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THE COST AND FUNDING OF THE GLOBAL WAR ON TERROR (GWOT)

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Mr. Chairman and members of the committee, it is a great honor to have the opportunity to appear before you today to discuss some of the issues surrounding the budgetary aspects of the Global War on Terror (GWOT) and, in particular, the wars in Iraq and Afghanistan. These two wars, and especially the war in Iraq, are currently at the center of US deliberations and debates over national security, almost to the exclusion of any other major issues.

With over 3,000 American service members killed in these conflicts, and some 25,000 wounded, the financial costs of these wars and the mechanism used to fund them are, understandably, of secondary interest and importance to most Americans. That said, with the total amount of GWOT funding provided by Congress over the past seven fiscal years now totaling some \$500 billion, and the Office of Management and Budget (OMB) considering a \$100 billion GWOT supplemental for fiscal year 2007, Congress would be acting irresponsibly if it did not closely examine the budgetary aspects and implications of the GWOT. Thus, I commend this committee on its decision to hold this hearing.

There are a wide variety of different areas one could focus on in considering the budgetary aspects of the GWOT. I have chosen to focus on three essentially process oriented questions, and provide three recommendations for improving that process. I believe that instituting these changes would also lead to substantive improvements in policymaking.

Briefly stated, my recommendations are as follows:

- The wars in Iraq and Afghanistan should be funded through special GWOT accounts attached to the annual defense appropriations act, rather than through supplemental appropriations.
- The costs covered by special GWOT appropriations should be limited, with perhaps a few exceptions, to those directly related to the military operations in Iraq and Afghanistan.

¹ Before the United States House of Representatives, Committee on the Budget.

- The Defense Department should provide better and more detailed budget justification material for its estimates of the cost of military operations in Iraq and Afghanistan, and other costs related to the GWOT.

I will spend the remainder of my time explaining and discussing in more detail my reasons for making these recommendations.

1) THE WARS IN IRAQ AND AFGHANISTAN SHOULD BE FUNDED THROUGH SPECIAL GWOT ACCOUNTS ATTACHED TO THE ANNUAL DEFENSE APPROPRIATIONS ACT, RATHER THAN THROUGH SUPPLEMENTAL APPROPRIATIONS

Funding required to cover the extra costs associated with conducting military operations in Iraq and Afghanistan should be provided as part of the Defense Department's regular annual appropriations act, rather than through supplemental appropriations. The funding should be included in a separate and distinct title in the annual appropriations act, as has the "bridge" funding, which Congress has, on its own initiative, added to the last three defense appropriations acts.

The United States has been engaged in military operations for more than five years in Afghanistan and nearly four years in Iraq. We are long past the point where these operations should be financed primarily through supplementals, a mechanism intended to pay for *unanticipated* emergencies.

Historically, after the initial, unanticipated, phase of major wars or other military operations, past administrations have relatively quickly shifted from supplementals to regular annual appropriations. The Truman Administration began to include funding to cover the cost of the Korean War in its regular annual budget request in the first year of that conflict, and by the second year such appropriations accounted for almost 98 percent of the total funding provided for the war. Likewise, the Johnson Administration began including funding to cover the cost of the Vietnam War in its regular annual budget request in January 1966, less than a year after the United States began to deploy combat troops in that country. By 1968, such appropriations accounted for 86 percent of war-related funding. Long-term funding was not, thankfully, an issue in the case of the 1991 Gulf war due to the short duration of that conflict. More recently, by the second year of the military's deployment in Bosnia, the Clinton Administration included funding for that operation in its regular annual budget request.

Certainly, especially in the case of the Korean and Vietnam Wars, it was no easier to project costs for the upcoming year than it is, today, in Iraq and Afghanistan. But the Services made good faith efforts to do so, and generally appear to have succeeded.

Congress in general, and this committee in particular, has made clear, over the past several years, that they recognize the inappropriateness of continuing to rely on supplementals to fund these military operations. Congress has done so,

among other things, by including a bridge fund in the annual defense appropriations act that provides a down payment on war-related costs for the coming fiscal year. In addition, the fiscal year 2007 defense authorization act includes language directing the administration to include full funding for the cost of military operations in Iraq and Afghanistan in its fiscal year 2008 budget request. The bipartisan Iraq Study Group has also recommended that war costs be included in the president's annual budget request. Unfortunately, the administration has so far been unwilling to embrace this approach.

