

January 4, 2006

## THE COST OF US MILITARY OPERATIONS IN IRAQ AND AFGHANISTAN THROUGH FISCAL YEAR 2006 AND BEYOND

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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—due not only to uncertainty concerning the size, duration and intensity of the US military operations in Afghanistan and Iraq, but also to significant gaps in cost, funding and related data.

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 administration<sup>1</sup>—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 insurgency<sup>2</sup>—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

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<sup>1</sup> 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](http://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.

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

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.

This paper provides an estimate of how much funding has been provided for military operations in Iraq to date, describes how that funding has been provided and allocated among different programs and activities, provides a range of estimates of how much funding might be required in 2006 and beyond, and addresses a range of related issues.

#### **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	\$317 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 \$317 billion for military operations in Iraq and Afghanistan, and certain homeland security-related missions. Most of this funding has been provided through a series of supplemental appropriations. 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 \$84 billion has been provided through annual defense appropriations acts and other measures.<sup>3</sup> Of this latter amount, \$50 billion was included in the recently approved FY 2006 defense appropriations act. This represents a down payment on likely FY 2006 costs—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.

Because of limitations in DoD data, it is impossible to determine precisely how much of the \$317 billion provided in these various measures has been allocated to the wars in Afghanistan and Iraq. A reasonable estimate, however, based on DoD obligations data is that military operations in Afghanistan and Iraq have accounted, respectively, for about \$76 billion and \$226 billion of this

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<sup>3</sup> 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.

total.<sup>4</sup> The remainder has been used primarily to pay for Operation Noble Eagle—a homeland security mission through which DoD, among other things, has provided enhanced security at US military bases and flown combat air patrols over US cities—as well as for some other activities largely unrelated either to the wars in Afghanistan and Iraq, or homeland security, such as the Army’s modularity program.<sup>5</sup>

### 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).<sup>6</sup>

The cost of activating Reserve and National Guard personnel has accounted for the largest share of the military personnel funding included in the various war-related measures. Special pays and allowances provided to personnel deployed to military operations—such as Imminent Danger Pay and the Family Separation Allowance—account for most of the remainder of this funding.

O&M functions funded through the various war-related measures comprise a wide range of operations and support activities. These include, for example, costs associated with operating equipment more intensively than would normally be the case in peacetime (i.e., higher operations, maintenance and repair costs), the cost of transporting personnel, equipment and supplies into, around and out of the region, and a variety of other logistics and other costs.

Most of the remaining 10 percent of funding provided for military operations since 9/11 has been allocated to DoD’s procurement accounts. This funding has been used to: cover the cost of replacing munitions consumed in the operations; buy replacement weapon systems; purchase special equipment

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

<sup>5</sup> 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).

<sup>6</sup> 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.

needed to effectively carry out the operations in Afghanistan and Iraq; and upgrade some equipment needed in these operations.

### **Sufficiency of Funding**

Whether the amount of funding provided to date for military operations in Afghanistan and Iraq has been sufficient to cover fully the costs incurred in those operations is unclear. A number of members of Congress and others have argued that the level of funding provided has been insufficient. The most frequent argument has been that the supplementals and other appropriations provided to date have not included enough funding to cover fully costs associated with repairing and replacing weapons and other equipment worn out or destroyed during the operations in Iraq and Afghanistan.<sup>7</sup> However, the best available evidence suggests that the level of funding provided to date has been roughly adequate to cover the costs incurred. And some evidence suggests that the amount of funding provided may, in fact, have been greater than necessary.

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.<sup>8</sup> About \$4 billion of that funding appears to have been associated with Operation Noble Eagle.<sup>9</sup> 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,<sup>10</sup> with this total including some 150,000 troops in Iraq, 18,000 in Afghanistan and 30,000-40,000 in Kuwait and elsewhere in the region. This appears to be very close to the average number of troops that were, in fact, deployed to the region during the year. CBO did not provide a breakdown of funding between Iraq and Afghanistan. However, 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.<sup>11</sup> This suggests that a reasonable estimate of FY 2005 costs for military operations in Afghanistan would be \$16 billion, with \$70 billion needed to cover the cost of operations in Iraq.

