



# HOUSE BUDGET COMMITTEE

## Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

B-71 Cannon HOB ■ Washington, DC 20515 ■ 202-226-7200 ■ [www.house.gov/budget\\_democrats](http://www.house.gov/budget_democrats)

June 22, 2004

### **The FY 2005 Defense Appropriations Bill Provides \$25 Billion for Operations in Iraq and Afghanistan, an Amount Insufficient to Finance the Full Year's Cost of These Operations**

Dear Democratic Colleague:

The House version of the FY 2005 Defense Appropriations Bill, which goes to the floor on Tuesday, June 22, 2004, provides only \$25 billion for operations in Iraq and Afghanistan. This amount is only about one third of what the Department of Defense (DoD) will need for the entire year and is intended to serve only as a reserve fund to carry DoD through the first few months of the fiscal year. DoD will have to submit an emergency supplemental appropriation request early in calendar year 2005 to fully fund its war requirements. Based on analysis performed by the House Budget Committee Democratic staff in May 2004, DoD will need \$40 billion to \$55 billion in addition to the \$25 billion next year (for a total of \$65 billion to \$80 billion). Further, the bill includes a provision that makes the \$25 billion available upon its enactment so that DoD can use the funds to finance shortfalls in 2004. Any of these funds that are used in this fiscal year would result in an even larger emergency supplemental funding request next year.

The Administration has been slow to admit increases in costs and the need to request a prudent level of funding to fully support the military in these operations. The President's \$25 billion reserve fund request, which came three months after his official 2005 budget request, was a step in the right direction and quieted many who were concerned. However, it didn't go far enough. It could still result in the Department having to "cash flow" (DoD jargon for borrowing from 3<sup>rd</sup> and 4<sup>th</sup> quarter funds) or defer programs to bridge funding gaps until the Congress appropriates new funds, especially if a portion of the \$25 billion reserve fund is used to finance 2004 shortfalls.

A more immediate concern is the shortage of funds in this fiscal year. After being briefed by DoD officials two weeks ago, House Appropriations Committee Chairman Bill Young said that DoD may need \$10 billion more in 2004. This is \$6 billion on top of the \$4 billion shortfall to which General Myers testified before the House Armed Services Committee in April. Yet, the Administration still maintains that DoD does not need additional funds this year and that it can live within its means to carry itself through until the beginning of next year. DoD's funding plan for the rest of the year is not yet known. However, it is becoming more and more apparent that they will have to employ creative financing methods to get by if funds from the reserve fund are not used. This likely will include the deferment of maintenance, training, or other important programs. Not only will such actions be to the detriment of our military readiness, but they also will add pressure to the budget in

2005.

The release of DoD's latest Global War on Terrorism Cost Report, which includes data through March, reflects increased costs. Total obligations for the month of March for Operations Iraqi Freedom, Enduring Freedom (Afghanistan), and Noble Eagle (enhanced security) are \$6.8 billion (\$5 billion of this amount is attributable to Iraq operations), up from \$4 billion in the month of February. The average monthly obligation rate for these operations over the first half of the fiscal year (October through March) is about \$6 billion (and is within the range of the \$5.1 billion and \$6.1 billion per month that the House Budget Committee Democratic staff projected for 2005.)

I am attaching another copy of the House Budget Committee Report on projected 2005 costs for Iraq, Afghanistan, and enhanced security operations. Please do not hesitate to contact me or the House Budget Committee Democratic staff if you have any questions.

Sincerely,

/s

John M. Spratt, Jr.

Ranking Democratic Member



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May 11, 2004

### **House Budget Committee Democratic Staff Analysis: Administration's \$25 Billion Request for Iraq and Afghanistan Operations will Cover Only a Fraction of Fiscal Year 2005 Costs**

The Administration's request of \$25 billion for fiscal year 2005 to finance military operations in Iraq and Afghanistan is below what is required by \$40 to \$55 billion. The size of this request will require the Administration to submit another supplemental request before March of next year. Furthermore, the request does nothing to address the shortfall expected by the end of this fiscal year.

