

February 11, 2008

Honorable Kent Conrad
Chairman
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

As you requested, the Congressional Budget Office (CBO) has reviewed the funding provided for military activities in Iraq, Afghanistan, and elsewhere in the war on terrorism and analyzed the increases in appropriations that have occurred over the past several years.

The United States began combat operations in Afghanistan in fiscal year 2002 and in Iraq in fiscal year 2003. To finance those operations (and other activities related to the war on terrorism), the Congress provided \$18 billion and \$76 billion in emergency appropriations in those years, respectively. With the exception of a slight decrease in 2004, to \$74 billion, funding has increased steadily each year, to a total of \$165 billion for 2007. If the Administration's request for 2008 is funded in full, appropriations for military operations and other war-related activities in Iraq, Afghanistan, and elsewhere in the war on terrorism will rise to \$188 billion this year and to a cumulative total of \$752 billion since 2001.

Most of the spending is concentrated in two categories—operation and maintenance, which has roughly doubled from 2004 to 2008, and procurement, which has increased tenfold over that period. The reasons for some of the increases are difficult to determine precisely because available data on the pace of operations and other factors that might affect costs are limited and because some of the funding and reporting categories are very broad. CBO's enclosed analysis is based on supplemental budget requests submitted by the Administration, budget justification materials provided by the Department of Defense, reports on obligations incurred during the war, and committee reports accompanying appropriation acts.

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If you wish further details on this analysis, we would be happy to provide them. The CBO staff contacts are David Newman and Jason Wheelock.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter R. Orszag". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Peter R. Orszag
Director

Enclosure

cc: Honorable Judd Gregg
Ranking Member

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Chairman
House Committee on the Budget

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Ranking Member

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Honorable Ted Stevens
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Honorable John P. Murtha
Chairman
Subcommittee on Defense
House Committee on Appropriations

Honorable C. W. Bill Young
Ranking Member

Analysis of the Growth in Funding for Operations in Iraq, Afghanistan, and Elsewhere in the War on Terrorism

February 11, 2008

Summary and Introduction

At the request of the Chairman of the Senate Budget Committee, the Congressional Budget Office (CBO) has reviewed the funding provided for military activities in Iraq, Afghanistan, and elsewhere in the war on terrorism and analyzed the increases in appropriations that have occurred over the past several years. CBO's analysis is based on supplemental budget requests submitted by the Administration, budget justification materials provided by the Department of Defense (DoD), reports on obligations incurred during the war, and committee reports accompanying appropriation acts.¹

The United States began combat operations in Afghanistan in fiscal year 2002 and in Iraq in fiscal year 2003. To finance those operations (and other activities related to the war on terrorism), the Congress provided \$18 billion and \$76 billion in emergency appropriations in those years, respectively.² After a slight decrease in 2004, to \$74 billion, funding increased steadily each year, to a total of \$165 billion for 2007. If the Administration's request for 2008 is funded in full, appropriations for those purposes will rise to \$188 billion this year and to a cumulative total of \$752 billion since 2001 (see Table 1). (An additional \$40 billion has been appropriated for diplomatic activities and foreign aid over that period.) Thus far, for 2008 the Congress has provided \$87 billion for military operations and other defense programs and another \$1 billion for diplomatic activities related to the war.

Before 2005, funding for military operations in Iraq, Afghanistan, and elsewhere in the war on terrorism was largely limited to the incremental amounts needed to mobilize and deploy troops, transport equipment and supplies, and purchase additional quantities of consumables such as fuel, repair parts, and munitions. War funding also paid for an increase in the number of service members on active duty. About 60 percent of appropriations provided during this period went to operation and maintenance (O&M) accounts and 20 percent went to military personnel accounts.

Beginning in 2005, as part of its request for war funding, DoD asked for appropriations to "reset" equipment, that is, to repair or replace worn or damaged equipment. Those efforts include major overhauls that restore the item to "like new" condition. At the same time, DoD often added major upgrades to repaired items, returning equipment to the field with significantly enhanced abilities; those upgrades involved much higher costs than simply repairing equipment. Most such efforts are funded

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1. An obligation is a commitment that creates a legal liability of the government to pay for goods or services ordered or received. Such payments may be made immediately or in the future.
 2. The amounts referred to in this analysis include appropriations designated as emergency requirements or otherwise provided for support of operations in Iraq, Afghanistan, and elsewhere in the war on terrorism. Except where indicated, all funding is limited to amounts provided for national defense (budget function 050).

