling off to $2.8 billion in FY2008. Funding for Iraqi forces has fluctuated between $3 billion and $5 billion in those years, falling in FY2008 as well (see **Table 5**).[37]

Table 5. Afghan and Iraq Security Forces Funding: FY2004-FY2009 Bridge

(in billions of dollars)

Account	FY04	FY05	FY06	FY07	FY08[a]	FY09 Bridge[a]	Total Enacted[a]
Afghan Security Forces Fund[b]	[.348][a]	1.285	1.908	7.406	2.750	2.000	15.647
Iraq Security Forces Fund[b]	[5.000][a]	5.700	3.007	5.542	3.000	1.000	23.249
Total	**[5.339]**	**6.985**	**4.915**	**12.948**	**5.750**	**3.000**	**38.946**

Sources and Notes:

a. Includes all appropriations through FY2008 Supplemental/FY2009 bridge (H.R. 2642/P.L. 110-252), including funds provided to the President in FY2004 shown in square brackets.

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 U.S. 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.

Despite Congressional concerns about the readiness of Afghan and Iraqi security forces, and the effectiveness of training efforts thus far, Congress provided full funding of DOD's request through the FY2008 presumably because of the high stakes involved. This year, however, Congress has voiced additional concerns about U.S. funding of the rebuilding of Iraqi security forces at a time when Iraqi government revenues have been rising rapidly with the swell in oil prices.

In the FY2009 bridge fund, Congress halved the ISFF request and cut the ASFF request from $3.67 billion to $2.0 billion. With DOD's recent announcement of proposals to double the size of the Afghan security forces in the next four years at a cost of about $20 billion, congressional concerns may start to include Afghanistan as well. Secretary of Defense Gates has discussed cost-sharing with NATO partners but without success thus far.[38]

The House Budget Committee's September 2008 hearing on war costs and the Iraqi budget surplus included many calls for more "burdensharing" by Iraq in the rebuilding of its security forces. The hearing was held in response to a recent GAO report that estimated that the Iraqis could accumulate a surplus of from $67 billion to $79 billion by 2008 depending on oil prices and production, though those amounts could be reduced with the August passage of an Iraqi supplemental.[39]

[37] 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.

[38] "U.S. Urges Allis to Fund Afghan Army Growth," September 19, 2008.

[39] GAO-08-1144T,Statement of Joseph A. Christoff before the House Budget Committee, "Stabilizing and Rebuilding (continued...)

Iraq's ability to pay for the expansion and improvement of its security forces depends on several factors ranging from the effects of attacks on the pipelines and corruption on production to reaching consensus within the country on managing and distributing oil revenues.[40] During the hearing, members raised concerns about the Iraqi government's recent spending rate of below 30% for investment projects.[41] About 70% of all U.S. funds to train and equip Iraqi forces have been obligated—or contracted for—though the amount spent has not been reported.[42]

This push to require Iraq to share the burden of rebuilding its security forces is also evident in new restrictions recently enacted that prohibit or place restrictions on U.S. funding of "infrastructure" projects in Iraq, including those to rebuild security forces. The FY2008 Supplemental (P.L. 110-252) requires cost-sharing of all infrastructure projects above $750,000 while the FY2009 National Defense Authorization Act (S. 3001) prohibits U.S. funding of any facilities projects for Iraqi forces other than U.S. military construction projects or small-scale reconstruction funding in the Commanders Emergency Response Program.[43]

To monitor Iraqi progress, the FY2008 Supplementals also require continuation of DOD reports on the readiness, operations, and transfer of responsibility to Iraqi units as well as an estimate from OMB of the total cost to train both Iraqi and Afghan security forces every 90 days.[44]

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 , Congress funded only a small portion of that request.[45] 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.[46]

(...continued)

Iraq: Iraqi Revenues, Expenditures, and Surplus," p. 3, September 16, 2008.

[40] CRS Statement of Christopher M. Blanchard, CRS, "Iraqis Budget Surplus," before the House Budget Committee, September 16, 2008.

[41] House Budget Committee, Transcript of hearing, Iraqi's Budget Surplus," September 16, 2008, p. 4, and *passim*.

[42] CRS calculations based on Defense Finance Accounting System monthly reports, "Supplemental & Cost of War Reports."

[43] See Explanatory Statement for H.R. 2642 in Congressional Record, May 19, 2008, p. S4337; and Sec. 1508 in S. 3001, the FY2009 National Defense Authorization Act.

[44] Sec. 9205, *P.L. 110-252*.

[45] Division L.

[46] 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.

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 necessary to support a contingency operation."[47] (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."[48] 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.[49] 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, coordinated by Stephen Daggett.) 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 Funding in FY2007 and FY2008

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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[47] 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.

[48] 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.

[49] 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.[50] According to DOD figures, Army and Marine Corps reset requirements were fully met in the enacted FY2007 fund when Congress provided $23.7 billion for Army and Marine Corps reset costs, the amount that the services said was needed.[51]

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.[52] 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"[53] 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.[54]

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

[51] 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.

