

# CRS Report for Congress

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## The Cost of Operations in Iraq, Afghanistan, and Enhanced Security

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### Summary

Since the 9/11 terrorist attacks, CRS estimates that the Department of Defense (DOD) has received over \$201 billion for combat operations, occupation, and support for military personnel deployed or supporting operations in Iraq and Afghanistan and for enhanced security at military installations, collectively called the “global war on terrorism.” That includes \$25 billion to cover some of DOD’s FY2005 costs. On January 25, 2005, the White House announced it would request \$80 billion more for these operations in its FY2005 Supplemental, including about \$75 billion for DOD. If Congress approves that amount, DOD’s funding through FY2005 for these missions will exceed \$275 billion. Much of the debate about the new supplemental may focus on the cost and duration of U.S. involvement in Iraq and the global war on terrorism. CBO recently estimated that military operations in Iraq and Afghanistan could cost \$458 billion from FY2005 through FY2014 in addition to amounts already received.

While the Defense Department has provided various data to the Congress, it has not given Congress a full allocation of funding for Iraq, Afghanistan, and enhanced security. Based on data from DOD, CRS estimates that DOD expected to spend about \$100 billion for Iraq, \$50 billion for Afghanistan, and \$23 billion for enhanced security through the end of FY2004. Between FY2002 and FY2005, Congress appropriated about \$27 billion to other agencies for reconstruction and embassy operations in Iraq and Afghanistan. With those costs, total funding would be about \$148 billion for Iraq and \$58 billion for Afghanistan as of the end of the 108<sup>th</sup> Congress. If Congress approves the \$75 billion requested and if the cost for Afghanistan remains steady, CRS estimates that DOD’s contractual costs could total about \$192 billion for Iraq, about \$58 billion for Afghanistan, and about \$20 billion for enhanced security by the end of FY2005.

### Likely FY2005 Funding Compared to Previous Funding

According to press reports, the White House is likely to request an additional \$75 billion to cover DOD’s FY2005 costs for Iraq, Afghanistan, and enhanced security, as

well as another \$5 billion for other agencies.<sup>1</sup> Adding the \$25 billion in “bridge” funds already appropriated to cover war costs in the first few months of the fiscal year, total FY2005 funding for military operations in Iraq and Afghanistan and enhanced security for defense installations would be about \$98 billion, some \$33 billion and 50% higher than the \$64.9 billion enacted for these purposes in FY2004 (See **Table 1**).<sup>2</sup>

As expected, the new FY2005 supplemental includes substantial amounts for “reconstitution,” i.e. to repair and replace damaged or destroyed equipment, as well as for new efforts to reconfigure Army brigades to smaller, more easily deployed units of action. The supplemental also includes \$5.7 billion to train Iraqi security forces and \$1.3 billion to train Afghan security forces. For further information about this supplemental, see CRS Report RL32783. Debate about this new supplemental may focus on the duration and overall cost of the U.S. occupation of Iraq. According to a new CBO estimate, operations in Iraq and Afghanistan and enhanced security for FY2005 through FY2014 could cost \$458 billion in addition to the \$201 billion that DOD has already received (see **Table 1**).<sup>3</sup> CRS estimates that DOD can pay for its operational war costs until at least the end of April 2005 by using the bridge supplemental and FY2005 peacetime funds.<sup>4</sup>

## Data Difficulties

The Defense Department has not provided an allocation of all of its war-related appropriations since 9/11 which shows the amounts for individual operations in Iraq (Operation Iraqi Freedom), Afghanistan (Operation Enduring Freedom), and enhanced security for defense installations (Operation Noble Eagle). DOD’s funding is not appropriated by military operation but rather by the type of expense, e.g. funds to pay troops. Since the mid-1990s, however, DOD has captured estimates of the incremental cost of contingencies and military operations in monthly reports issued by the Defense Finance and Accounting Service (DFAS).<sup>5</sup> CRS has relied on these DFAS reports, other DOD data, and congressional appropriations reports to resolve discrepancies and fill in

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<sup>1</sup> USA Today, “Worn-Out Army Equipment to Cost, U.S.,” January 26, 2005; *CQ Weekly*, “Supplemental Request in the Wings,” January 31, 2005.

<sup>2</sup> The \$25 billion provided P.L. 108-287 was made available upon enactment to cover potential shortfalls and hence is “scored” or counted as FY2004 funds. DOD obligated \$1.8 billion in FY2004 and will use the remaining \$23.2 billion for FY2005 expenses.

