

1800 K Street, NW
Suite 400
Washington, DC 20006

Phone: 1.202.775.3270
Fax: 1.202.775.3199

Web:

www.csis.org/burke/reports



The Uncertain Cost of War(s)

Problems for National Security Spending, Cost Calculation, and Future Plans

Dr. Anthony H. Cordesman and Robert Hammond
Arleigh A. Burke Chair in Strategy

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Overview

This brief is a part of series prepared by the Burke Chair in Strategy on current issues in defense budgeting and strategy. Other briefs within this series include,

- “The Coming Challenges in Defense Planning, Programming and Budgeting”
- “‘Unplanning’ for Uncertainty”
- “The Macroeconomics of US Defense Spending”

This particular brief is divided into three sections and focuses on the difficulty of accurately assessing the real costs of the wars in Iraq and Afghanistan as well as the problem of the Department of Defense’s (DOD) over-reliance on “emergency” supplemental funding for Overseas Contingency Operations (OCO) in Iraq and Afghanistan. It bases its analysis on research done by and statistics provided by the DOD, the Government Accountability Office (GAO), the Congressional Budget Office (CBO), and the Congressional Research Service (CRS).

The first section analyzes the costs of war from WWII to present. The analysis in this section comes to three key conclusions. First, as of 2008 the CRS estimated the combined costs of the wars in Iraq and Afghanistan as the second highest in US history after WWII, surpassing the total spent on the Vietnam War in real terms (Slide 6). Second, while defense spending as a whole is high relative to Clinton Era spending, as a share of GDP and total federal outlays, recent defense spending is at one of its lowest points since WWII (Slide 7). Third, current US defense spending as a fraction of GDP and total federal outlays is lower than during any other wartime era since WWII except for the Gulf War (Slide 8).

The second section analyzes funding for OCO since the beginning of major Global War on Terrorism (GWOT) operations in 2001. In contrast to funding for previous wars, Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF) have been funded primarily through “emergency” supplemental spending bills.

Overview

Until 2010 these supplemental funding requests were sent to Congress during the middle of each fiscal year, after Congress already received and passed the DOD's initial, fiscal year budget request for the year (Slide 10). Research presented in this report reveals that the DOD for most of OEF and OIF has essentially been running two concurrent budgets: an initial fiscal year budget to fund day-to-day DOD operations and budget based on emergency supplementals to fund OCO in Iraq and Af-Pak (Slide 10-27).

Moreover, this section also reveals that the "actual" war costs are difficult, if not impossible to precisely assess due to this dual budget funding method. The GAO, CBO, DOD and CRS all arrive at different estimates of the "real" costs of war. It is important to note that the obscurity of war costs constitute a further, although perhaps intangible, "cost" in themselves. By perpetually underestimating the costs of war, supplemental war funding has essentially misled politicians into believing more discretionary funding is available than actually is. This in turn leads to inefficient policymaking and deeper deficit spending.

The third section (Slides 29-35) analyzes attempts by the Obama Administration and the DOD to institutionalize war funding into the DOD's FY 2011 Budget. The Administration still submitted its request for OCO funding a supplemental request, separate from the baseline DOD budget request. However, in a break from the past, the Administration simultaneously submitted OCO supplemental and the baseline budget requests. Moreover, comparison of the FY 2010 OCO supplemental, FY 2010 "emergency" OCO supplemental and the FY 2011 OCO supplemental seems to reflect the Administration's efforts to institutionalize war funding into the FY 2011 budget request. Allowing for some variation due to changes in conditions and requirements on the ground, the FY 2011 OCO supplemental is roughly equivalent to the sum of initial and emergency FY 2010 OCO funding requests.

The fourth and final section analyzes the difficulties associated with projecting future war costs. This section comes to two key conclusions. First, difficulties associated with accurately assessing past war costs make extrapolating projections of future war costs difficult (Slides 37-42). Second, despite efforts in FY 2011 to institutionalize war funding into the initial budget request, any projections of future war costs remain heavily contingent upon factors exogenous to budgetary choices, such as the conditions on the ground and domestic support for the wars (Slides 43-50).