[52] See CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, coordinated by Stephen Daggett; 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.

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

[54] 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.

DOD estimated that reconstitution would total $37.5 billion in FY2007 and $46 billion in FY2008, which was largely supported by Congress in FY2007.[55] 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 fund, only $6 billion of procurement monies related to reconstitution was included.[56]

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.[57] 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.[58]

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 it more difficult to assess the accuracy of DOD's requests.[59] 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.[60]

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[55] 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.*

[56] 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 included in Division L of the FY2008 Consolidated Appropriations Act.

[57] 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.

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

[59] 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.

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

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.[61] 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.[62] In a report last fall, CBO estimated that 40% of the Army's war requests were not directly for reset needs.[63]

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 been 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 equipment requirements the Army already procures for its units, the ability to precisely track modularity funds is lost."[64]

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.[65]

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.[66] DOD does

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

[62] 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.

[63] 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&sequcence=0&from=7, p. ix.

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

[65] 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.

[66] 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* (continued...)

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.[67] 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.

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.[68]

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;

(...continued)

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.

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

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

- 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.

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 for Defense, Foreign Affairs, and Other Purposes, coordinated by Stephen Daggett 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.[69] 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.[70]

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].[71]

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

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

[71] 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.

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."[72] 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
- requires additional resources to carry out its assigned missions (a rating of 4).[73]

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.[74]

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.[75]

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.[76]

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

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

[73] Ibid.

[74] 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.

[75] See Tables 1, 3, and 5 in CRS Report RL32965, *Recruiting and Retention: An Overview of FY2006 and FY2007 Results for Active and Reserve Component Enlisted Personnel*, by Lawrence Kapp and Charles A. Henning.

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

personnel.[77] Recent DOD requests include substantial funding for new equipment for the reserves.

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.

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 et al. For recent proposals to restrict military operations, see CRS Report RL33900, FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes, coordinated by Stephen Daggett.)

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;"

[77] 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.*

- 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.[78]

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."[79] 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.

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."[80]

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.[81]

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[78] 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*, by Amy Belasco et al.

[79] 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*.

[80] See H.R. 17123, H.R. 6531, and H.R. 15628 in Table 1 and Appendix of CRS Report RL33803, *Congressional Restrictions on U.S. Military Operations in Vietnam, Cambodia, Laos, Somalia, and Kosovo: Funding and Non-Funding Approaches*.

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

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.[82] 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;
- 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.[83] 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.

[82] 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.

[83] 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.

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.

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 2**). 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 forces; and
- even more, a broadened definition of the types of programs that DOD considers part of war reconstitution or reset—funds to repair and replace war-worn equipment.[84]

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.[85] Similar figures are cited by DOD witnesses in hearings.

[84] 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.

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

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 5**). 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.[86] The reported average for the year was 303,000 (see **Table 5**).

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 **Table 2**). Reported troop strength for FY2007 was 303,000 (see **Table 5**).

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 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 5**). 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 6. Average Troop Strength for Iraq, Afghanistan, and Other Counter-Terror Operations, FY2001-FY2007

(in thousands)

Average Deployed by Service	FY01	FY02	FY03	FY04	FY05	FY06	FY07
	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

[86] DOD, *FY2007 Emergency Supp*, p. 16. http://dod.mil/comptroller/defbudget/fy2008/fy2007_supplemental/FY2007_Emergency_Supplemental_Request_for_the_GWOT.pdf.

Average Deployed by Service	FY01	FY02	FY03	FY04	FY05	FY06	FY07
	51	77	220	216	245	247	256
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 6**). About half of war-related military personnel cost is for the 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.[87]

Table 7. DOD's War Enacted Budget Authority by Title: FY2004-FY2009 Bridge

(in billions of dollars)

Title	FY04	FY05	FY06	FY07	FY08	FY09 Bridge
Military Personnel	17.8	19.7	16.7	18.8	19.1	1.2
Operation & Maintenance	42.0	47.9	60.0	75.0	78.3	51.9
Defense Health	0.7	1.0	1.2	3.0	2.0	1.1
Other Defense Programs[a]	0.1	0.2	0.2	0.4	0.3	0.2
Procurement	7.2	18.0	22.9	45.4	44.8	4.4
Research, Dev., Tstg. & Eval.	0.4	0.6	0.8	1.5	1.6	0.4
Working Capital Funds[b]	1.6	3.0	3.0	1.1	1.9	0.0
Military Construction	0.5	1.2	0.2	1.7	2.7	0.0
Subtotal: Regular Titles	**70.3**	**91.7**	**105.1**	**146.9**	**150.4**	**59.2**
Special Funds and Caps						
Iraqi Freedom Fund (IFF)	2.0	3.8	3.3	0.4	3.8	0.0
Afghan Sec. Forces Training Fd.[c]	0.0	1.3	1.9	7.4	2.8	2.0
Iraq Security Forces Training Fd[c]	[5.0]	5.7	3.0	5.5	3.0	1.0
Joint Improvised Explosive Device (IED) Defeat Fd[d]	0.0	0.0	3.3	4.4	4.3	2.0
Strategic Reserve Readiness Fd.[d]	0.0	0.0	0.0	1.6	0.0	0.0

[87] 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."