Table 1.**War-Related Appropriations for Defense**

(Billions of dollars, by fiscal year)

| | 2001- | | | | | | 2008 ^f | | |
|--------------------------------------------------------------------|-----------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------|------------|
| | 2002 | 2003 ^a | 2004 ^b | 2005 ^c | 2006 ^d | 2007 ^e | Enacted | Requested | Total |
| Operation and Maintenance | 25 | 44 | 46 | 57 | 70 | 92 | 58 | 32 | 91 |
| Procurement | 1 | 10 | 7 | 18 | 25 | 51 | 26 | 45 | 72 |
| Military Personnel | 4 | 16 | 18 | 19 | 18 | 18 | 1 | 17 | 18 |
| Research, Development, Test, and Evaluation | 0 | 3 | * | 1 | 1 | 2 | * | 4 | 4 |
| Military Construction | 0 | 1 | 1 | 1 | * | 2 | 0 | 2 | 2 |
| Other DoD Appropriations ^g | 0 | 1 | 1 | 3 | 2 | 1 | 1 | 1 | 2 |
| Transfers from Regular DoD Appropriations ^h | * | 1 | 2 | 2 | * | 1 | 0 | n.a. | 0 |
| Subtotal DoD Military | 31 | 76 | 74 | 100 | 116 | 165 | 87 | 101 | 188 |
| Atomic Energy Defense Activities and Defense-Related Activities | * | * | * | 1 | * | * | 0 | * | * |
| Total National Defenseⁱ | 32 | 76 | 74 | 101 | 116 | 165 | 87 | 101 | 188 |
| Memorandum: | | | | | | | | | |
| Cumulative War-Related Defense Funding | 32 | 108 | 182 | 283 | 399 | 564 | 651 | 752 | 752 |

Source: Congressional Budget Office.

Notes: * = less than \$500 million; DoD = Department of Defense; n.a. = not applicable.

- Includes \$6.4 billion in war-related appropriations provided in the Department of Defense Appropriations Act, 2003 (PL. 107-248), and \$10 billion provided in the Consolidated Appropriations Resolution, 2003 (PL. 108-7). Those funds were not recorded as emergency or supplemental appropriations but were provided for war-related purposes. In 2004, the Congress rescinded \$3.5 billion that had been appropriated to the Iraq Freedom Fund in 2003.
- Title IX of the Department of Defense Appropriations Act, 2005 (PL. 108-287), provided \$25 billion in budget authority that was made available upon enactment in August 2004. Only \$1.9 billion was obligated in that year, however, and the remainder was used to pay for expenses in 2005. For this analysis, amounts shown in 2004 include only the funds obligated in that year.
- Includes \$23.1 billion of the \$25 billion provided in title IX of the Department of Defense Appropriations Act, 2005 (PL. 108-287). Excludes \$226 million for tsunami relief operations, primarily in operation and maintenance for the Navy.
- Funding for the Joint Improvised Explosive Device Defeat Fund has been appropriated under operation and maintenance but has generally been recorded in the budget under procurement. The amounts in this table include all such funding under procurement.
- Excludes \$5 billion in supplemental funding for Base Realignment and Closure activities, basic allowance for housing, defense health care, and atomic security activities. That funding was provided in the supplemental appropriations act for war activities in 2007 but was for expenses not related to the war.
- The President requested \$188 billion in war-related defense funding for 2008. The Congress had appropriated \$87 billion for that purpose as of December 2007.
- Includes appropriations for family housing and revolving funds.
- DoD has transferred about \$6.5 billion from regular appropriations for war-related activities. Those funds were expended in accounts for operation and maintenance, military personnel, and procurement; however, CBO cannot distribute the net effect of those transfers among the appropriations.
- Excludes emergency funding for hurricane recovery, avian flu, border security, and other purposes not related to the war. Also excludes about \$40 billion in nondefense funding related to the war, such as appropriations for diplomatic operations, foreign aid, and veterans' benefits.

through the O&M and procurement accounts. During this phase, O&M funding continued to account for roughly 60 percent of total funding.³

In 2006, DoD began widening its focus from resetting equipment to “reconstituting” the force, an effort that involved purchasing new equipment as well as repairing and replacing damaged systems. Whereas the reset program had required more O&M funding, the shift to reconstitution increased the need for procurement funds.

In 2007, DoD expanded the list of expenses that could be included in the request for wartime appropriations. In addition to seeking funds to pay for the direct incremental costs of operations in Iraq and Afghanistan, the services were permitted to include costs related to the broader war on terrorism. DoD requested funds to replace damaged equipment with newer models, accelerate planned purchases of new systems, address emerging needs, and enhance the military’s capability not only to continue current operations but also to be better prepared for the longer war on terrorism. Achieving the goals of that expanded reconstitution program required significantly more procurement spending.