Part A: Cost of the Wars We Have Fought

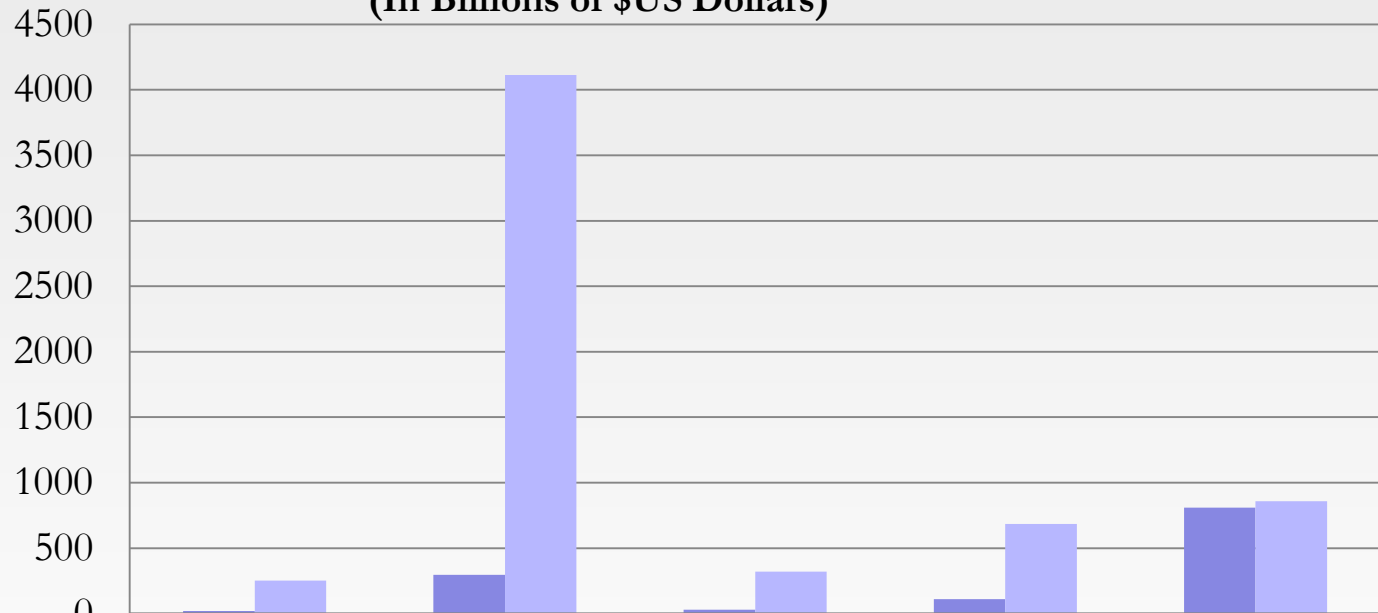
KEY POINTS:

1. The CRS estimates the combined costs of wars in Iraq and Afghanistan to be the second highest in real terms after WWII
2. Defense spending as a whole is high relative to Clinton era spending, but low historically
3. Historically, current Defense spending poses relatively little burden on the economy and federal budget

ANALYSIS: Public perception is that Defense spending places heavy burden on the economy and the federal budget. However, DOD and COB statistics demonstrate the costs are not that high. In constant dollars, total spending on the GWOT, Iraq and Afghanistan just surpassed spending on Vietnam in 2008. Nevertheless, the burden of current Overseas Contingency Operations (OCO) funding on the economy and federal budget is small relative to the costs of previous wars. Historically, current total Defense spending also places relatively little burden on the economy and federal spending

The Total Cost of Previous Wars

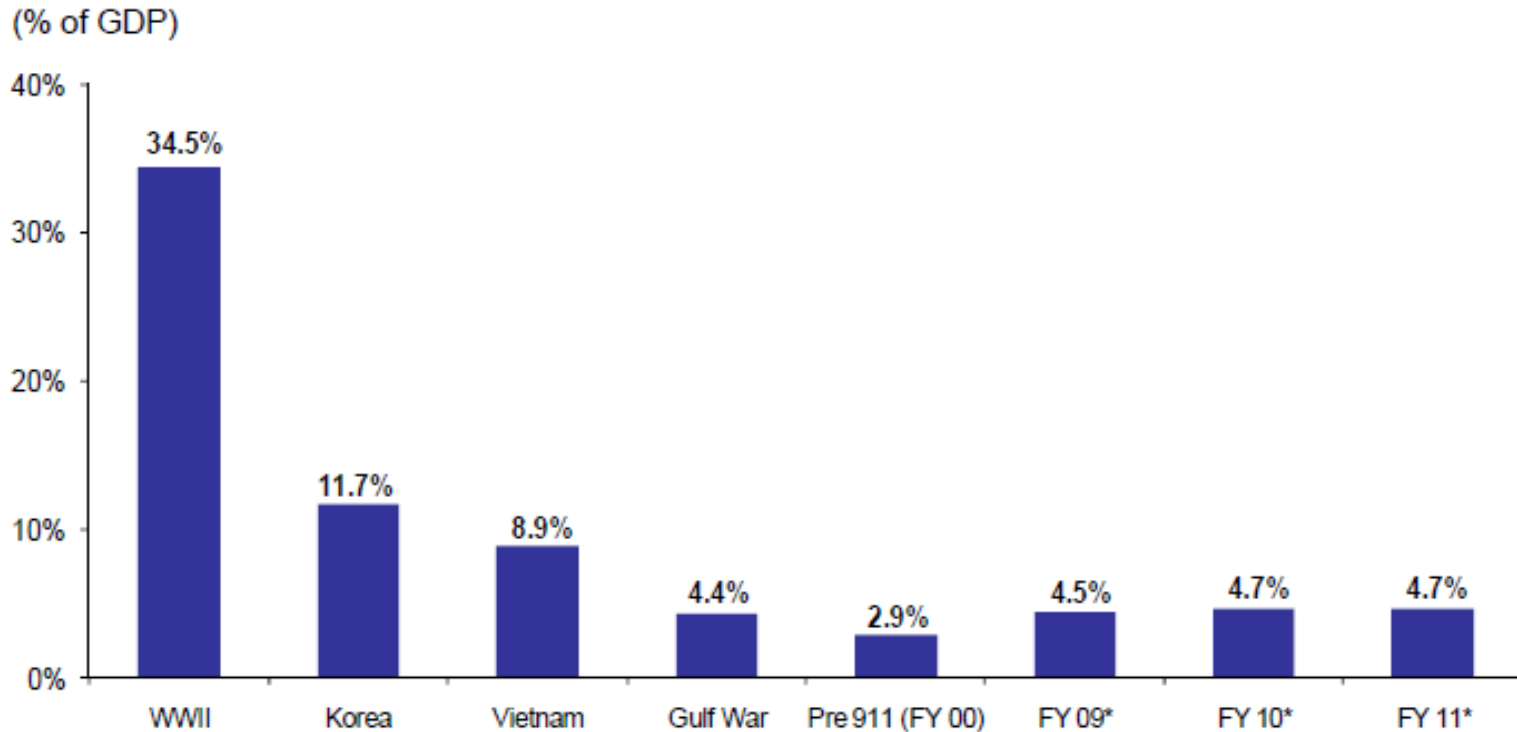
(In Billions of \$US Dollars)