Title	FY04	FY05	FY06	FY07	FY08	FY09 Bridge
Coalition Support Cap[e]	[1.2]	[1.2]	[.9]	[1.1]	[.8]	[.2]
Lift and sustain Cap[f]	[0]	[0]	[.4]	[.3]	[0]	[0]
Global lift and sustain Cap[e]	[0]	[0]	[0]	[0]	[0]	[0]
Global train and equip Cap[e]	[0]	[0]	[.1]	[0]	[.2]	[NA]
Cmdrs' Emerg. Response Cap[e]	[.2]	[.8]	[.9]	[1.0]	[1.8].	[1.3]
Mine Resistant Ambush Protected Transfer Account	0.0	0.0	0.0	0.0	16.8	1.7
Special Transfer Authority Cap[f]	[3.0]	[3.0]	[4.5]	[3.5]	[6.5]	[4.0]
Subtotal: Special Funds	**2.0**	**10.7**	**11.5**	**19.3**	**30.6**	**6.7**
Dept. of Defense Total	**72.3**	**102.4**	**116.7**	**166.2**	**181.1**	**65.9**
Coast Guard Transfer	0.0	[.2]	[.1]	[.2]	[.2]	[0]
Intell. Comm. Mgt Fund	0.0	0.3	0.2	0.1	0.0	0.0
Def. Nuclear Nonproliferation	0.0	0.0	0.0	0.1	0.0	0.0
Salaries & Expenses, FBI	0.0	0.0	0.0	0.1	0.0	0.0
Subtotal: Defense-Related[g]	**0.0**	**0.3**	**0.2**	**0.3**	**0.0**	**0.0**
National Defense Total	**72.3**	**102.6**	**116.8**	**166.5**	**181.1**	**65.9**

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: Numbers may not add due to rounding. 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.

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.

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.[88]

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 rather than individuals to improve morale and readiness.[89] 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 6**). 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.[90] 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.

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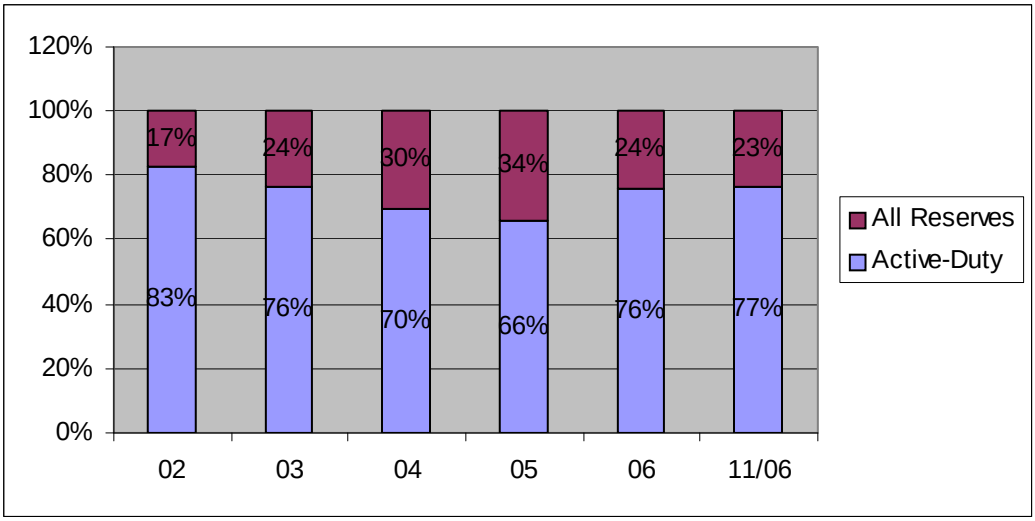
[88] GAO, *FY2004 Costs for Global War on Terrorism Will Exceed Supplemental*, July 2004 http://www.gao.gov/new.items/d04915.pdf.

[89] 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.

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

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



Notes: 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 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 7**). 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.[91]

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 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),

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

increased LOGCAP contractor support ($300 million), and higher operating tempo.[92] These factors account for some but not all of the increase though the rationales for the changes are often not clear. The total of $78 billion in FY2008 is similar to FY2007 with the surge in effect for part of that year as well.

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 and in FY2008. 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 and FY2008. Since FY2003, DOD has received about $142 billion in war-related procurement funds—equal to about 1 and 1/2 year's worth of peacetime procurement budgets (see **Table 6**).[93]

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);
- 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

[92] 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.