Just a few weeks ago, General Richard Myers, Chairman of the Joint Chiefs of Staff, told the House Armed Services Committee that the Defense Department could face a shortfall totaling \$4 billion by the end of September.<sup>1</sup> But the Administration's request is not expected to include additional funds for this fiscal year, and the Department of Defense currently has limited flexibility within its budget to transfer amounts of this scale into the accounts that will need to be replenished. As a result, it is unclear how the Defense Department is going to make up the expected shortfall without reducing funds for programs that directly affect current operations or the readiness of our non-deployed forces.

#### **Analysis of 2005 Shortfall**

For fiscal year 2005, the cost of these operations will range from \$65 billion to \$80 billion. According to these calculations, the \$25 billion request will be \$40 billion to \$55 billion less than what is needed.

The fiscal year 2005 cost calculations are primarily based on Defense Department cost reports for the three operations the Administration categorizes as the Global War on Terrorism (GWOT) — Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF – Afghanistan), and Operation

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<sup>1</sup> House Armed Service Committee Hearing on Iraq's Transition to Sovereignty, April 21, 2004.

Noble Eagle (ONE – enhanced security at home).<sup>2</sup> The calculations use the data currently available, which run through February 2004. The data indicate that — excluding classified and intelligence programs — the Defense Department would spend from \$5.1 billion to \$6.1 billion per month (\$61 billion to \$73 billion for the year) if operations continued at the reported level. These estimates may understate the likely costs because the available data do not reflect recent increases in the level of military operations or recent reports that the Defense Department will begin rotating more heavy equipment to the theater of operations.

The total estimates for fiscal year 2005 also include costs associated with classified and intelligence programs (about \$5 billion per year based on past, publicly available data) and unbudgeted costs of the startup of the U.S. embassy in Baghdad (between \$500 million and \$1 billion).<sup>3</sup>

The table below provides low and high estimates for the cost of operations on a monthly and annual basis.

### **Projected FY 2005 Costs in Billions of Dollars**

	Low Est. Monthly Obligation <u>Rate</u>	Low Est. Annual Proj. <u>Cost</u>	High Est. Monthly Obligation <u>Rate</u>	High Est. Annual Proj. <u>Cost</u>
OIF	4.0	48.0	4.7	56.4
OEF	0.7	8.4	0.9	10.8
ONE	0.4	4.8	0.5	6.0
Classified & Intelligence	n/a	5.0	n/a	5.0
Embassy	n/a	<u>0.5</u>	n/a	<u>1.0</u>
 Total		 66.7		 79.2

### **Summary of Cumulative Cost of Iraq Operations and Reconstruction**

When the two previous supplemental appropriations are added to this one, the total cost of the war in Iraq is approaching \$150 billion.

The following summarizes the previous two supplemental appropriations plus the current request:

**!** Current request – \$25 billion

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<sup>2</sup> See “Consolidated Department of Defense (DoD) Terrorist Response Cost Reports,” compiled by the Defense Finance and Accounting Service.

<sup>3</sup> Cost range for Embassy start-up and operations are based on statements made by Marc I. Grossman, Under Secretary of State for Political Affairs, during House Armed Service Committee Hearing on April 21, 2004.

- ! FY 2004 Supplemental Appropriation – \$71 billion for Iraq operations and reconstruction, out of a total supplemental of \$87 billion:
  - ▶ \$51.5 billion for Iraq military operations,
  - ▶ \$19.5 billion for Iraq reconstruction and other efforts,
  - ▶ \$16 billion for Afghanistan and other GWOT efforts
  
- ! FY 2003 Supplemental Appropriation – \$56.4 billion for Iraq operations and reconstruction, out of a total supplemental of \$75.5 billion:
  - ▶ \$49.8 for Iraq military operations;<sup>4</sup>
  - ▶ \$6.6 billion for Iraq reconstruction and other efforts;
  - ▶ \$19.1 billion for Afghanistan and other GWOT efforts

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<sup>4</sup> Amounts for the FY 2003 Supplemental Appropriation take into account the \$3.5 billion rescission resulting from the FY 2004 Omnibus Appropriations Act.