	World War I	World War II	Korea	Vietnam	Total Post 9/11: Iraq, Afghanistan and the GWOT
■ Actual Dollars	20	296	30	111	809
■ 2008 Dollars	253	4114	320	686	859

The Declining Economic Burden of War

Defense as Percent of GDP

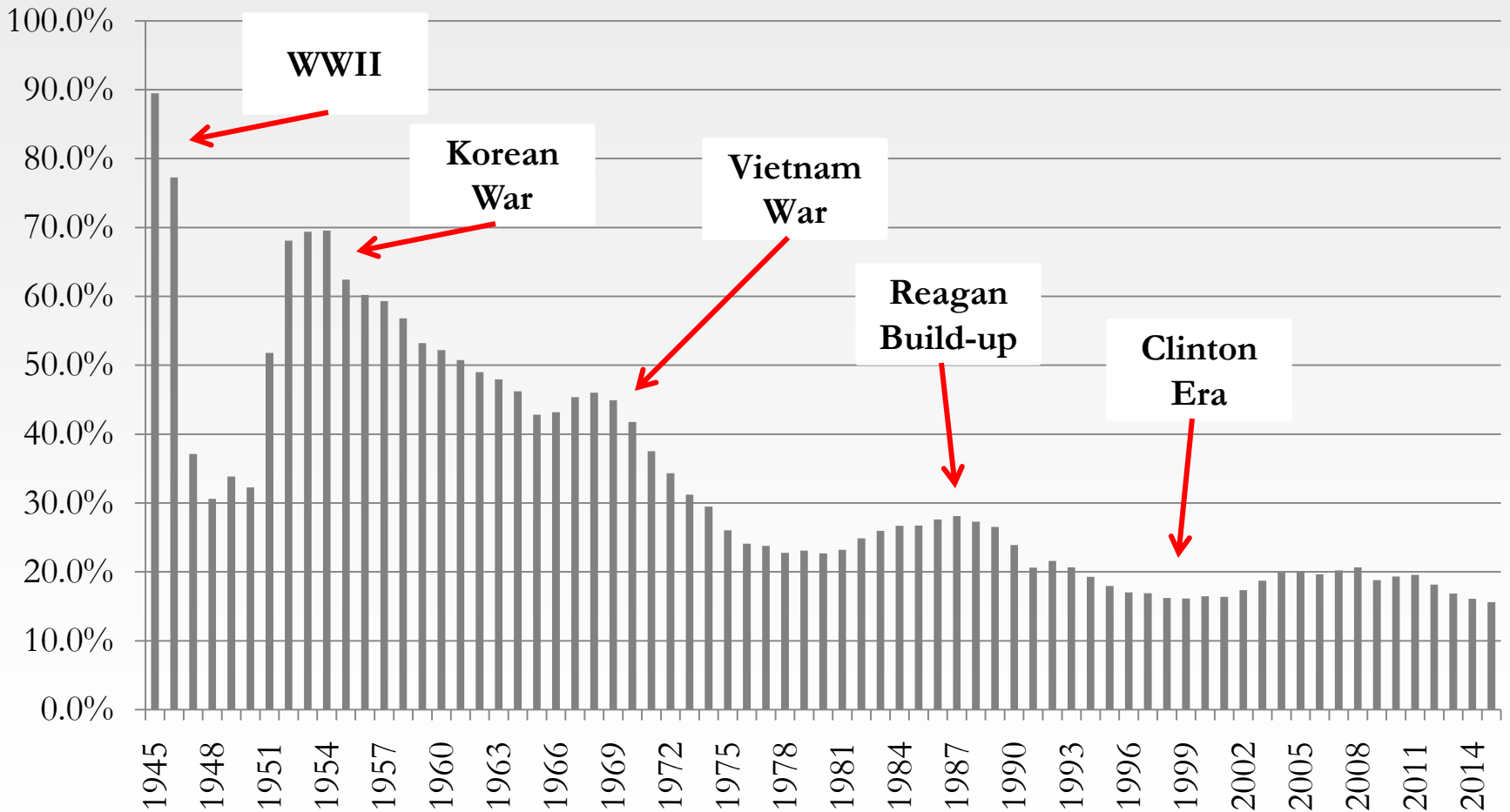


* Assumes GDP projections reflected in the President's FY 2011 Budget Request, February 2010

