



CONGRESSIONAL BUDGET OFFICE
U.S. Congress
Washington, DC 20515

February 7, 2007

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

Dear Mr. Chairman:

As you requested, this letter summarizes the funding provided for military and diplomatic operations in Iraq and Afghanistan and for other operations in the war on terrorism through January 31, 2007. It also presents projections by the Congressional Budget Office (CBO) of costs for such operations over the next 10 years under two different scenarios regarding the number of troops that would be deployed overseas for those purposes.

ESTIMATED FUNDING PROVIDED TO DATE

Since September 2001, policymakers have provided \$503 billion in budget authority for military and diplomatic operations in Iraq, Afghanistan, and other regions in support of the war on terrorism (see Table 1). At least 70 percent of that amount has been allocated for the war in Iraq.

Funding for military operations and other defense activities totals \$448 billion thus far, nearly all of which has gone to the Department of Defense (DoD). (Funding for intelligence agencies and the Coast Guard accounts for less than 1 percent of that total.) In addition, policymakers provided \$15 billion during the 2005–2007 period to train and equip indigenous security forces in Iraq and Afghanistan. (They provided another \$5 billion for Iraqi security forces in 2004, but because that appropriation went to the Department of State’s Iraq Relief and Reconstruction Fund, the money was classified as spending for international affairs.) Including the \$15 billion for indigenous security forces, appropriations for defense-related activities in Iraq and Afghanistan and for the war on terrorism since September 2001 total \$463 billion.

In addition to funding for defense activities, lawmakers since 2001 have appropriated just over \$34 billion for diplomatic operations and foreign aid to Iraq, Afghanistan, and other countries that are assisting the United States in the war on terrorism. Including the \$5 billion provided in 2004 to the State Department for Iraqi security forces, funding since 2001 for activities related to international affairs totals about \$40 billion. About half of that amount, \$21 billion, was appropriated for the Iraq Relief and Reconstruction Fund.

Because most appropriations for operations in Iraq and the war on terrorism appear in the same budget accounts with appropriations for DoD's other activities, determining what has actually been spent is difficult. However, CBO estimates that appropriations to DoD for operations in Iraq and the war on terrorism resulted in outlays of about \$310 billion through fiscal year 2006. About \$95 billion of those outlays occurred in fiscal year 2006, CBO estimates. Of the funds appropriated for international affairs activities, CBO estimates that close to \$30 billion has been spent.

THE ADMINISTRATION'S BUDGET REQUEST

On February 5, 2007, the Administration submitted a supplemental budget request for almost \$100 billion in additional funding for 2007: \$84 billion for military operations and other defense activities, \$10 billion for indigenous security forces, and almost \$5 billion for diplomatic activities and foreign aid. The President's budget proposal for 2008 includes a request for another \$137 billion for military operations, \$5 billion for indigenous security forces, and \$3 billion for diplomatic operations and foreign aid. If the requested amounts are appropriated, funding since 2003 for Operation Iraqi Freedom would total \$532 billion, CBO estimates. Funding since 2001 for all operations in the war on terrorism would total \$746 billion (see Table 1).

ESTIMATED FUTURE FUNDING REQUIREMENTS

CBO has estimated the future funding requirements for war-related activities under two illustrative scenarios. Estimating war costs is always difficult because of uncertainty about the scope of future military operations. The fact that little detailed information is available on the costs incurred to date further compounds the estimating challenge. Standard budget execution reports

submitted to the Office of Management and Budget do not distinguish between war and non-war expenditures, making it difficult to determine how much has actually been spent for activities related to Iraq and the war on terrorism. DoD prepares monthly reports on 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-estimating relationships.

There is also considerable uncertainty regarding the pace and scale of future military operations in Iraq, Afghanistan, and elsewhere in the war on terrorism. Thus, CBO has estimated the costs under two illustrative scenarios regarding the deployment of U.S. forces. The President has announced a plan to increase the number of military personnel deployed to Iraq, but it is not clear how many troops will be involved, how long the size of deployed forces will remain elevated, or what the nature of the United States' long-term military commitment in Iraq and elsewhere will be. Depending on how those questions are resolved, many other outcomes—some costing more and some costing less—are possible for the operations covered in these scenarios.

In both scenarios, the number of deployed active-duty, Reserve, and National Guard personnel would increase in fiscal year 2007, reflecting the President's recently announced plan to augment troop levels in Iraq. 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.

Thus far, the Department of Defense has identified only combat units for deployment. U.S. military operations also typically 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, an average of roughly 9,500 personnel has been deployed for each combat brigade in the Iraq theater, including about 4,000 combat troops and about 5,500 supporting troops. However, Army and DoD officials have indicated that it will be both possible and desirable to deploy fewer additional support units than recent practice would indicate. Thus, the scenarios CBO presents here are consistent with 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. (That figure could be smaller if the Administration succeeds in its efforts to limit the number of additional support personnel to even lower levels, as the Secretary of Defense indicated at a hearing held by the Senate Armed Services Committee on February 6, 2007; it could be larger if the historical proportion of support to combat personnel is maintained.)