Some might argue that it is of little consequence whether funding for the ongoing military operations in Iraq and Afghanistan is provided through regular annual appropriations or supplemental appropriations—that it is the amount of funding required that is important, not the process used to provide it. But, in fact, in this case process does matter, as it often does in budgeting. There are at least two reasons for this.

First, a budget that does not include a reasonable estimate of projected funding requirements for ongoing military operations is an incomplete budget. It is a budget that provides a misleading and overly optimistic picture of overall federal funding requirements and spending for the coming fiscal year. This would be a minor matter if we were spending only hundreds of millions or, at most, several billion dollars each year on military operations, as we were during most of the 1990s. But today, with war-related funding now surpassing \$100 billion a year, this is a major gap.

A sound budgeting process forces policymakers to recognize the true costs of their policy choices. By contrast, the administration's continued reliance on supplementals tends to mask and obscure the cost of ongoing military operations.

Second, reliance on supplemental appropriations diminishes substantially the level of oversight Congress can exercise over war-related funding. Unlike funding requests submitted through the regular annual budget process, which work their way through the House and Senate budget committees, armed services committees and, finally, appropriations committees, requests for supplemental appropriations are submitted directly to the appropriations committees.

Moreover, because supplemental requests are submitted in the middle of the fiscal year, the amount of time available to consider these measures is greatly constrained. In addition, while the substantial expertise resident in the House and Senate Armed Services committees is effectively shut out of the process, members of Congress and staff on the appropriations committees are forced, year after year, to try to quickly work through extraordinarily large supplemental requests at the same time they are required to consider the administration's budget submission for the coming fiscal year. Taken together, these factors greatly reduce the effectiveness of Congress' oversight, over what is now a major element of the defense budget.

2) THE COSTS COVERED BY SPECIAL GWOT APPROPRIATIONS SHOULD BE LIMITED, WITH PERHAPS A FEW EXCEPTIONS, TO THOSE DIRECTLY RELATED TO THE MILITARY OPERATIONS IN IRAQ AND AFGHANISTAN

Although funding the ongoing military operations in Iraq and Afghanistan through the Defense Department's regular annual appropriations act, rather than through supplementals, would mark a significant process improvement, an additional process change may also be needed to ensure, or at least encourage, sound budgeting. That change involves, with perhaps a few exceptions, limiting the costs covered in special war related appropriations—whether those measures are supplementals or, preferably, separate and distinct accounts attached to the annual defense appropriations act—to programs and activities directly related to conducting military operations in Iraq and Afghanistan.

When the United States began Operation Enduring Freedom (OEF) in Afghanistan at the end of 2001, the Defense Department leadership coined the term Global War on Terror (GWOT). The GWOT label was attached to the request for supplemental appropriations submitted to Congress at that time to pay for military operations in Afghanistan, as well as Operation Noble Eagle, the Defense Department's homeland security operation.

When the United States invaded Iraq in 2003, the administration decided to subsume this operation within the rubric of the GWOT as well. Thus, beginning in fiscal year 2003, the GWOT supplemental request submitted to Congress included funding for both OEF and Operation Iraqi Freedom (OIF), as well as a relatively small amount of funding for Operation Noble Eagle and some other activities. Beginning with the fiscal year 2005 submission, funding for Operation Noble Eagle was removed from supplemental appropriations process, and funded instead through the regular annual defense appropriations act.

Each of the GWOT supplementals submitted to Congress and enacted over the past few years have also included some amount of funding for programs and activities that are, at best, only indirectly related to the wars in Iraq and Afghanistan. The most obvious example of this is the inclusion of funding for the Army's modularity program in the fiscal year 2005 and 2006 supplemental requests. Whatever the merits of the Army's modularity program, it is an effort that Army officials acknowledge they would be pursuing whether or not the Service was currently engaged in Iraq and Afghanistan. As such, funding for this program should have been requested as part of the regular annual appropriations act—a view that the administration acknowledged to be correct, at least implicitly, when it stated in 2005 that for fiscal year 2007 and beyond funding for the Army's modularity program would be included the regular annual budget submission.

As I will discuss in the last section of this testimony, there is considerable uncertainty concerning how much the wars in Iraq and Afghanistan are actually costing in budgetary terms, and how closely connected some of the programs and activities being funded through the GWOT appropriations are to

either of those military operations. Nevertheless, it appears that, to date, the vast majority of costs covered in these measures have been incurred by the US military in their conduct of these operations.