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

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. In FY2008, DOD receives an additional $2.7 billion for war-related military construction.

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 6 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."[94] 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.[95]

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.[96] 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 6**) 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

- 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 8**).

[94] 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).

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

[96] 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.

Table 8. 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: 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.[97] While that increase reflects primarily more spending for procurement—for replacement and upgrading of equipment—operational costs have also grown (see **Table 8**).

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.

[97] 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.

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.[98]

CBO did not estimate a more rapid withdrawal of troops.

[98] 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 A. Congressional Action on FY2008 and FY2009 War Funding

On June 30, 2008, the President signed the FY2008 Supplemental and FY2009 Bridge Fund (H.R. 2642, P.L. 110-252) that was passed by the Senate on June 26, 2008 and by the House a week earlier. Referred to as the FY2008 Supplemental, the act provides a total of about $160 billion including $92 billion to cover the rest of FY2008 (in addition to the $90 billion already appropriated) plus a $67 billion bridge fund that is expected to cover war costs until July 2009 well into a new Administration. The bulk of the funding is for DOD war operations, troop support, and modernization.

Congress reduced the Administration's request by about $13.7 billion, with some $12.6 billion taken from the DOD request, including an across-the-board cut of $3.8 billion of DOD's investment and working capital fund accounts and a substitution of $5.7 billion of funding not related to war such as the cost of higher fuel costs and base closure costs for DOD's baseline budget as well as hospitals, childcare centers and modernization of DOD facilities in the United States.[99] These reductions may indicate growing congressional skepticism about the validity of DOD requests as well as congressional decisions to fund additional C-17 and C-130 aircraft not requested by the Administration.

Table A-1. Chronology of FY2008 War and FY2009 War Requests

(in billions of $)

Agency	FY2008 Req. As of Feb. 07	FY2008: July 07 MRAP Amdt.[a]	FY2008: Oct. 07 Amdt.	Total FY2008 Req.[b]	FY2008 Supp. Req.	FY2009 Baseline War Req. As of Feb. 08	FY2009 Bridge, May 2, 2008 Req.
DOD	141.0	5.3	42.3	188.7	101.3	0.2	66.0
State/USAID	5.0	0.0	1.1	3.4	3.4	1.4	2.5
VA Medical	0.8	0.0	0.0	0.8	0.0	1.3	0.0
Total	**146.8**	**5.3**	**43.4**	**192.8**	**104.7**	**2.9**	**68.5**

Sources: CRS calculations based on Administration request and relevant acts and bills, except where otherwise noted. Totals may not add due to rounding.

Notes:

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

[99] The Administration's October 2007 amended request included about $1.2 billion in non-war costs. CRS calculations based on H.R. 2642 as requested by the Administration and passed by the House on June 19, 2008, and the Senate on June 26, 2008. DOD's Title IX funding was passed by the House on May 22, 2008 and by the Senate on June 19, 2008. Both houses also passed Military Construction/VA/State/USAID funding plus the across-the-board cut to DOD investment and working capital fund accounts on June 19, 2008 by the House and on June 26, 2008 by the Senate. For statutory language, see *P.L. 110-252*; for explanatory statements, see *Congressional Record*, May 19, 2008, p. S4318ff, Amendment #2, for DOD funding and *Congressional Record*, June 26, 2008, p. S6239ff for Military Construction, VA, and State/USAID funding.

cover higher fuel costs in DOD's regular program and $416 million to accelerate the conversion of Walter Reed Army Medical Hospital, and non-emergency State/USAID requests; DOD considers the last three 'Other Emergency' requests. CRS calculations based on OMB and DOD budget submissions.

Taking into account all war funds appropriated, Congress provided a total of $182 billion for FY2008—some $11 billion more than in FY2007, continuing the annual increases albeit at a slower rate. The Administration requested funds from Congress in three installments—an original FY2008 request in February 2008, an amendment for Mine Resistant Ambush Program (MRAP) vehicles on July 31, 2008, and a second amendment to cover additional costs submitted on October 22, 2008 (see **Table B-1**).

Like last year, the newly enacted P.L. 110-252 also provides funds to cover part of FY2009 war costs expected to last until June or July of 2009, well into the next administration by relying on both supplemental and regular appropriations.[100] Congress passed a Continuing Resolution to fund the Administration's FY2009 baseline requests for all agencies except for DOD, VA, and the Department of Homeland Security (see **Table A-1**).

P.L. 110-252 includes an additional $92 billion for FY2008 for DOD, State/USAID and VA as well as $67.4 billion in bridge funds for FY2009 (see **Table A-2**). Combined with regular DOD funding, these monies would cover war costs until about June or July 2009 or well into a new administration. The Administration did not submit a request for war funding for the entire fiscal year despite a congressional requirement to do so, presumably because of uncertainty about future troop levels in Iraq.

