

CBO TESTIMONY

**Statement of
J. Michael Gilmore
Assistant Director for National Security**

Estimating the Costs of Military Operations in Iraq

**before the
Committee on the Budget
United States Senate**

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Mr. Chairman, Senator Gregg, and Members of the Committee, I appreciate the invitation to appear before you today to discuss the costs of operations in the Iraq theater and issues associated with estimating those costs. My statement is based on the Congressional Budget Office's (CBO's) recent estimate of the costs of the President's plan to increase U.S. forces in Iraq as well as on other analyses of war-related costs that CBO has performed during the past few years.

This testimony will briefly discuss CBO's estimate of the costs of the President's plan and other scenarios for increasing forces in the theater. It will also discuss some of the budgeting and reporting issues that make it difficult for CBO to estimate the costs of military operations in Iraq.

Costs of the President's Plan to Increase Forces in Iraq and of other Scenarios for Increasing Forces

At the request of the House Armed Services and Budget Committees, CBO has estimated the incremental cost of the President's plan to increase the number of military personnel deployed to Iraq under different scenarios related to the duration of that increase. CBO estimates that costs would range from \$9 billion to \$13 billion for a four-month deployment and from \$20 billion to \$27 billion for a 12-month deployment, depending upon the total number of troops deployed and including additional costs that would be incurred during the build-up and ramp-down periods.¹ Those incremental costs would be in addition to the \$8 billion to \$10 billion per month in obligations that the current level of activities in Iraq have required.

The analysis depends critically on three key factors:

- How many additional troops will be deployed?
- How long will the deployments last?
- What are the additional costs associated with incremental troop deployments?

Number of Additional Troops

The President has announced an increase in Army and Marine Corps forces to be deployed to the Iraq theater of operations. Over the next several months, that increase will be accomplished largely by deploying troops sooner than was previously planned and by lengthening the deployment of forces already in the Iraq theater. The increase in force levels has already begun and is expected to reach its peak of about 20,000 additional combat personnel in May 2007.

1. CBO's analysis focuses only on the costs associated with deploying ground forces in Iraq. It does not encompass the costs that will be incurred for deploying additional naval forces to the Persian Gulf.

Achieving that peak and sustaining it will require the deployment of forces and the extension of the tours of units in Iraq beyond those announced publicly by the Department of Defense (DoD) to date.

Thus far, DoD has identified only combat units for deployment. However, U.S. military operations also require substantial support forces, including personnel to staff headquarters, serve as military police, and provide communications, contracting, engineering, intelligence, medical, and other services. Over the past few years, DoD's practice has been to deploy a total of about 9,500 personnel per combat brigade to the Iraq theater, including about 4,000 combat troops and about 5,500 supporting troops.

DoD has not yet indicated which support units will be deployed along with the added combat forces, or how many additional troops will be involved. Army and DoD officials have indicated that it will be both possible and desirable to deploy fewer additional support units than historical practice would indicate. CBO expects that, even if the additional brigades required fewer support units than historical practice suggests, those units would still represent a significant additional number of military personnel.

To reflect some of the uncertainty about the number of support troops, CBO developed its estimates on the basis of two alternative assumptions. In one scenario, CBO assumed that additional support troops would be deployed in the same proportion to combat troops that currently exists in the Iraq theater. That approach would require about 28,000 support troops in addition to the 20,000 combat troops—a total of 48,000. CBO also presents an alternative scenario that would include a smaller number of support personnel—about 3,000 per combat brigade—totaling about 15,000 support personnel and bringing the total additional forces to about 35,000.

Length of Deployments

CBO estimated costs for a number of different deployment periods, ranging from four months to two years. In each case, the period identified is the length of time that the peak force levels would be sustained. In each case, there is also a three-month period during which forces would be gradually built up, and a similar period following the peak during which the force levels would gradually decline.

Costs of Increasing Forces

Estimating the costs of deploying additional troops to Iraq is difficult. DoD prepares monthly reports on budgetary obligations incurred in support of the war, but those reports do not contain sufficient detail on many cost elements, nor do they include information on key factors such as personnel levels or the pace of operations. As a result, they are not very useful in developing cost estimates.