Spending as a Percent of GDP in Previous Conflicts and Crises

The Burden of “Hot” vs. “Cold” War

Defense Spending as a Percentage of Total Federal Outlays



Part B: Costing and Budgeting Current and Future Overseas Contingency Operations

KEY POINTS:

1. The US has funded OEF and OIF mainly through supplemental, emergency spending bills.
2. The approach of supplemental spending has made the process of determining the “real costs” of the wars extremely difficult.
3. Past war costs are highly obscure and difficult to ascertain: the CBO, GAO, CRS and DOD all arrive at different estimates

ANALYSIS: Funding OEF and OIF through “emergency” supplemental funding requests obscures and tends to underestimate the real costs of both wars and makes long-term planning difficult for both civilian and military leaders. As a result, for federal policymakers the job of prioritizing various federal spending titles becomes much more difficult.

Similarly, year-to-year budgetary inconsistency caused by over reliance on supplemental funding makes it difficult for military leaders to form accurate expectations of future funding upon which military leaders can then adjust long-term operational and force structure strategies.

This issue is especially troubling given the necessity of consistency and long-term commitment in executing successful COIN strategy.

Over-Reliance on Emergency Supplementary Funding for OCO

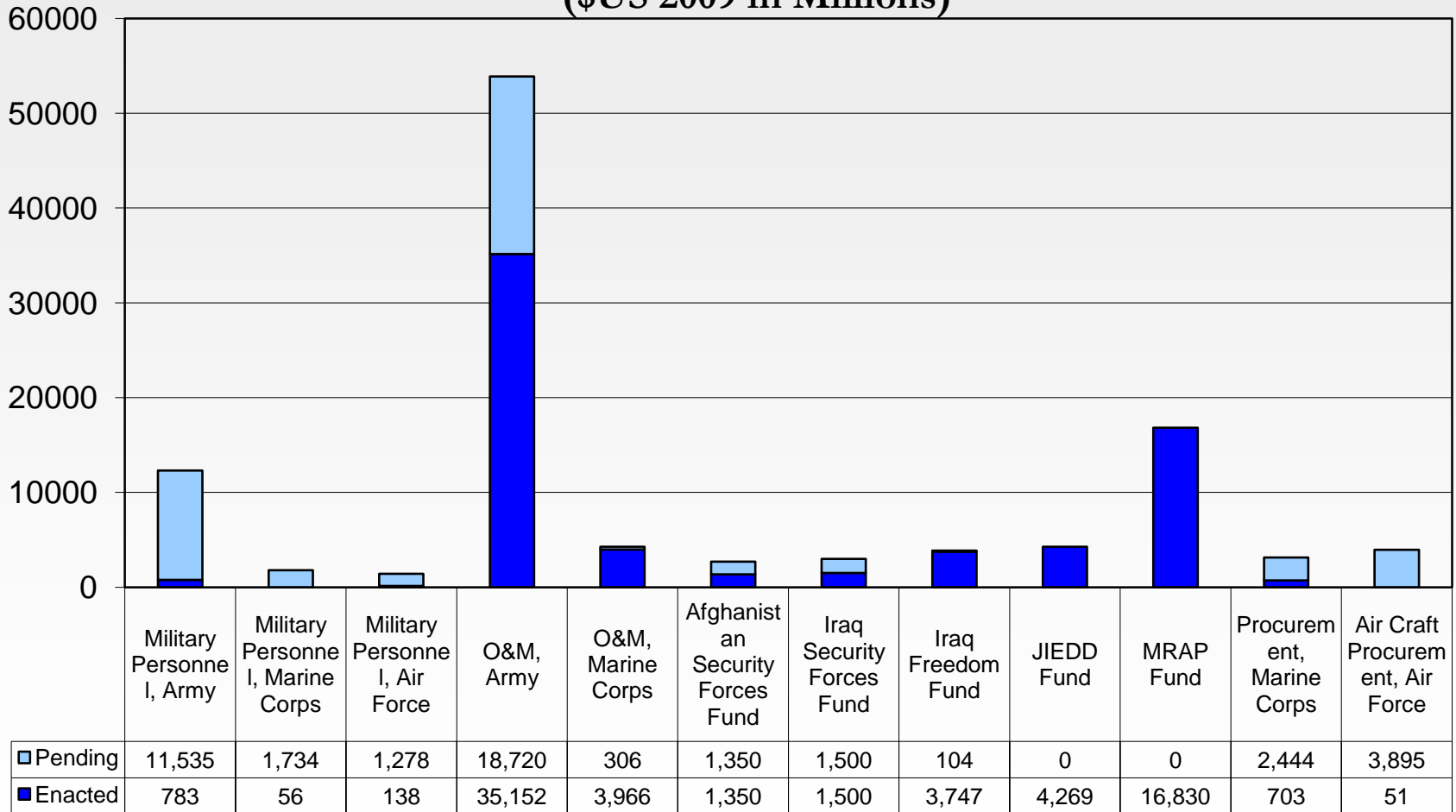
- From FY 2002 to FY 2009, Congress passed 17 emergency funding bills to fund operations in Iraq and Afghanistan
- These emergency funding requests total \$822.1 billion (FY 2009 dollars)
- The 2010 Supplemental OCO request constituted 20.2% of total FY 2010 OCO funding
- Why has the DOD relied upon supplementary funding for OCO?
 - By labeling funding as “emergency,” the DOD can bypass budgetary constraints set forth by Congress at the beginning of the FY
 - Emergency supplementals are typically proposed during the middle of the FY when Congress has less time to review the specifics of the funding request
 - Mid-year emergency supplementals bypass review from the appropriations committees
 - By separating war funding out from the regular budget, the DOD can politically strong-arm Congress into quickly passing its funding request—politicians do not want to be seen as not “supporting the troops” overseas