Table A-2. Enacted FY2008 and FY2009 War Funding

(in billions of dollars)

Agency	First Continuing Resolution, P.L. 110-5, 9-29-07	FY2008 DOD Approp. P.L. 110-92, 11-13-07[a]	Division L, FY2008 Consolidated Approp. P.L. 110-61, 12-26-07	FY2008 Total Enacted as of 6-15-08	FY2008 Supp. in H.R. 2642/ P.L. 110-252, 6-30-08[a]	FY2009 Bridge in H.R. 2642/ P.L. 110-252, 6-30-08[a]	Total FY2008/ FY2009 Fdg in H.R. 2642/ P.L. 110-252, 6-30-08[a]
DOD	5.2	12.2	70.0	87.4	88.7	65.9	154.7
State/ USAID	0.0	0.0	2.1	2.1	3.1	1.4	4.5
VA Medical	0.0	0.0	0.9	0.9	0.4	0.0	0.4
Total	**5.2**	**12.2**	**73.0**	**90.3**	**92.2**	**67.4**	**159.6**

Sources: CRS calculations based on public laws cited above and explanatory statements in *Congressional Record*, May 19, 2008 and June 26, 2008.

Note:

a. CRS excludes $5.7 billion in P.L. 110-252 as non-war costs including $2.5 billion for higher fuel costs for DOD's regular program, $1.3 billion in BRAC costs, and $1.9 billion to renovate or build new facilities on

[100] The FY2008 Consolidated Appropriations Act included $70 billion for FY2008 war funding to cover the first part of the fiscal year. The amended FY2009 request provides a breakdown by account and some details compared to the "placeholder" request submitted with the FY2009 budget. The House Appropriations Committee said that the DOD request arrived too late in the process to be considered.

bases in the United States ($500 million for facilities modernization, $172 million for childcare centers, $200 million for Army barracks renovations, $818 million for hospitals, and $293 million for medical facility renovations).

The final version of the FY2008 Supplemental represents a compromise between congressional and Administration positions including an expansion of education benefits for veterans and extended unemployment insurance originally opposed by the Administration, and lower amounts for domestic funding endorsed by the Senate, plus new disaster funding for flooding in the Midwest.[101]

Earlier versions of H.R. 2642, the FY2008 Supplemental and the FY2009 bridge fund were passed before the Memorial Day recess, partly in response to warnings from the Administration that the current funding would run out by June 15, 2008 unless DOD took additional actions.[102] A recently approved funding transfer extended DOD war financing until early July 2008 (see below). To avoid threatened vetoes by the president, the final version included funding for Iraq and Afghanistan for DOD, reduced funding for domestic emergencies, modified new GI benefits developed by Congress, and dropped policy provisions on Iraq.

Estimates of FY2008 and FY2009 Funding for Iraq and Afghanistan

CRS estimates that the enacted version of the FY2008 Supplemental includes a total of about $160 billion in war costs including about $128 billion for Iraq and $32 billion for Afghanistan for all agencies.

For FY2008, CRS estimates that H.R. 2642/P.L. 110-252 includes an additional $92.2 for war funding for Iraq and Afghanistan for all agencies. This includes:

- $73.7 billion additional for Iraq bringing the FY2008 total to about $149.2 billion, or about $16 billion above FY2007;
- $18.5 billion additional for Afghanistan bringing the FY2008 total to about $33 billion, or $4.1 billion below FY2007.

For FY2009, CRS estimates the FY2008 Supplemental includes a total $67.4 for war funding for Iraq and Afghanistan for all agencies, including:

- $54.3 billion for Iraq or about $900 million more than the request; and
- $13.1 billion for Afghanistan, or about $2 billion below the request.

CRS estimated the allocation of FY2009 funding between the two operations using DOD data for the prior year because DOD did not provide that information for its FY2009 bridge request.[103]

[101] OMB, "Statement of Administration Policy, H.R. 2642, Supplemental Appropriations Act," June 19, 2008; available at http://www.whitehouse.gov/omb/legislative/sap/110-2/saphr2642-h2.pdf. Senate Appropriations Committee, Press Release, "Statement of Senator Robert C. Byrd (D-W.Va.) Chairman, Senate Appropriations Committee n Supplemental Funding for Investments in America, June 26, 2008"; http://appropriations.senate.gov/pressroom.cfm; House Appropriations Committee, Press Release, "Emergency Supplemental Funding for Iraq, Afghanistan Veterans, workers, and Midwest Disasters," June 19, 2008; http://appropriations.house.gov/pdf/EmergencySupplemental6-19-08.pdf.

[102] *Congress Daily*, "Reid Pushes Back Supplemental Timing," 5-14-08; *Inside the Navy*, "Nussle: War Funds Needed Before June To Avoid Furlough Warnings," 4-21-08.

[103] CRS requested this information two months ago and is awaiting a reply.