<sup>3</sup> CBO, “An Alternative Budget Path Assuming Continued Spending for Military Operations in Iraq and Afghanistan and in Support of the Global War on Terrorism,” February 1, 2005; [<http://www.cbo.gov/ftpdocs/60xx/doc6067/02-01-WarSpending.pdf>].

<sup>4</sup> CRS’s estimate for how long DOD can “cashflow” or finance war costs assumes that operational costs this year will be similar to those in FY2004, and that the higher funding level likely to be requested in FY2005 is largely due to more investment costs which can be delayed in the short-term.

<sup>5</sup> The services use DOD financial regulations as guides to distinguish between peacetime and operations in their reports to DFAS but such allocations may require judgement calls; see Volume 12, Chapter 23, “Contingency Operations,” in *DOD Financial Management Regulation*, [<http://www.defenselink.mil/comptroller/fmr/>]; *obligations* reflect amounts DOD contracts to spend rather than *outlays*, the actual amounts spent. DOD does not track outlays for contingencies as it does for other spending.

gaps and estimate how costs are split among Iraq, Afghanistan, and enhanced security. If the Defense Department set up separate accounts for war and occupation expenses, both its tracking and its predictive ability could improve.

## DOD Funds for Afghanistan, Iraq, and Enhanced Security Total Over \$200 Billion Through the 108th Congress

Since September 11, 2001, the Department of Defense (DOD) has received over \$200 billion to cover the cost of combat, ongoing military operations, and occupation in Afghanistan and Iraq, as well as enhanced security in the United States for defense installations. These funds were provided in regular and supplemental appropriations measures enacted between FY2001 and FY2005. If Congress approves the \$75 billion likely to be requested, then the DOD cost of the “global war on terrorism” would exceed \$275 billion through FY2005 (see **Table 1** below).

**Table 1. DOD’s Funding for Iraq, Afghanistan, and Operation Noble Eagle, FY2001-FY2005<sup>a</sup>**

(billions of dollars)

Name of Law	Date of Enactment	Public Law Number	DOD Funding <sup>a</sup>
FY2001 Emergency Terrorism Response Supplemental Appropriations Act and the FY2002 DOD Appropriations Act	9/18/01; 1/10/02	P.L.107-38; P.L.107-117	\$16.5
FY2002 Emergency Supplemental	8/2/02	P.L. 107-206	\$14.0
FY2003 DOD Appropriations Act	10/23/02	P.L.107-248	\$7.1
FY2003 Consolidated Appropriations Resolution	2/20/03	P.L.108-7	\$10.0
FY2003 Emergency Supplemental	4/16/03	P.L.108-11	\$62.6
FY2004 DOD Appropriations Act	9/30/03	P.L.108-87	-\$3.5
FY2004 Emergency Supplemental	11/6/03	P.L.108-106	\$64.9
FY2005 DOD Appropriations Act <sup>b</sup>	8/5/2004	P.L.108-287	\$25.0
Transfers of Regular DOD Appropriations to fund war-related needs <sup>a</sup>	NA	NA	\$4.6
<b>Total Received Thru 108<sup>th</sup> Congress</b>	—	—	<b>\$201.2</b>
<b>Likely FY2005 Supplemental Request</b>	—	—	<b>\$75.0</b>
<b>Total if FY2005 Request is Enacted</b>	—	—	<b>\$276.2</b>

**Sources and Notes:** CRS calculations based on public laws. Totals may not add due to rounding.

- Totals reflect DOD’s budgetary resources for war-related expenses and exclude funds transferred to other agencies, contingent appropriations not approved, and rescissions to regular DOD appropriations and include transfers from regular DOD funds.
- CBO counted DOD’s FY2005 war-related appropriations as \$26.8 billion, including \$1.8 billion to reflect Congress’s decision to no longer require that DOD rescind funds provided in FY2004 funds; that action does not provide an additional \$1.8 billion in resources and hence is not counted above.

## DOD's Projected Funding For Iraq, Afghanistan, and Enhanced Security, FY2001-FY2005

Of the total of \$201.2 billion in appropriations received by DOD through the 108<sup>th</sup> Congress, DOD documents suggest that Iraq is expected to cost about \$125 billion, Afghanistan about \$54 billion and enhanced security about \$23 billion (see **Table 2**).<sup>6</sup> Of that total, Afghanistan accounts for about 25%, Iraq for over 60% and enhanced security just over 10%.