Thus, in 2007 and 2008, procurement funding soared, averaging about 35 percent of total war funding in those years. While O&M funding continued to increase and funds for military personnel held steady, those accounts fell to an average of 52 percent and 10 percent of total war funding, respectively.

If the Congress provides the remaining \$101 billion that DoD has requested for the war in 2008, annual funding levels will have increased by 155 percent since 2004. Increases in procurement and in operation and maintenance account for almost all of that growth. Appropriations for military personnel have changed little, and other DoD appropriations contribute relatively small amounts to the total.

Data on War Costs

The Congressional Budget Office relied on four sources of data for information on war costs:

- Supplemental budget requests submitted by the Administration,
- Budget justification materials provided by the Department of Defense,

3. The Congress provided \$25 billion in funding for the war in title IX of the Department of Defense Appropriations Act, 2005 (Public Law 108-287), and made it available upon enactment in August 2004. Most of that funding was used to support operations in 2005; only \$1.9 billion was obligated by the end of fiscal year 2004. Although that appropriation was recorded as budget authority in 2004, the amounts here include only the funds obligated in 2004. The remaining \$23.1 billion is treated as funding for fiscal year 2005.

- Data on obligations from the cost-of-war reports compiled by the DoD comptroller, and
- Reports accompanying appropriation acts.

The supplemental budget requests submitted between 2002 and 2006 contained little detailed information on war expenses. DoD provided detailed justification materials for its regular budget request but did not submit similarly detailed information for its war-related expenses. In February 2007, DoD expanded the quantity of justification material submitted with its requests for war funding. In addition to providing more informative summary material, it prepared budget justification materials for each appropriation, similar to those provided for the regular budget. Those details are available for the 2007 and 2008 requests for war funding, as is some additional information on 2006 war-related funding that was provided in 2007. However, because similarly detailed information is not available for 2005 or for earlier years, a detailed analysis of the changing patterns of spending is impossible.

The material explaining war-related budget requests has become more informative, but it is not uniformly so for all categories of spending. Although the procurement documents provide details on each program, large portions of the operation and maintenance request fall into one, undifferentiated category. About 75 percent of the Army O&M request is identified as “operating forces, additional activities,” a classification lacking enough explanation to be helpful in this analysis. Also, certain detailed documents that accompany the regular budget request—which would contain information on fuel costs, travel expenses, and civilian personnel costs, for example—are not provided with the request for war-related appropriations. Furthermore, when appropriating O&M dollars, the Congress does not always use the same terms and classifications that appeared in the department’s request, so it is difficult to determine the exact purposes for which funding is provided. Because of those limitations, CBO cannot clearly identify the factors that account for the growth in O&M appropriations for the war.

CBO has also analyzed reports on obligations of war-related funding in DoD’s cost-of-war reports. Because DoD aggregates obligations of O&M appropriations into broad categories, those reports suffer from the same limitations as the O&M budget justification materials. The Government Accountability Office has also noted that shortcomings in DoD’s systems for data collection reduce the accuracy of those reports and has concluded that the information they contain should be considered approximate.⁴

4. See Government Accountability Office, *Global War on Terrorism: DOD Needs to Improve the Reliability of Cost Data and Provide Additional Guidance to Control Costs*, GAO-05-882 (September 2005).

Funding for Operation and Maintenance

Half of the cumulative growth in war-related defense funding over the 2002–2007 period is explained by increases in annual appropriations for war-related operation and maintenance. The O&M accounts pay for the day-to-day operating costs of the armed forces and the related support activities of the Department of Defense. Those appropriations are used to

- Cover the costs of operating and maintaining military equipment (including the purchase of repair parts);
- Provide training and education to military and civilian personnel;
- Maintain and run facilities and base infrastructure;
- Purchase services provided through contracts with private entities;
- Provide health care for military members, dependents, and retirees;
- Transport personnel, supplies, and equipment; and
- Pay civilian employees.

Appropriations for O&M, which account for 60 percent of all war-related funding to date, doubled between 2004 and 2007. Thus far, the Congress has provided just over \$58 billion in war-related O&M funding for 2008. If the additional \$32 billion requested by the Administration is provided, such funding for O&M will rise to \$91 billion for 2008, slightly less than the 2007 figure (see Table 2).

The Administration does not provide the types of data that would enable CBO to explain much of the annual change in war-related O&M funding since 2001. Factors that should influence O&M costs include the number of military and civilian personnel deployed, the number and size of bases and facilities in the theater of operations, and the pace of war-related activity by operational components, such as aircraft squadrons and Army and Marine Corps ground forces.

