

The Cost of Military Operations in Iraq and Afghanistan

Steven M. Kosiak

Center for Strategic and Budgetary Assessments

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Since 2001, Congress has appropriated about \$302 billion to cover the cost of US military operations in Afghanistan (\$76 billion) and Iraq (\$226 billion). This figure includes a down payment of some \$50 billion for fiscal year (FY) 2006 costs. In addition, Congress has provided Afghanistan and Iraq, respectively, with about \$7 billion and \$25 billion in non-Department of Defense (DoD) funding for reconstruction and related efforts. It is impossible to estimate with confidence how much additional funding will be needed to cover the cost of US military operations in these two countries in 2006 and beyond. However, it seems almost certain that the Bush Administration will request at least another \$35 billion, and possibly substantially more, for military operations in 2006. This would bring the total amount appropriated to DoD for military operations to \$337 billion, including some \$83 billion for Afghanistan and \$254 billion for Iraq, by the end of this year.

Projecting funding requirements beyond 2006 becomes highly speculative. Those costs could vary dramatically, depending primarily on how many troops the United States keeps in Afghanistan and Iraq, and for how long. If the United States were to decide to withdraw its troops from Iraq in relatively short order, for example, over the next 18

months—as has been suggested by some critics outside the administration¹—but keep a small number of troops deployed in Afghanistan through the coming decade, an additional \$100 billion might suffice. On the other hand, if the United States were to keep forces in Iraq through the next decade, even at substantially reduced levels—as some believe might be necessary to defeat the insurgency²—and also keep troops in Afghanistan, another \$310 billion could be needed. Taken together, these estimates suggest that the total cost to DoD of these military operations could, ultimately (i.e., by 2015), range from some \$440 billion to \$650 billion, including perhaps \$150 billion for the war in Afghanistan and \$290-500 billion for the war in Iraq.

Funding for US Military Operations, FY 2001-FY 2006

Operation Enduring Freedom (Afghanistan)	\$76 billion
Operation Iraqi Freedom	\$226 billion
Operation Noble Eagle and Other	\$29 billion
Total	\$331 billion

Source: CSBA based on CRS, CBO and DoD data.

Funding for Military Operations in Afghanistan and Iraq To Date

Since the terrorist attacks of 9/11, DoD has been provided a total of about \$331 billion for military operations in Iraq and Afghanistan, and certain homeland security-related missions. A total of five supplemental appropriations with war-related funding were enacted between September 2001 and May 2005, containing a total of \$233 billion. An additional \$98 billion has been provided through annual defense appropriations acts and other measures.³ Of this latter amount, \$50 billion was included in the recently approved FY 2006 defense appropriations act, as a “bridge fund” intended to cover costs incurred prior to the Bush Administration’s submission and Congress’ passage of an FY 2006 supplemental appropriation sometime (presumably) in the spring of 2006.

The wars in Afghanistan and Iraq, respectively, have accounted for about \$76 billion and \$226 billion of the \$331 billion provided in these various measures,⁴ with the

remainder absorbed by certain homeland security-related activities (i.e., Operations Noble Eagle) and other programs, such as the Army's modularity initiative.⁵

Costs Covered

In theory, the funding provided for the military operations in Afghanistan and Iraq in the various measures outlined above is intended to cover the incremental costs to DoD of conducting these operations. In other words, this funding is meant to cover costs above and beyond those that would normally be incurred by DoD in peacetime. About 90 percent of the funding provided for military operations since 9/11 has been allocated to two DoD accounts—military personnel, and operations and maintenance (O&M).⁶ This includes, for example, the cost of activating Reserve and National Guard personnel, operating and repairing equipment, and various logistical functions. Most of the remaining funding has been allocated to DoD's weapons procurement accounts.

Sufficiency of Funding

A number of members of Congress and others have argued that the level of funding provided for military operations in recent years has been insufficient. The most frequent argument has been that the funding provided has not been enough to cover fully costs associated with repairing and replacing equipment worn out or destroyed during the operations in Iraq and Afghanistan.⁷ However, the best available evidence suggests that the level of funding provided to date has been adequate to cover the costs incurred.

In February 2005, the Congressional Budget Office (CBO) estimated that about \$90 billion in DoD funding would be required in FY 2005 to cover the cost of military operations in Iraq and Afghanistan, as well as Operation Noble Eagle.⁸ About \$4 billion of that funding appears to have been associated with Operation Noble Eagle.⁹ Excluding these homeland security-related costs leaves about \$86 billion for military operations in Afghanistan and Iraq.

CBO's estimate was derived based on the assumption that an average of some 206,000 US military personnel would remain deployed in and around Iraq and

Afghanistan through the end of FY 2005,¹⁰ with this total including some 150,000 troops in Iraq, 18,000 in Afghanistan and 30,000-40,000 elsewhere in the region. This is close to the average number of troops that were, in fact, deployed to the region during the year. According to an analysis by the Congressional Research Service (CRS), about 20 percent of the funding obligated by DoD for military operations through June 2005 was allocated to Afghanistan and about 80 percent to Iraq.¹¹ This suggests that FY 2005 costs for military operations in Afghanistan would be \$16 billion, with \$70 billion needed to cover the cost of operations in Iraq.