Unfortunately, there is reason to believe that this imperfect, but at least *relatively* disciplined, approach to generating GWOT supplemental requests is about to disappear. The Defense Department's proposal for fiscal year 2007 GWOT supplemental funding (PBD 711), which was sent to OMB for approval in December of last year, reportedly includes a request for \$100 billion. Coming on top of the \$70 billion bridge fund already provided by Congress as part of the fiscal year 2007 defense appropriations act, a supplemental request of this magnitude would bring total GWOT funding this year to \$170 billion.

By contrast, in its 2006 mid-session review, OMB estimated that total funding requirements for the GWOT would amount to about \$110 billion in fiscal year 2007—very close to the \$117 billion provided for the GWOT in fiscal year 2006, and the Congressional Budget Office's (CBO's) most recent (\$119 billion) estimate of GWOT funding requirements this year.²

What explains this sudden jump of \$50 billion in projected fiscal year 2007 GWOT funding requirements? The best explanation appears to be that the increase stems, at least primarily, from the Defense Department's decision to expand dramatically the notion of what can and should be funded through GWOT supplementals, rather than through the regular annual defense budget. In October 2006, Deputy Secretary of Defense Gordon England sent the Services new guidance to use in drawing up their respective requests to the Office of the Secretary of Defense (OSD) for 2007 supplemental funding. The most important element of this brief memo was the following instruction:

By this memo, the ground rules for the FY'07 Spring Supplemental are being expanded to include the [Defense] Department's efforts related to the Global War on Terror and not strictly limited to Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF).

With this guidance, the Defense Department essentially opened the floodgates in terms of what the Services could ask to have funded through GWOT supplementals. The administration has, since the invasion of Iraq if not earlier, embraced a very broad notion of what constitutes the GWOT. Although almost all observers would agree that military operations in Afghanistan appropriately fit within the concept of the GWOT, the idea that the US invasion of Iraq and subsequent military operations in that country should be considered part of the GWOT is more controversial. But the administration's concept of the GWOT is much broader than even this construction.

² CBO, "Additional Information About the Alternative Spending Path for Military Operations in Iraq and Afghanistan and for the War on Terrorism," September 22, 2006, p. 2.

In the administration's eyes, the GWOT or Long War, as it is referred to in the 2006 Quadrennial Defense Review (QDR), represents a broad framework for organizing the US military's strategy, planning, programming and budgeting over the coming decades. It is similar to how the concept of containing the Soviet Union was used to provide such a framework during the second half of the 20th century.

Whether or not such a broad conceptualization is, in general, the most useful way to view the GWOT is debatable. However, whatever the merits of this nomenclature, a serious problem is created when such a broad definition of the GWOT is used and the Services are then told that virtually anything related to the GWOT can be funded through special GWOT appropriations. And this is true whether the special appropriations consist of supplementals or special war-related accounts attached to the regular annual defense appropriations act. In either case, the Defense Department has basically removed any principled distinction between what should be included in special GWOT appropriations and what should be included in the rest of the defense budget.

It is roughly equivalent to telling the Services in 1968, at the height of the Vietnam War, that their requests for Vietnam War funding can include basically anything related to winning the Cold War competition with the Soviet Union. The most significant problem with this approach is that such guidance amounts to, in effect, telling the Services that they no longer need to find room in the regular annual defense budget to cover the full cost of their long-term plans.

The Services already have a perennial problem with developing and presenting long-term readiness, force structure and modernization plans that are actually affordable within projected or likely funding levels. In October 2006, CBO estimated that unless the peacetime defense budget—i.e., the defense budget exclusive of funding for military operations—is increased well above current levels and even the (higher) levels projected for 2011 under the administration's current plan, the gap between available funding and the cost of implementing the Defense Department's long-term plans could average as much as some \$65 billion over the next two decades. Opening up to the Services the option of shifting some of these funding requirements into special appropriations, which heretofore have been limited to covering the cost of military operations, will only further diminish the realism of their long-term planning and budgeting.

Though far from perfect, the Defense Department's long-term planning and budgeting process is a valuable tool that, among other things, attempts to force the senior leadership to make hard decisions about competing programs and priorities. That process has already been stressed to some extent by the impact of more than five years of military operations. It is likely to be far more seriously undermined by the new guidance provided to the Services, which will significantly loosen the (already somewhat tenuous) budgetary discipline imposed on the Defense Department's planning and budgeting process.