The Administration's requests for supplemental appropriations have generally lacked the detail and consistent format necessary to undertake a comprehensive analysis of the changes in O&M costs. In addition, significant portions of the funding provided to pay for the operating support costs associated with the war have been provided as emergency appropriations in the regular defense appropriation bills, with little detailed information documenting the intended use of such funds.

The justification materials that DoD provided in February 2007 to support its 2007 and 2008 supplemental O&M requests presented details in a structure generally consistent with the justification materials that accompany the regular budget request.

Table 2.

Supplemental and Emergency War Appropriations for Operation and Maintenance

(Billions of dollars, by fiscal year)

| | 2001- | | | | | | | |
|---------------------------------------------------------------|----------|----------|----------|----------|----------|-----------|-------------------|-----------|
| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 ^a | Total |
| Army | * | 20 | 24 | 31 | 40 | 50 | 56 | 221 |
| Air Force | * | 10 | 6 | 6 | 8 | 10 | 11 | 51 |
| Navy | * | 7 | 2 | 3 | 5 | 6 | 6 | 29 |
| Marine Corps | 0 | 2 | 1 | 3 | 4 | 4 | 5 | 19 |
| Defensewide and Other ^b | 25 | 5 | 8 | 7 | 10 | 9 | 8 | 72 |
| Iraq and Afghanistan Security Forces ^c | <u>0</u> | <u>0</u> | <u>5</u> | <u>6</u> | <u>5</u> | <u>13</u> | <u>6</u> | <u>35</u> |
| Subtotal Operation and Maintenance | 25 | 44 | 46 | 57 | 70 | 92 | 91 | 426 |
| Percentage Change from Prior Year As a Percentage of Total | n.a. | n.a. | 5 | 24 | 23 | 30 | 0 | n.a. |
| War-Related Defense Funding | 80 | 58 | 63 | 57 | 61 | 55 | 49 | n.a. |
| Memorandum: | | | | | | | | |
| Total War-Related Funding for National Defense | 32 | 76 | 74 | 101 | 116 | 165 | 188 | 752 |

Source: Congressional Budget Office.

Notes: * = less than \$500 million; n.a = not applicable.

Excludes emergency funding for hurricane recovery, avian flu, border security, and other purposes not related to the war.

- a. The Administration requested a total of \$91 billion for war-related operation and maintenance (O&M) in 2008. The Congress had appropriated \$58 billion for those purposes as of December 2007.
- b. Other O&M accounts include the Defense Emergency Response Fund, Defense Health Program, Iraq Freedom Fund, and other miscellaneous O&M accounts. The Defense Emergency Response Fund received \$24 billion in 2001 and 2002, some of which was used to support the operations of the military services. The Congressional Budget Office does not have information on how those funds were distributed.
- c. Funding for indigenous security forces was appropriated to the Department of State in 2004 and to the Department of Defense thereafter. All appropriations for those forces are included in O&M in this analysis.

Similar materials for earlier years would be helpful for analyzing the growth in war-related O&M funding.

Operation and Maintenance: Army

The Army has received the largest portion of war-related O&M funding since the outset of operations in Iraq in 2003. If the Congress provides the remaining funds requested for 2008, total Army O&M funding over the 2003–2008 period for those purposes will be approximately \$221 billion—more than half of all war-related O&M funding over that period. Appropriations for Army O&M grew from \$20 billion in

2003 to \$50 billion in 2007, accounting for more than 60 percent of the growth in total war-related O&M funding for those years. A total of \$56 billion has been requested for 2008, of which \$36 billion has been appropriated to date.

One contributor to the growth in Army O&M has been the increase in funding for repairing damaged or worn equipment, referred to by the Army as “reset.”⁵ Funding for reset has risen from \$3 billion in 2003 to almost \$9 billion in 2007. That increase explains 20 percent of the growth in total appropriations for Army O&M over that period.

Data from DoD’s cost-of-war reports show a steady rise in obligations for personnel support, operating support, and transportation for the Army since 2002.⁶ Some of the growth in personnel support can be attributed to an increased emphasis on providing items such as individual body armor and other personal equipment. Funding for such items increased from \$1.7 billion in 2006 to \$3 billion in 2007.

Excluding reset, the Army’s obligations for operating support grew from approximately \$14 billion in 2003 to about \$30 billion in 2007. Because CBO has limited data on factors that affect such costs, and detailed justification materials are not generally available for Army O&M, CBO cannot identify the factors that account for those increases in reported obligations. However, because the number of deployed personnel has remained relatively stable since 2003, personnel levels cannot explain the recent growth in Army O&M.