Nor did DOD request funding for the full year or provide detailed justification materials as is required by the 2007 National Defense Authorization Act (P.L. 109-364).[104]

FY2008 Supplemental and FY2009 Bridge Funding by Agency

As in the past, most of the war funding enacted in the FY2008 Supplemental goes to the Department of Defense for operations, troop support, and modernization of equipment. The $160 billion total in P.L. 110-252 includes

- $88.7 billion in FY2008 and $65.9 billion in FY2009 for DOD;
- $3.1 billion in FY2008 and $1.4 billion in FY2009 for State's foreign and diplomatic operations; and
- a $400 million congressional add for VA medical in FY2008 to accelerate construction of an additional poly trauma center.[105]

These estimates exclude $1.4 billion requested in the regular FY2009 budget of $1.4 billion for foreign and diplomatic operations and $1.3 billion in Department of Veterans Affairs funding for medical services for Iraq and Afghanistan that are being considered separately during the regular appropriations process.

Congressional Changes to DOD Requests

In March 2008, DOD submitted an informal request to the congressional defense committees to reallocate $9.9 billion within the pending FY2008 Supplemental request; no official request is planned. The draft DOD reallocation would free up funds primarily from $2.5 billion in unanticipated savings in Army operating costs because of reliance on more lightly equipped units and $6.6 billion cuts in Army procurement reflecting execution or lower requirements.

These funds would be used to fund higher fuel prices in DOD's base program (+$3.3 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. Congress adopted most of the savings proposed by DOD and some but not all of the additional requests (e.g. funding fuel and some urgent procurement).

The war request assumed 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

[104] OMB, Letter to the President, May 1, 2008, accompanying *Estimate #2—FY 2009 Emergency Budget Amendments: Operation Iraqi Freedom, Operation Enduring Freedom, and Selected Other International Activities*, 5/2/08, p. 2; http://www.whitehouse.gov/omb/budget/amendments/amendment_5_2_08.pdf. The CRS calculation relies on DOD allocations between OIF and OEF by account for FY2008 because DOD did not provide any allocation for FY2009, and allocations for international affairs based on the explanatory statement for the Senate-passed version of H.R. 2642 in the *Congressional Record*, May 19, 2008 (see p. S. 4709ff).

[105] CRS calculations based on H.R. 2642 as passed by the Senate on 5-22-08 relying on bill language and the explanatory statement in the *Congressional Record*, May 19, 2008, p. S4709ff.

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."[106] The last of the five combat brigades is expected to be withdrawn by the end of July and it not clear whether DOD will recommend any additional withdrawals in 2008.[107]

Both houses shifted the mix of funding in FY2008, providing less for procurement and Research, Development, Test & Evaluation (RDT&E), and more for Military Construction including $1.3 billion to cover DOD's request for BRAC monies to implement base closures that were dropped in DOD's regular bill, a non-war cost.

For FY2009, appropriators shifted funds into operations accounts while reducing funds for Iraqi Security Forces in response to congressional pressure for the Iraqis to shoulder more of the cost of rebuilding their security forces, and cutting other accounts where the needs were uncertain. The new bill includes a prohibition on paying salaries of Iraqi security forces.

Based on a comparison of the request with the enacted version, the chief changes to the request were to:

- reduce the Army procurement request by $9 billion (a 25% cut) and the Navy by $1.6 billion (an 8% cut) through both an across-the-board cut and reductions to Other Procurement which has received large infusions of funds in recent years;
- add procurement funds for additional C-17 transport aircraft, in part to meet the needs of a larger Army and U.S. Marine Corps as well as keep the production line open, and add funds for C-130 aircraft and MQ-9 Reaper unmanned aircraft;
- halve DOD's request for Research, Development, Test & Evaluation to $1.7 billion; and
- provide additional funds for Military Construction including non-war funding for base closures, hospitals, and childcare centers; and
- use savings in Operations and Maintenance (O&M) to fund higher fuel costs.

For FY2009, Congress recommended close to the Administration's $66 billion request but:

- shifted an additional $6 billion into operating accounts;
- decreased FY2009 funding for the Afghan Security Forces by $1.7 billion and for the Iraq Security Forces Fund by $1 billion as well as prohibit DOD from paying Iraqi salary costs in order to get them to shoulder more of their own rebuilding costs, a strong congressional concern; and
- trimmed funds requested for Mine Resistant Ambush Program (MRAP) vehicles and the Joint Improvised Explosive Device Fund by about $1 billion each, both of which are transfer accounts which have received substantial funding and where requirements are uncertain.

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

[107] DOD, "Transcript of Press Conference with Geoffrey Morrell," 5-21-08; http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4232.

H.R. 2642, as proposed by the House and Senate appropriators, also includes funding levels for diplomatic operations and foreign assistance that differ from the Administration's request and would affect war cost estimates.