In March 2005, CBO released a paper that attempted to estimate costs associated with the increased wear and tear on US military equipment resulting from US involvement in military operations.¹² In this analysis, CBO concluded that—including backlogs from FY 2003 and FY 2004—DoD might need \$13-18 billion to cover these costs in FY 2005. The extent to which these costs were taken into account in CBO's February 2005 estimate is unclear. If they were not included, this would suggest that total FY 2005 funding requirements would increase from about \$86 billion to \$99-104 billion.

Including both the \$25 billion provided in the FY 2005 annual defense appropriations act and the \$76 billion provided for DoD in the FY 2005 supplemental appropriation enacted in May 2005—but excluding the \$5 billion included in the latter for the Army's Modularity program—Congress provided a total of about \$96 billion for military operations in Afghanistan and Iraq in FY 2005. Thus, assuming actual costs of \$99-104 billion, the amount provided might have been as much as \$3-8 billion less than needed.

Conversely, assuming CBO's February 2005 estimate of FY 2005 costs *did* include costs associated with reducing DoD's equipment maintenance and repair backlog, the amount available for FY 2005 would be \$10 billion above the (\$86 billion) CBO estimate of FY 2005 costs. The \$96 billion provided in FY 2005 also appears high compared to both the cost of previous US military operations and earlier CBO projections of the likely cost of military operations in Afghanistan and Iraq.

In September 2002, CBO estimated that—based on cost data from prior military operations—the occupation of Iraq would cost \$1.5 billion to \$4 billion a month, assuming that 75,000 to 200,000 US troops would be involved in the operation.¹³ This suggests cost per troop of about \$200,000 annually. This, in turn, implies total costs of some \$40 billion to support the roughly 200,000 military personnel projected to be deployed in and around Iraq and Afghanistan in FY 2005.¹⁴ This is less than half the amount DoD was provided for military operations in these countries in FY 2005.

CBO provided another estimate of the cost of these military operations in June 2004. In this estimate, CBO projected that sustaining a force of roughly 180,000 troops in and around Afghanistan and Iraq in FY 2005 would cost a total of some \$61 billion¹⁵—suggesting a cost of perhaps \$70 billion for sustaining roughly 200,000 troops. This is some \$16 billion less than was projected in the most recent DoD and CBO estimates. Moreover, although CBO has revised its estimates upward over the past several years, it has also noted that DoD has provided relatively little detail on actual costs to date,¹⁶ and that CBO’s most recent projection of FY 2005 costs is based largely on an extrapolation of obligations reported by DoD for FY 2004—rather than a completely independent analysis of funding requirements.¹⁷

Funding Requirements in Future Years

Given the substantial uncertainty surrounding estimates of the costs incurred in Afghanistan and Iraq to date, not surprisingly, funding requirements for military operations in FY 2006 and beyond can at best be only very roughly and tentatively estimated. As noted earlier, the recently enacted FY 2006 defense appropriations act included \$50 billion for military operations this year. In its February 2005 analysis, CBO estimated that a total of about \$85 billion would need to be provided to cover the cost of military operations in FY 2006. This suggests that DoD will need to be provided an additional \$35 billion to fully cover the cost of military operations this year.

In deriving this estimate, CBO assumed that the number of troops deployed in support of military operations in Iraq and Afghanistan would remain at about 200,000 throughout the year. If the breakdown in troops between these two missions were to remain roughly what it was in FY 2005, this suggests that some \$7 billion and \$28 billion of this additional funding would be allocated, respectively to Afghanistan and Iraq. This, in turn, would bring total DoD funding to \$83 billion for military operations in Afghanistan and \$254 billion for the war in Iraq, through the end of FY 2006 (i.e., September 30, 2006).

This may understate FY 2006 funding requirements. If the amount of funding provided in FY 2005 was insufficient to fully cover the cost of military operations in Iraq and Afghanistan, including costs associated with eliminating the backlog of equipment that needs to be overhauled or replaced, some additional funding might be required. Based on the CBO analysis discussed earlier, the additional funding required might be expected to amount to some \$3-8 billion. In this case, the administration would be expected request some \$38-43 billion in supplemental appropriations in FY 2006, bringing total FY 2006 funding for military operations to \$88-93 billion.

It is possible that the administration might request even more funding for military operations in FY 2006. According to press reports, some members of Congress, at least, believe that the military may need supplemental appropriations of as much as \$80-100 billion in FY 2006.¹⁸ This would bring total FY 2006 costs for military operations to \$130 billion or more. It would, however, be extremely difficult to reconcile funding requirements of this magnitude with the cost of past US military operations, or recent CBO and DoD estimates of funding requirements for Iraq and Afghanistan.