Operation and Maintenance: Air Force, Navy, and Marine Corps

War-related O&M funding for the Air Force and Navy has totaled \$72 billion since the start of 2001. Appropriations for the Air Force and Navy fell significantly from 2003 to 2004, largely because of the reduction in aircraft flying hours and ship steaming days after the initial major combat operations in Iraq ended. Since the beginning of 2005, such appropriations for Air Force and Navy O&M have risen by an average of 27 percent per year, reaching \$16 billion in 2007. That increase explains about 18 percent of the growth in all war-related O&M funding over the 2005–2007 period. Both the Air Force and Navy show steady increases in obligations for operating support over that period. However, because the Administration has not provided data such as flying hours and ship steaming days related to the war, CBO cannot explain the reported rise in obligations over that period.

5. For additional information on the Army’s reset program, see Congressional Budget Office, *Replacing and Repairing Equipment Used in Iraq and Afghanistan: The Army’s Reset Program* (September 2007).

6. Personnel support includes medical support, uniforms, and other personal equipment. Operating support includes fuel, repair parts, equipment maintenance, facilities operations, and services to enable command and control of deployed forces. Transportation includes the movement of personnel, supplies, and equipment to, from, and within the theater of operations.

Appropriations for Marine Corps O&M over the 2003–2007 period account for less than 5 percent of total war-related O&M funding and explain 3 percent of the growth in O&M funding over that period. The Marine Corps has also reported a steady increase in O&M obligations, although to a lesser degree than the Army. Obligations for operating support, excluding amounts to repair equipment, have grown from \$1 billion in 2003 to \$2.2 billion in 2007. The need to repair worn or damaged equipment also affects O&M funding for the Marine Corps. For example, the Marine Corps received a total of about \$2 billion in O&M over the 2006–2007 period to repair equipment used in war-related operations.

Funding for Indigenous Security Forces in Iraq and Afghanistan

Another significant contributor to the growth in O&M funding has been funding for training, equipping, and sustaining indigenous security forces in Iraq and Afghanistan. The Congress appropriated \$5 billion for those purposes to the Department of State in 2004. Funding for those purposes has been provided to the Department of Defense since 2005, peaking at \$13 billion in 2007 before declining to \$6 billion in the request for 2008. For this analysis, CBO includes all such funding for those forces—a total of \$33 billion to date—in the operation and maintenance category.⁷

Funding for Procurement

War-related appropriations for purchasing equipment and weapon systems, such as aircraft, tanks, armored vehicles, communications equipment, trucks, and logistics systems, became a significant factor in the growth of war funding beginning in 2005. Procurement funding rose from \$10 billion in 2003 to \$51 billion in 2007, and \$72 billion has been requested for 2008, of which \$26 billion has been appropriated (see Table 3). Such funding accounted for over half of the total growth in war-related appropriations in 2007 and will account for about 90 percent of the increase in war funding in 2008 if the remaining funds requested by the department are provided. Most of the growth has occurred in appropriations for the Army.

Some of this growth can be explained by an expansion of the definition of war-related expenses. At two points, DoD seems to have loosened its criteria for the type of programs whose funding could be requested in supplemental budget submissions. Before 2005, requests for procurement funds were primarily limited to replacing equipment that had been damaged or destroyed in the war and to purchasing items that could be delivered almost immediately to satisfy urgent requirements in Iraq and Afghanistan.

7. Funding for indigenous security forces has been transferred from one agency to another. Money for the Joint Improvised Explosive Device Defeat Fund has been appropriated under O&M but recorded in procurement. For consistency, all appropriations for those accounts are included in the budget category where they are currently recorded. In addition, appropriations to some accounts, such as the Iraq Freedom Fund, are transferred to other accounts for execution. CBO shows those amounts in O&M, where the funds are appropriated, although some amounts may be spent in procurement, military personnel, or other DoD accounts.

Table 3.**Supplemental and Emergency War Appropriations for Procurement**

(Billions of dollars, by fiscal year)

| | 2001- | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 ^a |
|------------------------------------------------------------|-------|------|------|------|------|------|------|-------------------|
| Army | | 0 | 3 | 1 | 10 | 14 | 26 | 46 |
| Air Force | | 1 | 5 | 4 | 3 | 2 | 8 | 9 |
| Navy | | * | 2 | * | 1 | 1 | 3 | 7 |
| Marine Corps | | * | * | * | 3 | 4 | 7 | 6 |
| Defensewide and Other ^b | | * | 1 | 1 | 1 | 2 | 2 | 1 |
| Joint Improvised Explosive Device Defeat Fund ^c | | 0 | 0 | 0 | 0 | 2 | 4 | 4 |
| Subtotal, Procurement | | 1 | 10 | 7 | 18 | 25 | 51 | 72 |
| Percentage Change from Prior Year | n.a. | | 628 | -37 | 171 | 39 | 104 | 41 |
| As a Percentage of Total War-Related Defense Funding | | 5 | 14 | 9 | 18 | 21 | 31 | 38 |
| Memorandum: | | | | | | | | |
| Total War-Related Funding for National Defense | | 32 | 76 | 74 | 101 | 116 | 165 | 188 |

Source: Congressional Budget Office.