**Table 2. Funding to Date for Iraq, Afghanistan and Enhanced Security, FY2001- FY2005**

(billions of dollars)

Military Operation or Mission	FY2001, P.L.107-38 and P.L.107-117	FY2002 Emerg. Supp P.L.107-206	FY2003 Omnibus P.L.108-11	FY2003 Regular DOD Approps, P.L.107-248 <sup>b*</sup>	FY2003 Emerg. Supp, P.L. 108-7	FY2004 Supp, P.L.108-106 and FY2004 transfers <sup>c*</sup>	FY2005 Regular DOD Approps, P.L. 108-287 <sup>c*</sup>	Total*
Afghanistan	11.9	12.5	10.0	3.0	5.1	7.8	3.5	53.8
Iraq	—	—	—	—	48.5	54.7	21.5	124.8
Enhanced Security and Other <sup>a</sup>	4.6	1.5	—	4.1	5.5	7.1	—	22.7
<b>Total</b>	<b>16.5</b>	<b>14.0</b>	<b>10.0</b>	<b>7.1</b>	<b>59.1</b>	<b>69.5</b>	<b>25.0</b>	<b>201.2</b>

\*Denotes CRS estimate

**Sources and Notes:** CRS calculations based on DOD data, congressional committee reports, and DOD briefings. Totals may not add due to rounding. Include \$14 billion in intelligence funding.

a. 'Other' includes funding for Pentagon reconstruction and reconstruction.

<sup>b</sup> CRS allocated monies for the "global war on terrorism," assuming that military personnel and Operation and Maintenance funds were for enhanced security (e.g. guards) and that procurement and Research Development, Test & Evaluation funds were for Afghanistan (e.g. munitions); this also reflects project descriptions.

<sup>c</sup> Includes \$4.6 billion in funds transferred from DOD's regular appropriations for war-related costs. DOD did not specify transfers or FY2005 funds by operation, so CRS split these transfers 85% for Iraq and 15% for Afghanistan based on FY2004 obligations.

The cost estimates above reflect DOD's forecasts about the pace of operations in Iraq and Afghanistan and estimates of costs and appropriations received. Since most of the FY2001 funding was appropriated at the very end of the fiscal year, it is appropriate to combine FY2001 and FY2002, suggesting the cost for Afghanistan's first year of operations was \$24.8 billion. In FY2003, after combat operations and the first year of occupation were completed, DOD projected that the cost of Afghanistan would drop by one-quarter to \$18.4 billion. By FY2004, DOD expected that costs would more than halve to \$7.1 billion.

In the case of Iraq, DOD originally estimated that costs in FY2003 for Iraq would be \$52.0 billion to cover deployment of forces in the late fall of 2002, the conduct of major combat operations in March 2003, and post-combat stabilization operations. Assuming

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<sup>6</sup>This estimate is based on allocations in DOD and Congressional documents plus CRS estimates of funding provided in DOD's regular FY2004, and FY2005 appropriations; see notes to Table 2 for more detail.

ten months of operating costs — based on the initial influx of troops for Iraq in December 2002 — that suggests that operations in FY2003 were expected to average about \$5.2 billion a month. In FY2004, DOD expected monthly costs to drop to \$4.3 billion, with an annual cost of about \$51 billion.<sup>7</sup>

DOD's estimates of the cost of enhanced security vary for reasons that are not clear. In the year immediately after the September 11<sup>th</sup> attacks when DOD ratcheted up security at its bases and conducted extensive combat air patrol, DOD estimated costs at \$6.1 billion. That cost was expected to increase to \$9.6 billion in the following year FY2003. Then in FY2004, DOD forecast that funding would drop to \$7.1 billion, \$1 billion more than for the first year after the attacks.<sup>8</sup>

## Trends in Obligations Reflect Unanticipated Changes

DOD obligations — funds contracted to be spent — show how and where costs were incurred and, hence, are a more accurate reflection of circumstances.<sup>9</sup> CRS estimates suggest that total obligations through FY2004 for the “global war on terrorism,” were over \$7 billion less than the total amount appropriated through P.L. 108-106, the FY2004 supplemental appropriations act; according to DOD, both its appropriations and its obligations for this period were about \$171 billion.<sup>10</sup> By the end of FY2004, DOD had obligated a total of about \$170 billion, including about \$106 billion for Iraq, about \$47 billion for Afghanistan, and about \$18 billion for enhanced security.