Some insight into future costs, for FY 2007 and beyond, can be gained by considering two illustrative alternative scenarios. Under the first scenario it is assumed that the United States withdraw its troops from Iraq over the next 18 months but keep a small number of troops deployed in Afghanistan through the coming decade. In this case, based on CBO costing methodology, a reasonable estimate is that Congress would need

to provide DoD with another \$100 billion over the FY 2007-15 period—with perhaps \$65 billion of this total allocated to Afghanistan and \$35 billion to Iraq.¹⁹

Under the second scenario, it is assumed that the United States would keep forces in Iraq through the next decade and also keep a small number of troops in Afghanistan (as in the first scenario). Specifically, this cost estimate was derived based, among other things, on the assumption that the number of US troops deployed in and around Iraq and Afghanistan would remain at roughly 200,000 through FY 2006, decline to about 50,000 by FY 2010, and remain at that level through FY 2015.²⁰ In this case, DoD would require an additional \$310 billion for military operations over the FY 2007-15 period, including perhaps \$65 billion for Afghanistan and \$245 billion for Iraq. These two scenarios suggests that the total cost to DoD of these military operations could, ultimately (i.e., by 2015), range from \$440-650 billion, including about \$150 billion for Afghanistan and \$290-500 billion for Iraq.

¹ See, for example, Barry R. Posen, “Exit Strategy: How to Disengage from Iraq in 18 months,” *Boston Review*, November/December 2005, www.bostonreview.net/BR31.1/posen.html. Others, including, for example, Rep. John Murtha (D-PA), the ranking minority member of the House Defense Appropriations Subcommittee, have called for withdrawing US forces from Iraq within the next six months.

² See, for example, Andrew F. Krepinevich, “How to Win in Iraq,” *Foreign Affairs*, September/October 2005, pp. 87-104.

³ For a comprehensive list of the funding vehicles used to pay for military operations since 2001, see, Amy Belasco, “The Cost of Iraq, Afghanistan and Enhanced Base Security Since 9/11,” Congressional Research Service (CRS), October 7, 2005, p. 2.

⁴ This estimate was derived by CSBA based on a variety of sources, including Belasco, p. 10.

⁵ Under its modularity initiative, the Army plans to increase the number of deployable active brigades from 33 to 43-48 without permanently increasing the Army’s active duty end strength. The Army’s decision to restructure its forces appears to rest in part on lessons learned as a result of recent experience in Iraq and Afghanistan. However, this initiative would apparently be carried out by the Army even if US forces were no longer engaged in operations in those countries, to improve the capability of the US Army to fight effectively in future military operations. For an analysis of these plans, see, Adam Talaber, *Options for Restructuring the Army* (Washington, DC: CBO, May 2005).

⁶ Government Accountability Office (GAO), *Global War On Terrorism: DoD Should Consider All Funds Requested for the War When Determining Needs and Covering Expenses* (Washington, DC: GAO, September 2005), p. 7.

⁷ See, for example, Tony Capaccio, "\$5 Billion Extra Needed To Replenish Iraq Supplies, Pentagon Says," *Bloomberg.com*, May 19, 2005.

⁸ CBO, "An Alternative Budget Path Assuming Continued Spending for Military Operations in Iraq, Afghanistan and in Support of the Global War on Terrorism," February 2005, p. 3.

⁹ See, Douglas Holtz-Eakin, Director, CBO, Letter to the Honorable Kent Conrad concerning the cost of the occupation of Iraq and other military operations, June 25, 2004, p. 12.

¹⁰ CBO, "An Alternative Budget Path," p. 3.

¹¹ Belasco, p. 10.

¹² Douglas Holtz-Eakin, Director, CBO, Letter to the Honorable Ike Skelton concerning the impact of military operations on major equipment, March 18, 2005, p. 1.

¹³ Dan L. Crippen, Director, CBO, Letter to the Honorable Kent Conrad and Honorable John Spratt concerning the cost of possible military operations in Iraq, September 30, 2002, p. 8. These figures have been converted to FY 2005 dollars.

¹⁴ This figure includes about 150,000 personnel deployed in Iraq, 18,000 deployed in Afghanistan and 30,000-40,000 deployed in Kuwait and elsewhere in the region.

¹⁵ Holtz-Eakin, June 25, 2004, pp. 11-12. In order to make this CBO estimate comparable to DoD's estimate, this analysis excludes the \$4 billion CBO projected would be required for Operation Noble Eagle.

¹⁶ Ibid, p. 1. For a brief discussion of data difficulties related to funding for military operations, see also, Amy Belasco, "The Cost of Operations in Iraq, Afghanistan, and Enhanced Security," CRS, February 3, 2005, pp. 2-3.

¹⁷ CBO, "An Alternative Budget Path Assuming Continued Spending for Military Operations in Iraq, Afghanistan and in Support of the Global War on Terrorism," February 2005, p. 2.

¹⁸ Henry J. Pulizzi, "White House: Premature to Speculate On Iraq Budget Request," *Wall Street Journal* (wsj.com), December 14, 2005.

¹⁹ It is assumed in this scenario that all US troops would be withdrawn from Iraq by the summer of 2007 but that an average of about 10,000 US troops would remain in Afghanistan through 2015.

²⁰ For a more detailed description of this scenario, see CBO, "An Alternative Budget Path," pp. 1-3.