Cost Estimates are Dubious for the Iraq War

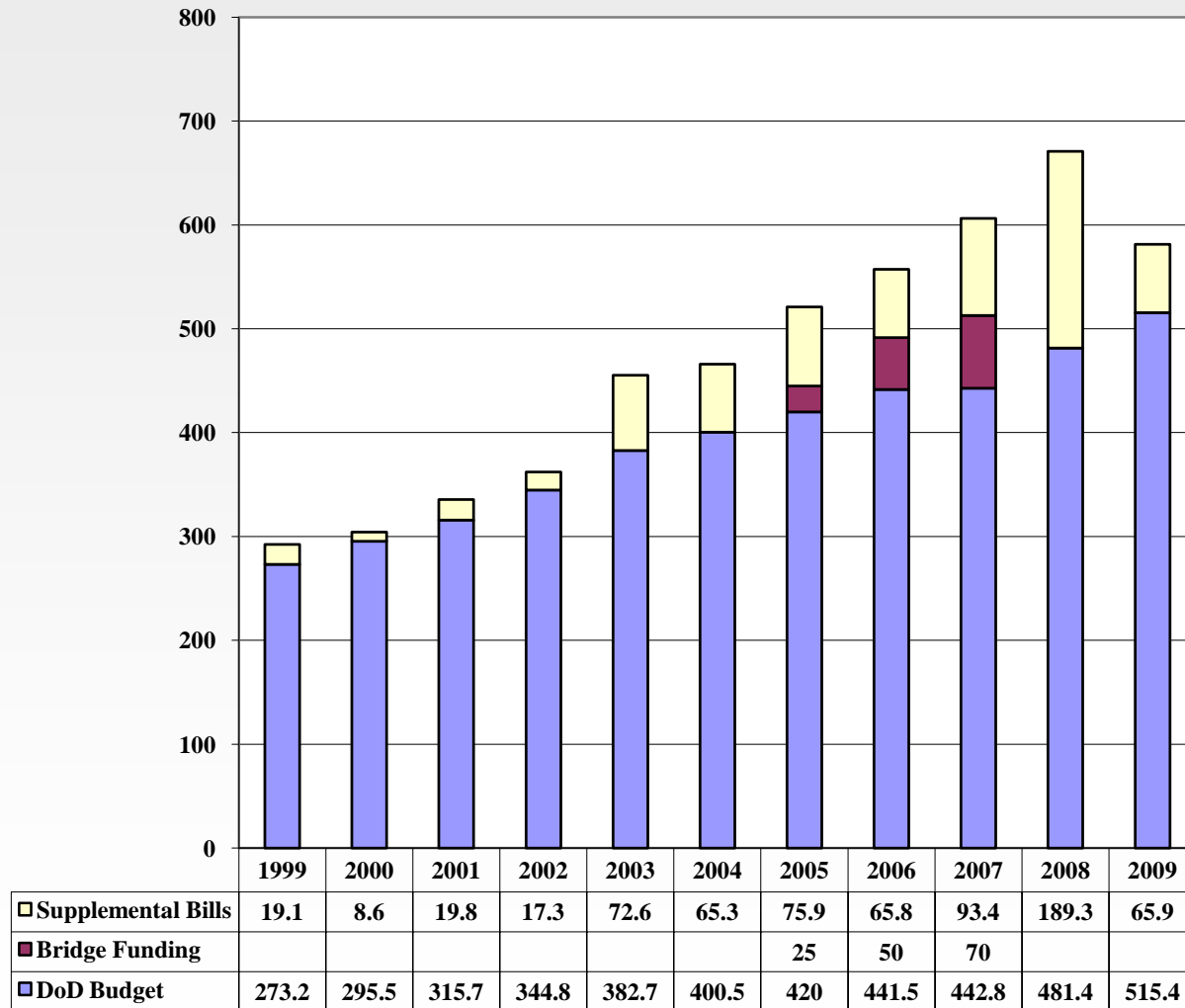
- Reliance on “emergency” OCO funding has obscured the real costs of the wars in Iraq and Afghanistan
- Obscurity of war costs leads to uncertain resource management and allocation is a further, although perhaps intangible, “cost” in itself
 - By perpetually underestimating the costs of war, supplemental war funding has essentially misled politicians into believing more discretionary funding is available than what actually is
 - This in turn leads to inefficient policymaking and deeper deficit spending
- Some of the best work to date has been by Amy Belasco of the CRS. It attempts to combine the budget authority cost of the war for both the Department of Defense and Department of State.
 - The Iraq War totals \$709 billion for FY2003-FY2010 in the January 2010 estimate by the CBO
 - But, the FY 2010 estimates do not include a guesstimate for the ultimate cost of the supplemental request, which has yet to be approved by Congress
- The GAO has provided estimates in terms of obligations. The costs are much lower because they do not include the authorized future costs in the CRS estimate and they do not include FY2008.
 - The total cost of the war to DOD through FY2007 is shown as \$378.1 billion.
- Regardless, the GAO, CBO, CRS and DOD all arrive at different estimates of the “actual” war costs