Comparing overall obligations to enacted levels, Iraq has cost about \$5 billion more, Afghanistan about \$3 billion less and enhanced security about \$5 billion less than enacted levels (see **Table 2** and **Table 3**).<sup>11</sup> In FY2003, obligations were lower than anticipated for Iraq, Afghanistan and enhanced security, and in FY2004, obligations generally exceeded forecasts.

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<sup>7</sup> Office of the Under Secretary of Defense (Comptroller), Briefing, “Contingency Operations: Estimating - Funding - Execution,” February 2004, p. 6.

<sup>8</sup> DOD's official submit estimated the cost of enhanced security at \$2.2 billion but its planning documents assumed \$7.1 billion; see DOD, “FY2004 Supplemental Request . . .” above.

<sup>9</sup> Obligations do not capture the full cost of equipment purchases because some contracts are not negotiated until the second year after funds are appropriated.

<sup>10</sup> See Box 1-1 in CBO, *FY2006 Budget and Economic Outlook*, 1-25-05, available at [<http://www.cbo.gov/showdoc.cfm?index=6060&sequence=0&from=7>].

<sup>11</sup> This comparison excludes the \$4.6 billion of regular funds that DOD transferred in FY2004.

**Table 3. Obligations of Funds to Date for Iraq, Afghanistan and Enhanced Security, FY2001-FY2004**  
(billions of dollars)

Military Operation or Mission	FY2001	FY2002	FY2003	FY2004	Cumulative Obligations	Percent of Total	
						F2004	Cumulative Obligations
Afghanistan	0.4	19.5	16.2	11.0	47.1	14%	28%
Iraq	0.0	0.0	44.2	61.3	105.5	80%	62%
Enhanced Security and Other	0.1	7.5	6.3	3.9	17.8	5%	3%
<b>Total</b>	<b>0.5</b>	<b>27.0</b>	<b>66.7</b>	<b>76.2</b>	<b>170.4</b>	<b>100%</b>	<b>100%</b>

**Sources:** Department of Defense, Defense Finance Accounting Service reports, Consolidated Department of Defense (DoD) Terrorist Response Cost Report, September 2003 and September 2004, Congressional reports, and DOD briefings.

**Notes:** Totals may not add due to rounding.

**Iraq: Obligations vs. Forecast.** Obligations data indicate that Iraq's monthly costs in FY2003 were about \$4.4 billion, or about \$800 million lower than the \$5.2 billion forecast, perhaps because initial combat costs were lower than expected. For this reason, Congress rescinded \$3.5 billion of the FY2003 supplemental. For FY2004, Iraq's monthly obligations were about \$5.1 billion, about \$800 million higher than the \$4.3 billion forecast. Those higher costs reflected the fact that instead of dropping to 99,000 as anticipated, troop levels remained around 150,000; that combat operations intensified; and that DOD faced unexpectedly high costs for force protection (e.g. uparmoring of Humvees).<sup>12</sup> To make up the shortfall in FY2004, DOD transferred \$4.6 billion from its peacetime funds and tapped \$1.9 billion in funds appropriated in FY2005.<sup>13</sup>

**Afghanistan: Obligations vs. Forecast.** For Afghanistan, FY2003, obligations were somewhat lower than planning figures, \$16.2 billion rather than \$18.1 billion. In FY2004, obligations for Afghanistan were \$11.0 billion rather than the \$7.1 billion forecast, about 50% higher than anticipated, which may reflect higher troop levels and base support costs.<sup>14</sup>

**Enhanced Security: Obligations vs. Forecast.** In FY2003, obligations for enhanced security were \$6.3 billion compared to the \$9.6 billion appropriated. This may reflect both difficulties that DOD has experienced in tracking all funds appropriated for the global war on terrorism and part of the gap between total appropriations and total obligations. In FY2004, DOD obligated \$3.9 billion for this mission rather than the \$7.1 billion anticipated in its forecast. Lower costs may be due to efforts by the services to reduce use of reservists for enhanced security on bases because of the increased demand for those forces in Iraq.

<sup>12</sup> DOD's forecast assumed troop levels would drop from 147,000 to 99,000 by the end of FY2003. Office of the Secretary of Defense, Comptroller, *Contingency Operations, Estimating - Funding - Execution*, February 2004, p.4, p.10, and p. 23.

<sup>13</sup> Section 9001 of 108-287 made war-related funds available upon enactment in August 2004.

<sup>14</sup> USA Today, "Army Begins Sending More Troops to Afghanistan," September 23, 2004.