Notes: Excludes emergency funding for hurricane recovery, avian flu, border security, and other purposes not related to the war.

* = less than \$500 million; n.a = not applicable.

Details may not add to totals because of rounding.

- The Administration requested a total of \$72 billion for war-related procurement in 2008. To date, the Congress has appropriated \$26 billion for those purposes in 2008.
- Other accounts include the Rapid Acquisition Fund and the National Guard and Reserve Equipment account.
- Funding for the Joint Improvised Explosive Device Defeat Fund has been appropriated under operation and maintenance but has generally been recorded in the budget under procurement. The amounts in this table include all such funding under procurement.

In 2005, the department began requesting funds for longer-term efforts, such as reorganizing Army and Marine Corps units.

Shortly before DoD submitted its request for supplemental funding in 2007, the Deputy Secretary of Defense instructed the services to include costs associated with the broader war on terrorism, in addition to the immediate costs of operations in Iraq and Afghanistan.⁸ Procurement funding more than doubled that year, rising from \$25 billion to \$51 billion. Before 2007, growth in procurement appropriations accounted

8. Memorandum from Gordon England to the Secretaries of the Military Departments on Ground Rules and Process for the FY07 Spring Supplemental, October 25, 2006.

for less than one-third of the increase in funding for the war. In 2007, those appropriations accounted for over half of that growth.

Most of the increase in war-related appropriations for procurement is a result of DoD's efforts to "reconstitute" the military, protect deployed forces, and increase the size of the military. The Army has been the main recipient of the funds in each of those categories. The department does not divide funding for those efforts into amounts for O&M and procurement. On the basis of an analysis of the available data, CBO has estimated such a division of funding for reconstitution and provided some illustrative examples in the other areas.

Reconstituting the Military

The largest factor in the growth in procurement funding is the expansion of DoD's reconstitution program, which it defines as efforts to restore units to a desired level of combat capability commensurate with the units' future mission. Those efforts include

- Replacing items that have been damaged, destroyed, or consumed in combat operations;
- Acquiring a larger number of existing systems to meet needs identified in the course of combat operations;
- Filling shortfalls in equipment inventories—many of which predate the current wars in Iraq and Afghanistan—to provide more capabilities for deployed forces, to leave sufficient numbers of systems at home stations for training, and to create a pool of equipment that can be exchanged for broken items so that units are not deficient when they turn in systems for maintenance or repair;
- Upgrading existing systems to more capable, modern versions; and
- Advancing the delivery of modern weapon systems that are currently in production and accelerating the retirement of their older, less capable predecessors.

Requested procurement funding for reconstitution has grown significantly in recent years, rising from nearly \$12 billion in 2006 to \$38 billion in the 2008 request, CBO estimates (see Table 4).⁹ O&M funding for reconstitution has also grown, although not as dramatically. Many of the items purchased with war-related funding are part of ongoing programs that predate the attacks of September 11, 2001.

The budget justification materials provided by DoD do not disaggregate funding in functional categories such as reconstitution by appropriation account. Although most

9. The 2008 amount includes more than \$5 billion to purchase additional trucks, radios, armored vehicles, and other equipment to replace items transferred to deploying forces from support and reserve component units. The department has called that initiative "Restore the Force."

Table 4.**Estimated Funding for Reconstitution**

(Billions of dollars, by fiscal year)

| | 2006 | 2007 | 2008 ^a |
|---------------------------|-----------|-----------|-------------------|
| Procurement | 12 | 26 | 38 |
| Operation and Maintenance | 7 | 10 | 14 |
| Total | 19 | 36 | 52 |

Source: Congressional Budget Office.

a. Total requested for 2008. Some of those funds have been provided as part of the Consolidated Appropriations Act, 2008 (P.L. 110-161).

of the amounts in the discussion of procurement funding that follows fall into the reconstitution category, some relatively small amounts may pay for activities in other functional categories, such as force protection or military intelligence.