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

<sup>8</sup> 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.

<sup>9</sup> 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.

<sup>10</sup> CBO, "An Alternative Budget Path," p. 3.

<sup>11</sup> Belasco, p. 10.

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.<sup>12</sup> 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 and current military operations (including the Balkans, Afghanistan and Desert Shield/Desert Storm)—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.<sup>13</sup> 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.<sup>14</sup> 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 billion<sup>15</sup>—suggesting a cost of perhaps \$70 billion for

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<sup>12</sup> 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.

<sup>13</sup> 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.

<sup>14</sup> 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.

<sup>15</sup> 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.

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,<sup>16</sup> 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.<sup>17</sup>

### **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. Considerable uncertainty surrounds the number of troops the United States will have deployed in Iraq and Afghanistan in future years, as well as how intensively those forces will be operated. Uncertainty over those factors, by definition, creates uncertainty concerning future funding requirements.

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

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<sup>16</sup> 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.

<sup>17</sup> 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.

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.<sup>18</sup> 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.

Conversely, it is possible that less funding will be required for military operations in FY 2006 than even CBO's February 2005 analysis would suggest. That analysis, as indicated earlier, was based on the assumption that the number of troops deployed in and around Iraq and Afghanistan would remain at roughly 200,000 through the end of this year. However, under the latest DoD plans, the number of military personnel deployed in Iraq and Afghanistan is projected to decline slightly.<sup>19</sup> In this case, total costs might also turn out to be slightly lower.

Given data limitations and the enormous uncertainty surrounding deployment levels and other considerations, it is impossible to provide even a rough estimate of the likely cost of military operations in FY 2007 and beyond. However, some insight into future costs 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—as has been suggested by some critics outside the administration—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.<sup>20</sup>

Under the second scenario, it is assumed that the United States was to keep forces in Iraq through the next decade—as some believe might be necessary to defeat the insurgency—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

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

<sup>19</sup> See, for example, Thom Shanker and Eric Schmitt, "US Plans Slight Cut, Up to 5,000 Troops, in Iraq," *The New York Times*, December 23, 2005.

<sup>20</sup> 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.

through FY 2006, decline to about 50,000 by FY 2010, and remain at that level through FY 2015.<sup>21</sup> 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. While reasonable, even these estimates are, of course, highly speculative. It is possible that costs could be far higher or slightly lower, depending on how events unfold. If, for example, the United States were unable to reduce the number of troops deployed in Iraq and Afghanistan below 120,000, another \$175 billion would need to be provided over the FY 2006-15 period.<sup>22</sup> Conversely, if the United States were able to withdraw all its troops from Afghanistan and Iraq over the next six months, the additional costs for FY 2007 and beyond might approach zero.

### **Costs Compared to Past Wars**

Whatever the merits—on strategic and political grounds—of the US military operations in Iraq and Afghanistan, the direct financial costs will be high. The Iraq operation alone has already cost far more than the 1991 Persian Gulf War. That war cost about \$87 billion (FY 2006 dollars) and was paid for largely through contributions from US friends and allies (altogether these contributions offset nearly 90 percent of US costs). Taken together, it is quite possible that the United States will ultimately spend more on US military operations in Iraq and Afghanistan than it did on the Korean War (\$445 billion) or the Vietnam War (\$635 billion).<sup>23</sup> On the other hand, the financial burden posed by these ongoing military operations is substantially lower when measured as a share of the economy—since today's economy is much larger than that existing at the time of the Korean or Vietnam Wars.

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<sup>21</sup> For a more detailed description of this scenario, see CBO, "An Alternative Budget Path," pp. 1-3.

<sup>22</sup> Author's estimate based on CBO data.

<sup>23</sup> These estimates (expressed in FY 2006 dollars) were derived (using DoD deflators) from Stephen Daggett and Nina Serafino, "Costs of Major US Wars and Recent US Overseas Operations," CRS, October 3, 2001, p. 3.