FY2008 GWOT Spending Priorities, Well-Funded and Unfunded Accounts (Selected)

(\$US 2009 in Millions)

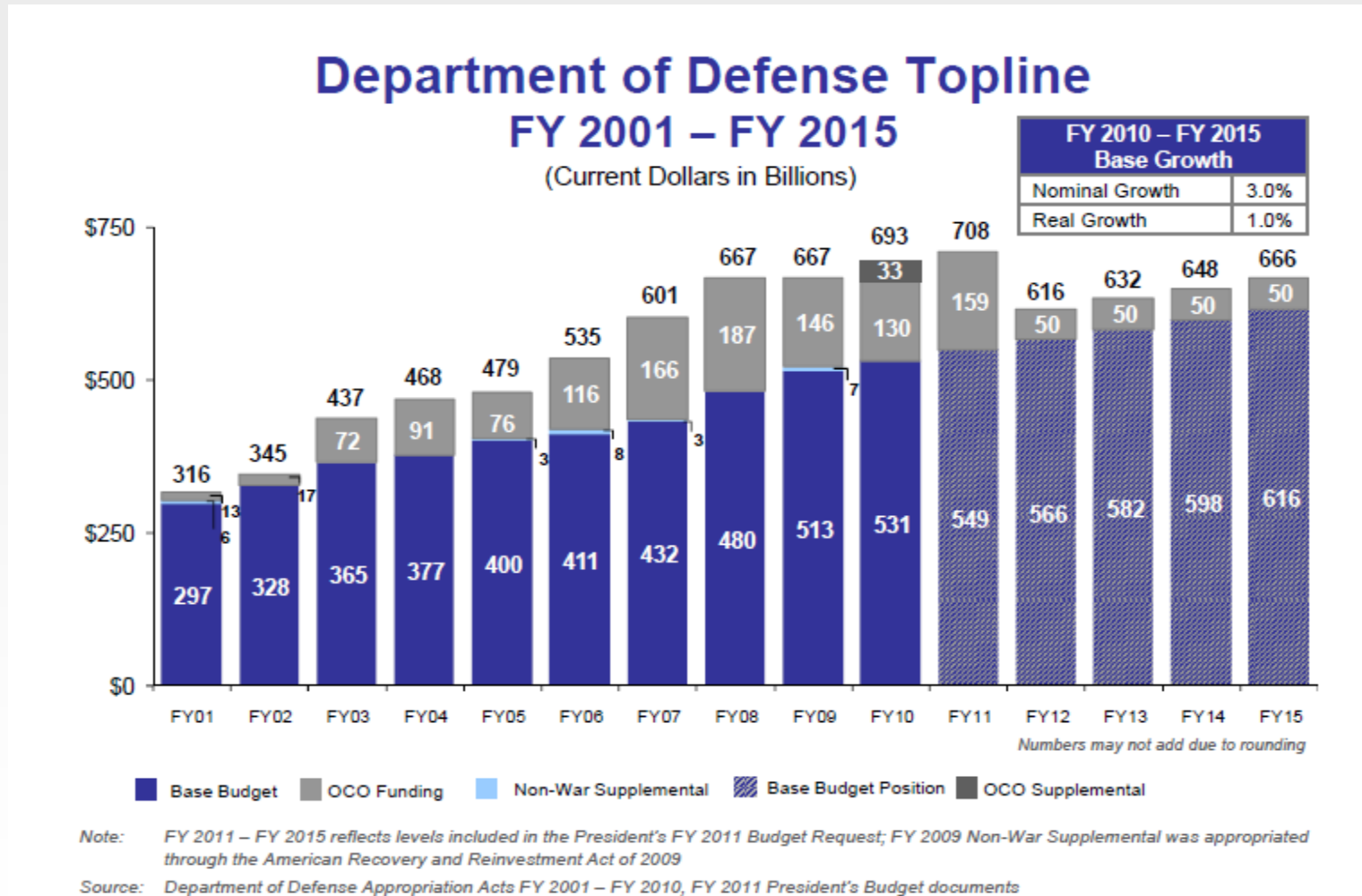


The Impact of Wartime Supplementals (in \$US billions)



Source: Adapted by Anthony C. Cordesman from data provided by Office of the Undersecretary of Defense (Comptroller), "National Defense Budget Estimates for 2008", Washington, Department of Defense, March 2007.