In the absence of sufficient information from the monthly obligation reports or other sources, CBO based its estimates on appropriations provided in 2006 for operations in Iraq and Afghanistan and for the war on terrorism—a total of \$116 billion—and subtracted from that amount the costs of activities not likely to vary significantly as a result of changes in the number of deployed troops. CBO estimates that, in total, \$89 billion of the funding provided in 2006 for personnel and personnel support, equipment repair and replacement, operating support, and transportation was related to the size of the deployed forces. CBO then projected costs for operations in Iraq in future years on the basis of changes to those forces that would occur under the two scenarios specified above. Most costs would be incurred during the deployment, but some of the costs to restore or replace damaged equipment could lag behind the end of the deployment by a year or more.

Results of CBO's Analysis

If DoD deployed a total of 48,000 troops and sustained that level for four months, costs would be about \$13 billion higher than for the current force levels, CBO estimates (see Table 1). The 20,000 combat forces account for \$5 billion of that cost. If the higher troop level was maintained for 12 months, costs would be \$27 billion greater than the current level—\$11 billion of which would fund the combat forces alone. Costs would increase by lesser amounts if the combat forces were accompanied by fewer support personnel. If additional forces totaled 35,000 troops, sustaining such a deployment would cost \$9 billion for four months and \$20 billion for 12 months, CBO estimates.

A substantially longer deployment would cost much more. A 48,000-person increase in deployed forces sustained for 24 months would cost \$49 billion, in CBO's estimation; a corresponding 35,000-person increase would cost about \$26 billion.

CBO's analysis does not incorporate any effect on federal tax revenues from an increase in the number of troops serving in combat zones, nor does it include any indirect effects on spending (from changes in veterans' benefits, for example). Finally, CBO's analysis does not address the effects that sustaining such increases in deployed forces would have on military readiness and other operational considerations.

Budgeting and Reporting Issues

Since September 2001, by CBO's reckoning, the Congress has appropriated \$503 billion for military operations and other activities related to Iraq and the war on

Table 1.

Estimated Funding Required to Increase the Number of Personnel Deployed to Iraq Under Alternative Scenarios

(Budget authority in billions of dollars, by fiscal year)

	2007	2008	2009	Total, 2007-2009
Four-Month Peak Deployment				
Sustain an Additional 48,000 Troops in Iraq (20,000 Combat Troops and 28,000 Support Troops)	9	3	*	13
Sustain an Additional 35,000 Troops in Iraq (20,000 Combat Troops and 15,000 Support Troops)	7	2	*	9
Twelve-Month Peak Deployment				
Sustain an Additional 48,000 Troops in Iraq (20,000 Combat Troops and 28,000 Support Troops)	10	15	3	27
Sustain an Additional 35,000 Troops in Iraq (20,000 Combat Troops and 15,000 Support Troops)	7	11	2	20

Source: Congressional Budget Office.

Notes: * = less than \$500 million.

Each scenario includes the cost of a three-month buildup and a three-month drawdown.

terrorism, including \$70 billion appropriated so far for fiscal year 2007.² Through the end of fiscal year 2006, appropriations to DoD for those purposes had totaled \$463 billion, and DoD's outlays for Iraq and the war on terrorism had reached an estimated \$310 billion. The President's budget includes a request for another \$94 billion for this year and \$142 billion for 2008. For fiscal year 2007, CBO estimates that funding for operations in Iraq and the war on terrorism will add

2. For additional detail regarding funding for activities in Iraq and the war on terrorism, see Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2008 to 2017* (January 2007), Box 1-1.

between \$115 billion and \$120 billion to total outlays, assuming that additional appropriations are provided during the course of the year.

CBO has been asked by the Congress on several occasions to estimate the future costs of operations in Iraq and for the war on terrorism. As I stated previously, estimating war costs is always difficult. However, better estimates could be provided to the Congress if more information was available on the costs incurred to date. In particular, CBO has identified four main concerns regarding the current process of budgeting and cost reporting for operations in Iraq and the war on terrorism.

The Timing of Budget Requests

Since fiscal year 2001, funding for activities in Iraq and the war on terrorism has been provided through a combination of partial-year appropriations (sometimes referred to as bridge appropriations), which are enacted near the beginning of a fiscal year, and midyear supplemental appropriations. If the bridge appropriations run out before enactment of the midyear appropriations, DoD can pay for war-related expenses using funds meant for its regular activities, which are then reimbursed upon enactment of the midyear supplemental appropriations. In the event that the midyear appropriations are delayed and funds for DoD's regular activities begin to run out, the department has some options. One option is to use its authority to transfer funds among various appropriation accounts (for instance, from procurement accounts to operation and maintenance accounts), although that authority is limited. In addition, DoD can invoke the Feed and Forage Act (41 U.S.C. 11), which allows the President to obligate funds without an appropriation for the purpose of sustaining troops in the field. That authority was invoked immediately after the terrorist attacks on September 11, 2001, although ultimately it was not used because the Congress quickly provided the necessary appropriations.³