CBO estimated the cost of sustaining those higher levels of deployed forces for four months. Thereafter, those deployed forces are assumed to decline at different rates and to different sustained levels in each scenario. Under the first scenario, the number of troops is reduced over a three-year period, with deployed forces declining to roughly 175,000 in 2008. That number would decline further in 2009 and 2010, leaving 30,000 military personnel overseas in support of the war on terrorism over the 2010–2017 period, although not necessarily in Iraq and Afghanistan. The Congress has provided \$67 billion in appropriations for military operations in support of the war thus far in 2007. By CBO's estimate, such a scenario would require additional appropriations of \$72 billion in 2007 and total funding of \$317 billion over the 2008–2017 period (see Table 2).

Under the second scenario, troop levels would decline more gradually over a six-year period—dropping to about 210,000 in 2008 and continuing to decline steadily in subsequent years until 75,000 remained overseas in 2013 and each year thereafter. Such a scenario would require another \$72 billion in funding in 2007 and appropriations of \$764 billion over the 2008–2017 period, CBO estimates.

Deploying more troops would require greater funding than estimated above. If DoD deployed 9,500 personnel for each additional combat brigade deployed under the President's plan (in line with recent historical experience), costs would be \$2 billion higher in 2007 and \$4 billion greater over the 2007–2009 period, assuming that increase is maintained for only four months. In contrast, if DoD is able to deploy a much smaller support contingent, totaling as few as 600 personnel per brigade, requirements for additional funding would be about \$3 billion lower over the 2007–2009 period than presented here.

CBO assumes that the cost to train and equip indigenous security forces in Iraq and Afghanistan would be approximately the same under either of the scenarios. The Congress provided about \$5 billion for that purpose in 2006,

and another \$3 billion so far in 2007. Based on the funding level in 2006, CBO estimates that DoD would require about \$60 billion over the 2008–2017 period.

CBO projected the future costs of diplomatic operations and foreign aid in Iraq and Afghanistan on the basis of the amounts provided for those activities in 2006. For that year, the Congress appropriated just over \$4 billion to fund diplomatic operations, assist local governments, and promote economic development. No funding has been provided for those purposes to date in 2007. For these two scenarios, CBO estimates that costs for diplomatic operations and foreign aid would total about \$4 billion for fiscal year 2007—roughly equivalent to the amount provided in 2006—and could total \$16 billion over the 2008–2017 period.

CBO does not include in this estimate the cost of routine diplomatic operations after 2010 but anticipates that additional security costs of roughly a billion dollars each year will be incurred throughout the period covered by this analysis. (Those costs will depend heavily on future political and military developments in Iraq and Afghanistan.) We also expect that the United States will continue to provide foreign assistance to both countries during this period and beyond. Because the United States provides substantial amounts of foreign assistance to countries around the world in its conduct of foreign policy, however, CBO's estimates for this analysis do not include such assistance after 2010.

Assuming the Congress provides the additional funds estimated for the two scenarios described above, outlays for operations in Iraq and Afghanistan and other operations in the war on terrorism will total roughly \$125 billion in 2007, CBO estimates. In 2008, outlays could total around \$135 billion if deployed forces are reduced at the rate described in the first scenario or \$140 billion, if they are reduced more slowly, as described in the second scenario.

Funding for operations in Iraq accounts for 75 percent to 80 percent of all the funding provided for the war on terrorism in 2005 and 2006. That proportion seems plausible for the next two years but beyond 2008, the allocation of troop deployments and costs to specific operations is highly uncertain.

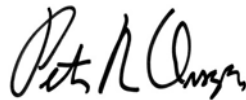
The Administration's funding request for 2007 exceeds the amount assumed in these two scenarios by about \$21 billion. The 2008 request of \$145 billion

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is \$21 billion more than the amount that CBO projected for 2008 in the first alternative path described above, and roughly equals the amount projected in the second alternative. CBO has not yet analyzed the President's budget request to determine how quickly those funds would be spent or what implications that request has for costs in future years under the two scenarios discussed above. CBO's projection of those costs may change after that analysis is completed.

I hope this information is helpful to you. If you would like further analysis or information on this subject, we would be pleased to provide it. The CBO staff contact for this analysis is David Newman, who can be reached at 226-2840.

Sincerely,

A handwritten signature in black ink, appearing to read "Peter R. Orszag". The signature is fluid and cursive, with the first name "Peter" being the most prominent.