The Army has seen its funding to modernize tanks and armored vehicles triple from 2005 to 2007. It has also received a fourfold rise in funding to increase the quantity and quality of its communications and intelligence-gathering systems. In particular, funding for the Bridge to Future Networks—a program to develop, procure, and field new communications technology—and the Single Channel Ground and Airborne Radio System (SINCGARS) has quadrupled, from \$1 billion in 2005 to about \$4 billion in 2008.

War-related funding for Marine Corps ground equipment has expanded since 2004, when it totaled only \$123 million. Appropriations for that account grew to just over \$3 billion in 2005 and expanded further, to \$5 billion, in 2007, excluding amounts provided in those years for mine resistant and ambush protected vehicles (MRAPs). (The Administration has requested \$4 billion for that account for 2008.)

Appropriations for aircraft procurement for all the services also have grown significantly, from \$1 billion in 2005 to \$10 billion requested in 2008. Initially, appropriations were provided to replace, with equipment of the same model, aircraft that had been destroyed in combat or otherwise lost in operations—primarily helicopters such as the UH-60 Blackhawk or the CH-47 Chinook. However, in 2007 the department requested and received appropriations to replace losses of older systems, such as the CH-46 helicopter and the F-16 fighter, with next-generation systems that are currently in production or development, such as the CV-22 tilt-rotor and the F-35 Joint Strike Fighter. Acquiring equipment with that degree of technological improvement is significantly more expensive than replacing a current system with an updated variant of that same item. (It is not clear whether the use of war-related funding will increase the total number of those newer systems that DoD will purchase or merely accelerate deliveries of planned purchases.) The Air Force also received funds in 2007 for 30 unmanned aerial vehicles (UAVs) and five C-130J cargo planes. The Navy received

funds for an additional EA-18G electronic attack aircraft to replace an older EA-6B that was destroyed in an operational accident.

For 2008, DoD has requested funding for 45 fixed-wing aircraft, including C-130J cargo planes, F/A-18E/F fighters, EA-18G electronic attack aircraft, V-22 tilt-rotors, and an F-35 Joint Strike Fighter. It also requested appropriations to purchase more than 80 helicopters such as the H-60 for the Army and Navy, CH-47 Chinooks, Marine Corps H-1 variants, and the Armed Reconnaissance Helicopter. Roughly half of those purchases are needed to replace aircraft that have been destroyed during operations.

The remaining planes and helicopters have been requested to hasten the retirement and replacement of older systems and to accelerate the delivery of equipment under ongoing aviation programs. Some of those older systems, such as the EA-6B and older variants of the C-130, were reaching the end of their useful life before the war began. Although recent operations may have advanced the need to replace that older equipment, they are not solely responsible for the need to retire those aging aircraft.

The Congress has added funds not requested by the department. For example, \$2 billion in additional funding was provided over the 2006–2007 period to purchase equipment for the National Guard and Reserve, and in 2007 the Congress added \$2 billion to acquire 10 additional C-17 cargo aircraft.

Force Protection

DoD has requested and received increasing amounts to protect deployed forces. Those appropriations have been used to purchase armored vehicles and add-on armor kits, aircraft survivability equipment, and tools for detecting and defeating improvised explosive devices. In 2007, the department began directing considerable funding to field mine-resistant vehicles to further safeguard troops from that threat. For example, funding to buy MRAPs grew from almost \$4 billion in 2007 to nearly \$16 billion for 2008. Other efforts to counter the threat from improvised explosive devices received \$2 billion in 2006, rising to \$4 billion in 2008.

Reorganizing and Increasing the Size of the Military

DoD has asked for and received funds to improve the capabilities of forces in the longer term. For example, in 2005, the department requested over \$5 billion to reorganize Army and Marine Corps units—an effort the Army refers to as “modularity”—to improve their capabilities and to make them easier to deploy. More than \$4 billion of that funding was used to acquire new equipment. The department requested and received similar amounts for that purpose in 2006.

At that time, DoD indicated it would include the funds necessary to continue those restructuring efforts in its regular budget request beginning in 2007. However, the Army and Marine Corps continued purchasing many of the same systems in 2007 as part of their reconstitution effort. They also began an initiative to increase end

strength by 65,000 soldiers and 27,000 Marines. The initial costs to achieve that goal were funded through emergency appropriations, although procurement accounted for only \$1 billion of the almost \$7 billion requested in 2007. Procurement costs for 2008 were included in DoD's regular budget.