Appendix B. DOD Tools to Extend Financing War Cost

Urgency in Passing the FY2008 Supplemental

On June 4, 2008 while awaiting further congressional action on the supplemental, the House and Senate appropriations committees approved part of DOD's request to transfer additional funds to the Army to cover military personnel and operating costs until passage of the supplemental. Without transfers of funds, DOD had raised alarms that the Army would otherwise run out of funds to pay troops by mid-June 2008 and to fund operating expenses soon thereafter, and would need to furlough employees.

The FY2008 Supplemental was passed by both houses by June 26, 2008 and signed by the President on June 30, 2008. To ensure that military pay and operations were funded until then, the Defense appropriations subcommittees approved all of DOD's request to temporarily "loan" $5.7 billion in military personnel funds from the other services to the Army, and $1.6 billion of DOD's $4 billion request to transfer funds to the Army's operations and maintenance funds.[108]

In a memorandum of June 9, 2008, Deputy Secretary England issued guidance and required the services to describe activities that would be shut down, estimate the number of furloughs should funding not be received, and identify activities essential to national security that would continue should supplemental funding not be received, repeating some of the actions announced in December 2007 during the last stand-off over the FY2008 Fund.[109]

The reprogramming approved carried DOD until early July 2008. If necessary, DOD could have requested the congressional defense committees to approve transfer of an additional $7.8 billion that would enable the Army to last until early August 2008, or another five weeks. These funds could be available from excess cash in its DOD's working capital fund and transfer authority provided in the FY2008 DOD Appropriations Act (P.L. 110-116) and the FY2008 bridge fund (P.L. 110-161) that is still available.[110]

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[108] *Congress Daily*, "Senate Panel OKs Only Part of Pentagon's Transfer Request," June 11, 2008; Department of Defense, Press Release, "DoD Submits Reprogramming Action to Cover the Absence of Supplemental Funding," 5-28-08.DOD, FY08-18PA, "Army Military Personnel Requirements, and DOD, FY08-19PA, "Army Operational Requirements," May 27, 2008; *Congress Daily*, "Senate Panel OKs Only Part of Pentagon's Transfer Request, June 11, 2008.

[109] Inside Defense, "England Outlines Guidance to Military brass in Anticipation of Furlough Notices," June 12, 2008; DOD, DoD News Briefing with Geoff Morrell," from the Pentagon, Arlington, Va; available at http://www.defenselink.mil/transcripts/transcript.aspx?transcriptid=4224; Secretary of Defense Robert M. Gates, Memorandum for the Secretary of the Army, Navy and Under Secretary of Defense (Comptroller), "Contingency Budget planning," November 16, 2007.

[110] This CRS estimate assumes that DOD still has available $6.2 billion of transfer authority for FY2008 that was provided in P.L. 110-116 and P.L. 110-161 as well as $1.6 billion in excess cash reserves from working capital funds based on a GAO estimate. CRS calculations of Army needs are based on obligations to date in the March 2008 Standard Form 133, a projection of third quarter obligations, prior approval and internal transfers to date, revised O&M, Army war requirements this year (see above), and a weekly obligation rate of $1.5 billion for the remainder of the year.

If no additional funds are transferred, DOD has sufficient transfer authority to move operating funds "loaned" by the Air Force and Navy to the Army back to the original accounts. In the past, Congress has exempted similar transfers, allowing DOD to return funds as well as recoup its transfer authority and use it for other purposes.

With enactment the FY2008 DOD Appropriations Act (P.L. 110-116) and the FY2008 Consolidated Appropriations Act (P.L. 110-116), DOD has relied on both its regular funding and the $86 billion already appropriated for war costs, which has provided some cushion before passage of the remaining war request. In the last couple of months, DOD has been financing its war costs by using funds for its regular activities that are slated to be used at the end of the year, a practice known as cash flowing. (Unless Congress restricts the use of these funds, DOD, for example, can pay for fixing a truck in either Iraq or Kansas using operations and maintenance funds appropriations provided in either its regular or supplemental appropriations; the funds are mixed in the same account.)[111]

At issue has been the extent to which Congress will approve and DOD is willing to exploit available tools to transfer funds from other accounts to meet Army needs should the supplemental not be passed as planned and when funds run out, a now familiar dilemma. (See **Table B-1** for a list of tools available to DOD.)

Last year, while awaiting passage of the FY2008 fund, DOD adopted a similar approach, but assumed that civilian workers needed to be notified of potential furloughs two months in advance which would have required sending notices out just before the December holidays. This time, DOD has not yet notified civilians of potential furloughs; according to current regulations, a minimum of 15 days notification of short furloughs is required unless there is a sudden emergency.[112]

Although DOD prefers to use its transfer authority to make programmatic adjustments later in the year, financing war costs is consistent with the standard criteria for transferring funds—the need to meet higher priority needs—and would be less disruptive than furloughing civilians or planning to close down operations, as DOD has proposed. DOD could also temporarily free up monies by delaying the signing of contracts for non-essential base support or depot maintenance

[111] This practice of 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. 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 Reconstruction set up by Congress.