Some policymakers and analysts have suggested that, to better assist in planning future defense budgets, DoD should include the entire fiscal year's cost of operations in Iraq and for the war on terrorism in its regular budget request. As I just noted, in its fiscal year 2008 budget request DoD has included \$142 billion to pay for future military operations in Iraq and Afghanistan and for other potential operations worldwide associated with the war on terrorism. That approach has both positive and negative consequences. On the positive side, including war costs in the regular budget request gives the Congress more time to debate and modify the request for those activities. It also gives the budget committees more

3. The authority of the Feed and Forage Act is limited to obligations for items meant to sustain troops in the field, such as subsistence clothing, fuel, quarters, transportation, and medical supplies. It cannot be used to purchase additional weapons or to support military hardware.

information about potential budgetary effects that they may wish to consider in crafting a budget resolution. Further, fully funding those operations at the beginning of a fiscal year helps DoD avoid any potential funding issues that might arise from a delay in enacting midyear supplemental appropriations. On the negative side, submitting the request at the beginning of a fiscal year could lead to less accurate cost projections because the budget must be submitted in February (eight months prior to the start of the fiscal year).⁴

Supplemental Budget Requests

DoD's supplemental budget requests often do not provide enough detail to determine how the department develops its budget requests. The amount of justification material that DoD provides in its regular budget for activities besides the war in Iraq and the war on terrorism and the documentation that it submits for war-related operations differ substantially. The \$440 billion requested by DoD for its regular activities in fiscal year 2007 was supported by very detailed justification documents. By contrast, DoD's funding requests related to the war have been accompanied by relatively little backup material. For instance, the backup material for the department's original 2006 supplemental request, which totaled about \$68 billion, included only five pages on operation and maintenance costs, even though those costs constituted almost half (about \$33 billion) of the request.

In June 2006, DoD provided the appropriations committees with a package of information on the \$50 billion that the Administration had requested for war-related activities for fiscal year 2007. Compared with previous submissions, that material provided more detail on the request, although not enough to enable analysts to understand how the costs were estimated or to explain how the funding requirements compared with those of previous periods.

Tracking Actual War-Related Obligations and Outlays

Regardless of when the funds for operations in Iraq and for the war on terrorism are provided, they are generally recorded in the same appropriation accounts that fund DoD's other activities, making it difficult to sort out how much is ultimately spent on the war.

For fiscal year 2006, the Congress appropriated about \$218 billion to DoD's operation and maintenance accounts. Of that amount, about \$72 billion was appropriated for war-related activities and about \$146 billion was appropriated for DoD's regular operating costs. But the standard budget execution reports submitted to the Office of Management and Budget do not distinguish between

4. Much of agencies' budget preparation occurs long before the February budget submission.

those war and nonwar expenditures, making it difficult to determine how much has actually been spent for activities related to Iraq and the war on terrorism.

The Defense Finance and Accounting Service issues monthly reports that track war-related obligations, but they provide limited information. According to those reports, about \$98 billion was obligated for military operations in Iraq and the war on terrorism in fiscal year 2006. Of that amount, almost 25 percent (\$23 billion) was allocated for purposes described as “other.” Little information was provided to suggest how those “other” funds were obligated. Without a better understanding of those expenditures, determining whether such costs will be incurred in future years is difficult. Moreover, the extent to which the reports capture obligations for classified activities is not clear. Relying on conference reports for various supplemental appropriation acts, CBO estimates that at least \$25 billion has been appropriated for classified activities since 2001. In addition, the obligation reports have not contained information on the pace of operations—such as troop levels, flying hours, or vehicle miles—in each month. Such information would be useful in analyzing cost variations, which CBO and other government analysts could use to better estimate future spending on the war.

Setting up separate budget accounts might help in tracking the obligations and outlays of war-related appropriations, but implementation of such an accounting structure might be difficult. For instance, it would necessitate distinguishing between the basic pay of troops (which is part of the regular defense budget) and their additional combat-related pay (which is attributable to the war).

The Distribution of Data and Information

CBO frequently has difficulty obtaining monthly reports on war obligations and other data. Often the agency receives that information months after the data are officially approved for release. That problem could be addressed by establishing a standard, more-comprehensive distribution list for the war-obligation reports and other data.