The Impact of Wartime Supplementals (in \$US billions)

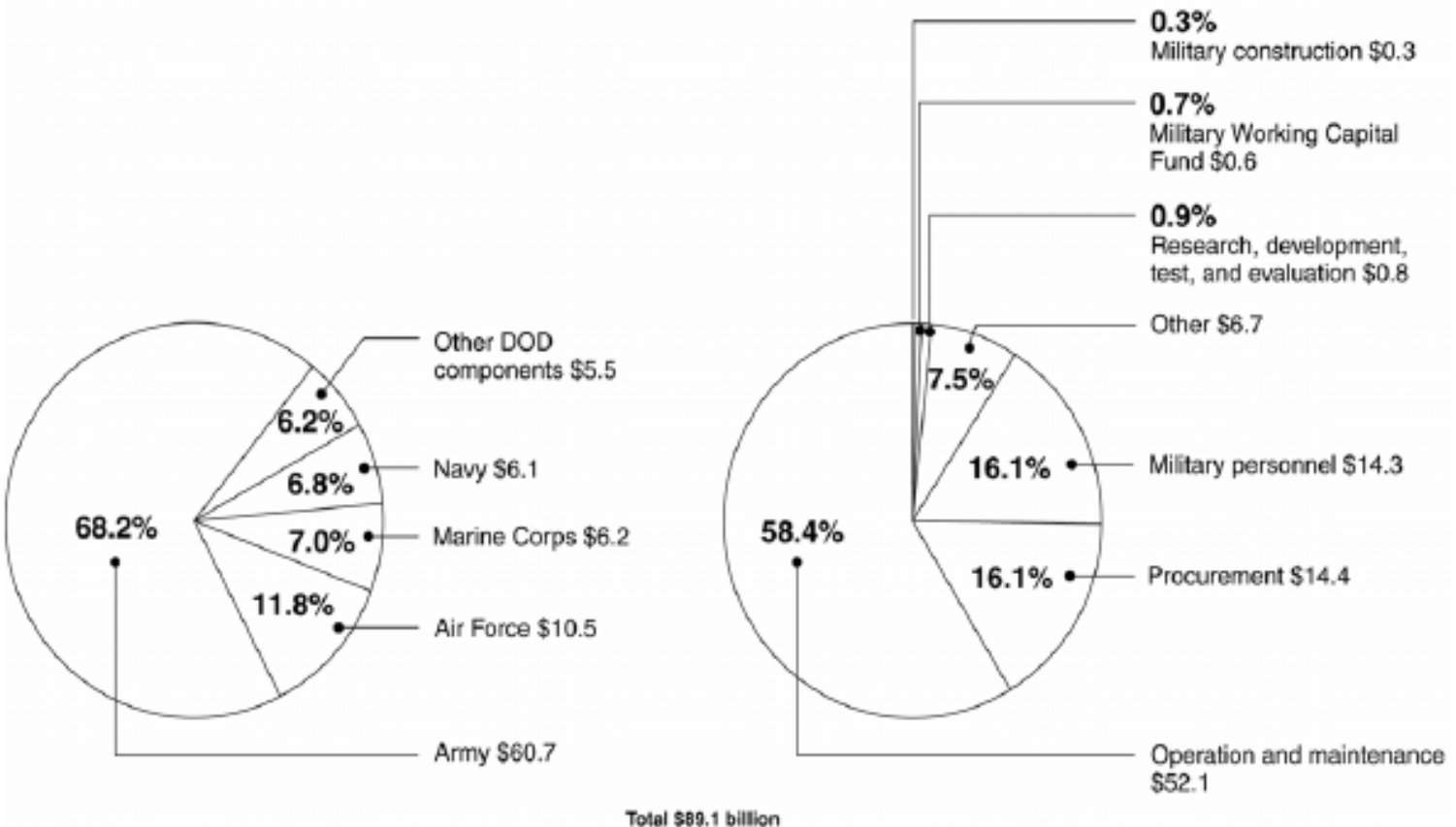


The Baseline: GAO Estimate of Cost of War To DOD Through FY2008

Figure 3: DOD's Reported Overseas Contingency Operations Obligations for Fiscal Year 2009, by DOD Component and Appropriation Account, as of June 2009

By DOD component (dollars in billions)