[112] *Washington Post*, Federal Diary, "Pentagon Prepares for Layoffs in Budget Standoff," December 12, 2007. 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 Shimabukuro, Thomas Nicola, and Barbara Schwemle provided assistance with this issue. See 5 Code of Federal Regulations, Sec. 9901.714.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 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.

contracts where there is currently a large backlog (see **Table B-1** for a listing of tools available).[113]

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 to two months by using currently available tools such as transfer authority to provide additional resources to the Army until passage of the supplemental.

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 A-1**).[114] 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.[115]

The supplemental was enacted on May 25, 2007.[116] 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.

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[113] *Congressional Quarterly*, "Charges of 'Starving the Troops' Color Debate Over War Supplemental Bill," May 9, 2008.

[114] 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.

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

[116] Army Briefing, April 2007. See the section titled, "Financing Army Operations Until Passage of the Supplemental," in CRS Report RL33900, *FY2007 Supplemental Appropriations for Defense, Foreign Affairs, and Other Purposes*, for more details.

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 exhausted by mid-June for Military Personnel and early July, 2008 for O&M. DOD could extend that time line by one to two months or until early August 2008 if necessary by using available authority to transfer additional funds to the Army or by temporarily slowing spending.

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 estimated 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).[117]

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. In addition, Congress has given DOD authority to transfer funds among military personnel accounts (Sec. 8005, P.L. 110-116), which allows DOD to extend the financing of the Army's military personnel war costs by "loaning" funds from the other services without tapping its General Transfer Authority. Military personnel war costs are likely to drop in the second half of the year as the five additional brigades sent to Iraq for the surge are withdrawn.

Tools to Extend How Long the Army Can Last

Table B-1 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

[117] 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."

- from DOD's baseline program to war needs; and
- $4.0 billion within the $70 billion in emergency supplemental appropriations which could be moved between wartime needs, e.g. from procurement to operations;
- $2.1 billion in excess cash in the working capital funds.

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.

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. 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.

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 eroding congressional authority, particularly the War Powers Act. 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.

Table B-1. 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 -3 weeks	Until 2nd or 3rd week in 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 -3 weeks	End of 1st wk of August 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.
Use all remaining excess cash balances in working capital funds	$2.1 billion as of the beginning of the fiscal year	1-2 weeks	2nd 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.

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
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.
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.

Sources and Notes: 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.

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[118]—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..."[119] 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.[120]

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.[121] Congress might be concerned by this action because it could undermine congressional limitations on funds and the integrity of the account structure.

[118] 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.

[119] Sec. 165, Title X.

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

[121] 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.

Appendix C. War Appropriations by Act and by Agency

Table C-1. Defense Department, Foreign Operations Funding, and VA Medical Funding for Iraq, Afghanistan and Other Global War on Terror Activities, FY2001-FY2009

(in billions of dollars of budget authority)

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[a]	P.L. 107-48	10/23/02	7.1	0.0	0.0	7.1
FY2004 DOD Appropriations Act[a]	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[b]	P.L. 108-287	8/5/04	25.0	0.7	0.0	25.7
FY2005 Supplemental Approps[c]	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[d]	P.L. 108-287	8/5/04	2.1	0.0	0.0	2.1
FY2006 DOD Approps Act, Title IX[b]	P.L. 109-148	12/30/05	50.0	0.0	0.0	50.0
FY2006 DOD Appropriations Act[d]	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[c]	P.L. 109-108	11/22/05	0.0	0.1	0.0	0.1
FY2006 Interior & Rel. Ag. Approp.[e]	P.L. 109-54	8/2/05	0.0	0.0	0.2	0.2
FY2006 Military Quality of Life & Veterans Affairs[e]	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[b]	P.L. 109-289	9/29/06	70.5	0.0	0.0	70.5
FY2007 Continuing Resolution[f]	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

Name of Law	Public Law No.	Date Enacted	DOD Funds	Foreign Aid Embassy	VA Medical	Total cost
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 Approps. Act	P.L. 110-161	12/26/07	70.0	2.1	0.9	73.0
FY2008 Supplemental Approps. Act	P.L. 110-252	6/30/08	160.2	3.1	0.4	163.6
Subtotal			**804.1**	**46.6**	**2.9**	**864.0**
Unidentified Transfers[g]	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[g]			**10.4**	**0.0**	**0.0**	**10.4**
Total Enacted (w/transfers)	NA	NA	**814.5**	**46.6**	**2.9**	**864.0**

Source: CRS calculations based on public laws, reports, explanatory statements, and DOD documents. Totals may not add due to rounding.

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

a. 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.

b. 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.

c. Excludes funds for Tsunami relief.

d. 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.

e. Includes VA medical funds for Iraq and Afghan veterans in emergency funding in Interior bill and in regular VA appropriations.

f. 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.

g. 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.

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