Prevalence of Emergency Appropriations for Procurement

In recent years, DoD has received a significant portion of its procurement funding via war-related emergency appropriations. Nearly 40 percent of all procurement funding in 2007 was provided in that manner. The Army and Marine Corps received substantially larger portions of their procurement funding through war-related appropriations. Of the funding appropriated for procurement of ground equipment for the Marine Corps in 2007, nearly 90 percent was provided through emergency appropriations.¹⁰ The Army derived more than half of its total procurement funding—and about three-quarters of its funding for ground equipment—from war-related appropriations. Similar proportions prevail for funds requested for 2008. About two-thirds of the funding for Army and Marine Corps procurement will come from such appropriations if the remainder of the Administration's 2008 request is enacted.

Funding for Military Personnel

Military personnel appropriations for war-related activities have been relatively constant since the outset of operations in Iraq. Those appropriations grew from \$16 billion in 2003 to almost \$18 billion in 2004, peaked at \$18.7 billion in 2005, and have hovered at just under \$18 billion since then.

Because total funding for the war has been increasing, military personnel appropriations have accounted for a declining portion of war funding, from a high of 25 percent in 2004 to a low of about 9 percent in 2008.

War-related appropriations for military personnel are closely tied to the number of personnel deployed to operations overseas, the number of personnel activated from the reserve component, and any increase in the total size of active-duty forces funded through supplemental appropriations. Because U.S. force levels in Afghanistan and Iraq have not varied greatly over time, funding for military personnel also has not varied substantially.

U.S. forces in Afghanistan have remained largely unchanged at two to three combat brigades in the country since 2002, and U.S. forces in Iraq have fluctuated between 15 and 20 combat brigades since September 2003. Overall, there has been a slight upward trend (driven primarily by the Administration's decision in early 2007 to temporarily increase the size of U.S. forces in Iraq). The United States deployed an average of 19 combat brigades to Afghanistan and Iraq in 2004; force levels are projected

10. The Marine Corps's aviation systems are funded in the Navy's aircraft procurement account, which received 13 percent of its 2007 funding through emergency appropriations.

Table 5.

U.S. Military Activity in Iraq, Afghanistan, and Elsewhere in the War on Terrorism

| | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 |
|-------------------------------------------------------------------------|------|------|------|------|------|------|------|
| Personnel Deployed (Thousands) | 25 | 180 | 190 | 195 | 195 | 200 | 205 |
| Combat Brigades Deployed | 2 | 13 | 19 | 19 | 20 | 22 | 22 |
| War-Related Appropriations for Military Personnel (Billions of dollars) | 4 | 16 | 18 | 19 | 18 | 18 | 18 |

Source: Congressional Budget Office based on data from the Department of Defense.

Note: Amounts are annual averages by fiscal year.

- a. Data exclude military personnel deployed to operations that began before 2002. They also exclude naval personnel at sea as part of the Navy's traditional mission to project forces around the world.
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to average 22 combat brigades in 2008 (see Table 5). Similarly, the number of U.S. military personnel deployed to Afghanistan and Iraq has risen from an average of 190,000 in 2004 to a projected 205,000 in 2008.¹¹

Activating and deploying reserve personnel costs more than deploying an equivalent number of active-duty personnel because reservists do not receive full salaries unless activated. The degree to which the United States has relied on reserve forces in Afghanistan and Iraq has fluctuated. Typically, the United States has maintained one Army National Guard combat brigade in Afghanistan and a highly variable number of Army National Guard combat brigades in Iraq. The number of reserve units peaked in 2005, when nine Army National Guard combat brigades were deployed in Iraq at various points during the year; the lowest level occurred in 2007, with only one Army National Guard combat brigade deployed during the year.

Despite the substantial reduction since 2004 and 2005 in the number of reservists activated, war-related appropriations for military personnel have declined only slightly, primarily because the military was concurrently adding to the size of its active-duty force, and most of the costs of those additional active-duty personnel have been funded through those appropriations. Increases in special pays and bonuses and a slight increase in the number of personnel deployed have also offset some of the savings from reduced reserve mobilizations.

Other Funding

War-related appropriations for military construction; research, development, test, and evaluation (RDT&E); family housing; and revolving funds have also increased since

11. CBO's estimate of the number of deployed forces is based on data from the Department of Defense.

the war began but account for only a small portion—on average, about 4 percent—of all war-related funding. Funding for those activities, like that for other programs, fell in 2004 but rose thereafter. In total, funding for those accounts was about \$1.5 billion in 2004, and \$8 billion has been requested for 2008. Appropriations for military construction climbed from \$500 million in 2004 to more than \$2 billion requested for 2008. Likewise, RDT&E grew from about \$300 million in 2004 to almost \$4 billion proposed for 2008. Appropriations to various revolving funds climbed from \$600 million to a peak of \$3 billion in 2006 before declining to \$2 billion in 2008.