Moreover, in the end, the Services will inevitably suffer the most from the weakening of this process. At some point, the wars in Iraq and Afghanistan will

wind down. And when that happens, the Services may well find the special GWOT appropriations drying up, and their baseline budgets—after years of relying on these special measures to cover a portion of their costs—well below the level of funding needed to actually carry out their long-term plans.

3) THE DEFENSE DEPARTMENT SHOULD PROVIDE BETTER BUDGET JUSTIFICATION MATERIAL AND BACKUP FOR ITS ESTIMATES OF THE COST OF MILITARY OPERATIONS IN IRAQ AND AFGHANISTAN, AND OTHER COSTS RELATED TO THE GWOT

To date, the GWOT funding requests submitted to Congress by the Department of Defense have not generally been supported by justification materials of the caliber—in terms of detail, rigor and overall quality—that normally accompany requests included in the Defense Department’s annual budget submission. During the initial phases of the wars in Afghanistan and Iraq, when these operations (especially the war in Afghanistan) truly represented unanticipated emergencies, it may have been unreasonable to expect the Defense Department and the Services to provide this kind of annual budget-quality backup material. But after more than five years in Afghanistan and nearly four years in Iraq, and GWOT appropriations totaling some \$500 billion, it is difficult to understand, or excuse, the poor quality of some GWOT justification material.

The lack of clarity is perhaps most problematic in the case weapons procurement. As Amy Belasco of the Congressional Research Service (CRS) noted in her analysis of the fiscal year 2006 GWOT supplemental:

Although DoD’s request includes descriptions of individual procurement items, it does not give any rationale or explain whether funding requests for various items reflect battlefield losses, washout rates for worn equipment, equipment provided for state-side units whose equipment remains overseas or additional gear for deployed units. This makes it very difficult to assess whether funding levels are too high, too low or about right.³

The lack of clarity concerning weapons procurement requirements related to the wars in Iraq and Afghanistan makes it especially difficult to judge the reasonableness of Service requests related to “resetting” their forces. Based on existing documentation it is unclear how much of the Services’ reset costs are actually related to the ongoing wars in Iraq and Afghanistan, and to what extent, alternatively, those costs reflect and are driven by existing modernization and transformation plans.

There is also reason to be concerned about the accuracy of the Services cost estimates for reset because, as noted earlier, the Services all face significant mismatches between the cost of executing their long-term readiness, force

³ Paul M. Irwin and Larry Nowels, “FY 2006 Supplemental Appropriations: Iraq and Other International Activities; Additional Hurricane Katrina Relief,” Congressional Research Service, June 9, 2006, p. 33.

structure and modernization plans, and the amount of funding projected to be available to pay for those plans. Thus, to the extent possible, they have an incentive to fund items through the special GWOT appropriations, where funding is less constrained and oversight is less substantial.

The Defense Department should also be required to do a better job of making clear how much funding in its GWOT requests is needed to cover the cost of military operations in Iraq versus operations in Afghanistan, and explaining its approach to allocating those costs. Although related in some ways, these are in, in important respects, separate and distinct military operations. Among other things, the ability of Congress and the American people to make sound decisions concerning the affordability and cost-effectiveness these two military operations depends, in part, on their having an accurate understanding of the cost of each of those efforts.

CONCLUSIONS

The United States has already provided \$500 billion in GWOT funding over the past seven fiscal years, with the vast majority of this funding provided to the Department of Defense for military operations in Iraq and Afghanistan. And it is possible, if not likely, that hundreds of billions of dollars in additional funding will be provided over the next several years. We are long past the point when these wars should be funded primarily through supplemental appropriations, which are intended only to cover the cost of unanticipated emergencies.

As such, Congress should insist that the administration include funding to cover the full cost of military operations in Iraq and Afghanistan in its regular annual budget request, beginning with the fiscal year 2008 budget request to be submitted next month. That funding should be provided in separate and distinct accounts attached to the annual defense appropriations act. Congress should also insist that the funding provided in these special GWOT appropriations be limited to costs incurred as a result of ongoing military operations, and not, generally, include funding for programs and activities related to waging the broader war on terror. If funding for such programs is included in the administration's GWOT request, it should either be deleted or transferred into the Defense Department's baseline budget. Finally, Congress should require that the Defense Department provide justification materials for GWOT funding that is of the same quality provided in the justification materials that accompany the regular annual defense budget request.