Peter R. Orszag
Director

Enclosure

cc: Honorable Judd Gregg
Ranking Member

TABLE 1. ESTIMATED APPROPRIATIONS PROVIDED AND REQUESTED FOR THE WAR IN IRAQ AND THE WAR ON TERRORISM, 2001–2008

	Appropriated to Date							Total 2001-2007	President's Additional Budget Request		Total Appropriated and Requested 2001-2008
	2001	2002	2003	2004	2005	2006	2007		2007	2008	
Operation Iraqi Freedom^a											
Military Operations and Other Defense Activities	0	0	46	68	53	89	57	313	61	108	482
Indigenous Security Forces ^b	0	0	0	5	6	3	2	16	4	2	21
Diplomatic Operations and Foreign Aid	<u>0</u>	<u>0</u>	<u>3</u>	<u>15</u>	<u>1</u>	<u>3</u>	<u>0</u>	<u>22</u>	<u>3</u>	<u>3</u>	<u>29</u>
Subtotal	0	0	49	88	60	95	59	351	68	113	532
Other Operations^c											
Military Operations and Other Defense Activities	14	18	34	21	18	22	9	135	23	29	187
Indigenous Security Forces ^b	0	0	0	0	1	2	2	5	6	3	13
Diplomatic Operations and Foreign Aid	<u>*</u>	<u>2</u>	<u>5</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>0</u>	<u>12</u>	<u>1</u>	<u>0</u>	<u>13</u>
Subtotal	14	19	40	22	21	24	11	151	30	32	214
Total	14	19	88	111	81	120	70	503	98	145	746

Source: Congressional Budget Office.

Notes: Details may not add to totals because of rounding.

* = between zero and \$500 million.

- a. The Congress has not appropriated funds by military operation. For the 2003–2005 period, CBO estimated funding provided for Operation Iraqi Freedom by allocating funds on the basis of obligations reported by the Department of (DoD). Estimates of funding for that operation over the 2006–2008 period were provided by DoD in budget justification material for the fiscal year 2008 budget request. For more information about funding for Operation Iraqi Freedom, see Congressional Budget Office, *Estimated Costs of U.S. Operations in Iraq Under Two Specified Scenarios* (July 13, 2006).
- b. Funding for indigenous security forces, which was appropriated in accounts for diplomatic operations and foreign aid (budget function 150) in 2004, and in accounts for defense (budget function 050) since 2005, is used to train and equip local military and police units in Iraq and Afghanistan.
- c. Includes Operation Enduring Freedom (in and around Afghanistan), Operation Noble Eagle (homeland security missions, such as combat air patrols, in the United States), the restructuring of Army and Marine Corps units, classified activities other than those funded by appropriations for the Iraq Freedom Fund, and other operations. (For fiscal years 2005 through 2007, funding for operation Noble Eagle has been intermingled with regular appropriations for the Department of Defense; that funding is not included in this table because it cannot be identified separately.)

TABLE 2. ESTIMATED ADDITIONAL COSTS OF U.S. ACTIVITIES IN IRAQ, AFGHANISTAN, AND THE WAR ON TERRORISM UNDER TWO SCENARIOS

	Budget Authority in Billions of Dollars, by Fiscal Year											Total, 2007- 2017
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
SCENARIO ONE: ASSUMING DEPLOYED TROOPS ARE REDUCED TO 30,000 BY 2010												
Military Operations and Other Defense Activities	72	114	69	34	19	13	13	13	14	14	14	389
Indigenous Security Forces	3	6	6	6	6	6	6	6	6	6	6	63
Diplomatic Operations and Foreign Aid	<u>4</u>	<u>4</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>20</u>
Total ^a	79	124	78	42	26	20	20	20	21	21	21	472
SCENARIO TWO: ASSUMING DEPLOYED TROOPS ARE REDUCED TO 75,000 BY 2013												
Military Operations and Other Defense Activities	72	134	124	104	84	64	54	50	49	50	51	836
Indigenous Security Forces	3	6	6	6	6	6	6	6	6	6	6	63
Diplomatic Operations and Foreign Aid	<u>4</u>	<u>4</u>	<u>3</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>20</u>
Total ^a	79	144	133	112	91	71	61	57	56	57	58	919

Source: Congressional Budget Office.

Note: The President's budget released on February 5, 2007, includes requests for 2007 and 2008 that differ from the amounts presented here. For military operations, the request includes \$84 billion in 2007 and \$137 billion in 2008. Requested funding for indigenous security forces totals \$10 billion in 2007 and \$5 billion in 2008. Diplomatic operations and foreign aid are budgeted for an additional \$6 billion in 2007 and another \$3 billion in 2008. Some of the funding may not be directly related to the war on terrorism.

a. The amounts shown for 2007 are in addition to the sums already provided for the year in Title IX of the Department of Defense Appropriations Act, 2007. The amounts already appropriated are shown in Table 1.