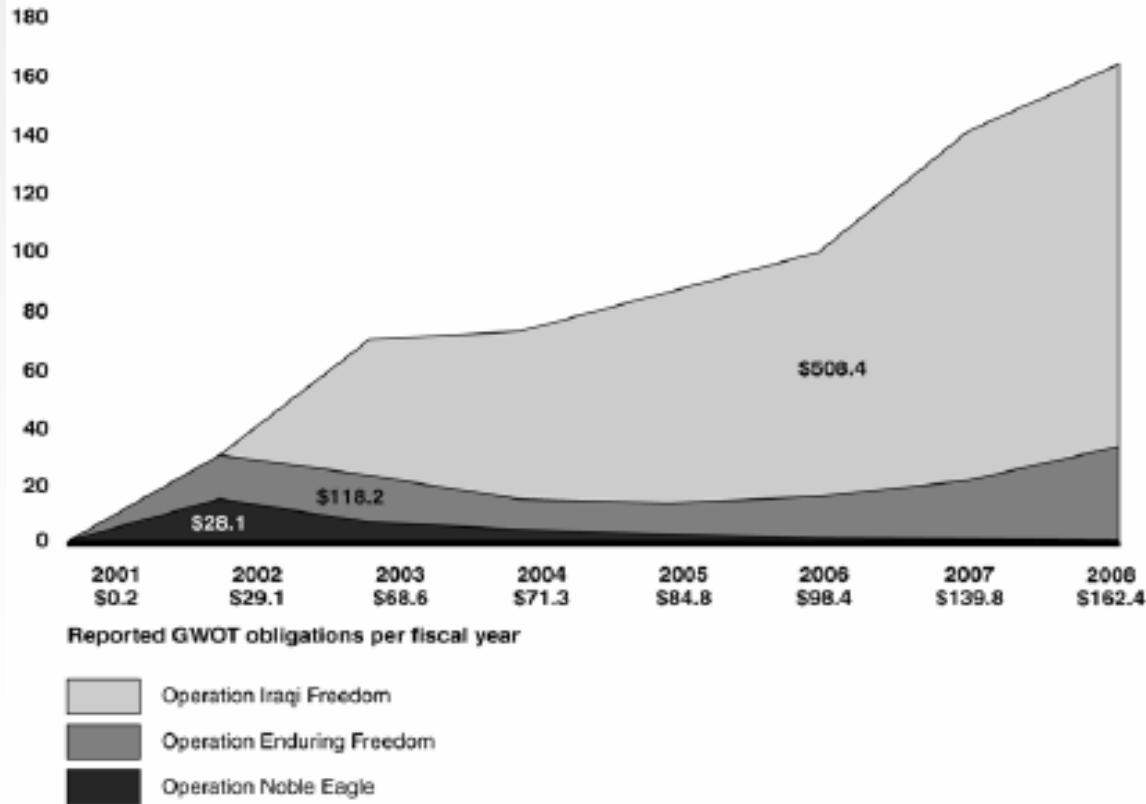
By appropriation account (dollars in billions)



GAO Estimate of Cost of War To DOD Through FY2008

Figure 2: DOD's Reported Overseas Contingency Operations Obligations for Fiscal Years 2001 through 2008 by Operation

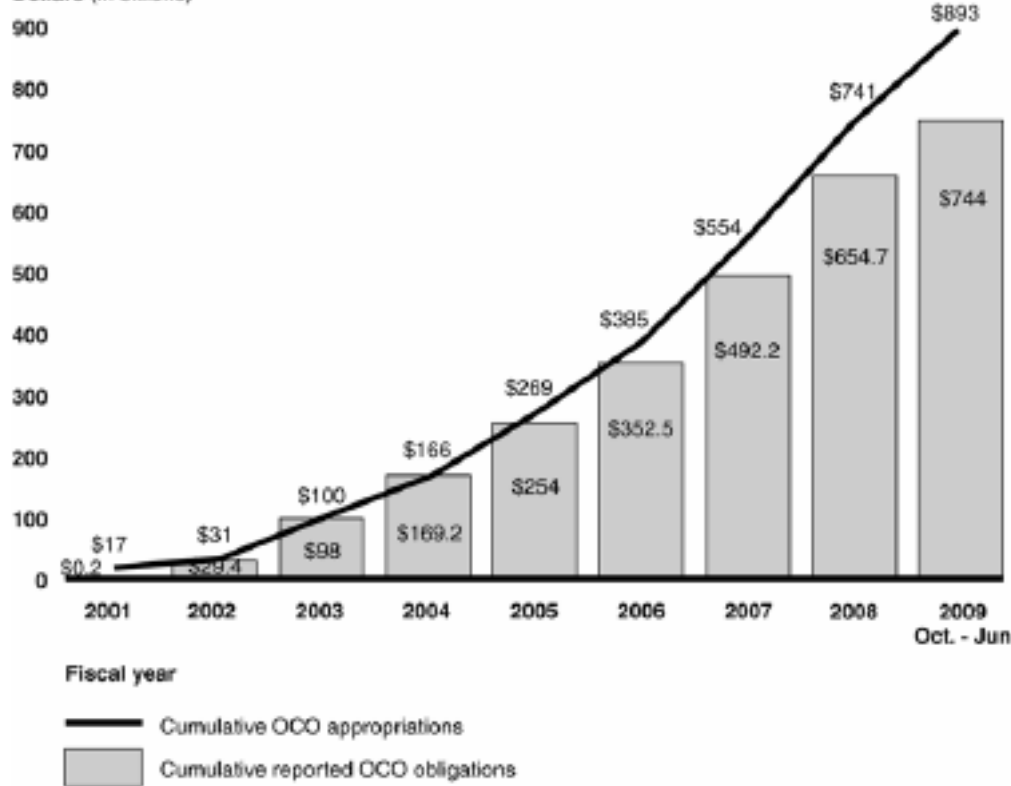
Dollars (in billions)



GAO Estimate of Cost of War To DOD Through FY2009

Figure 1: DOD's Cumulative Reported Overseas Contingency Operations Appropriations and Obligations for Fiscal Years 2001 through 2008 and for Fiscal Year 2009 for October 2008 through June 2009

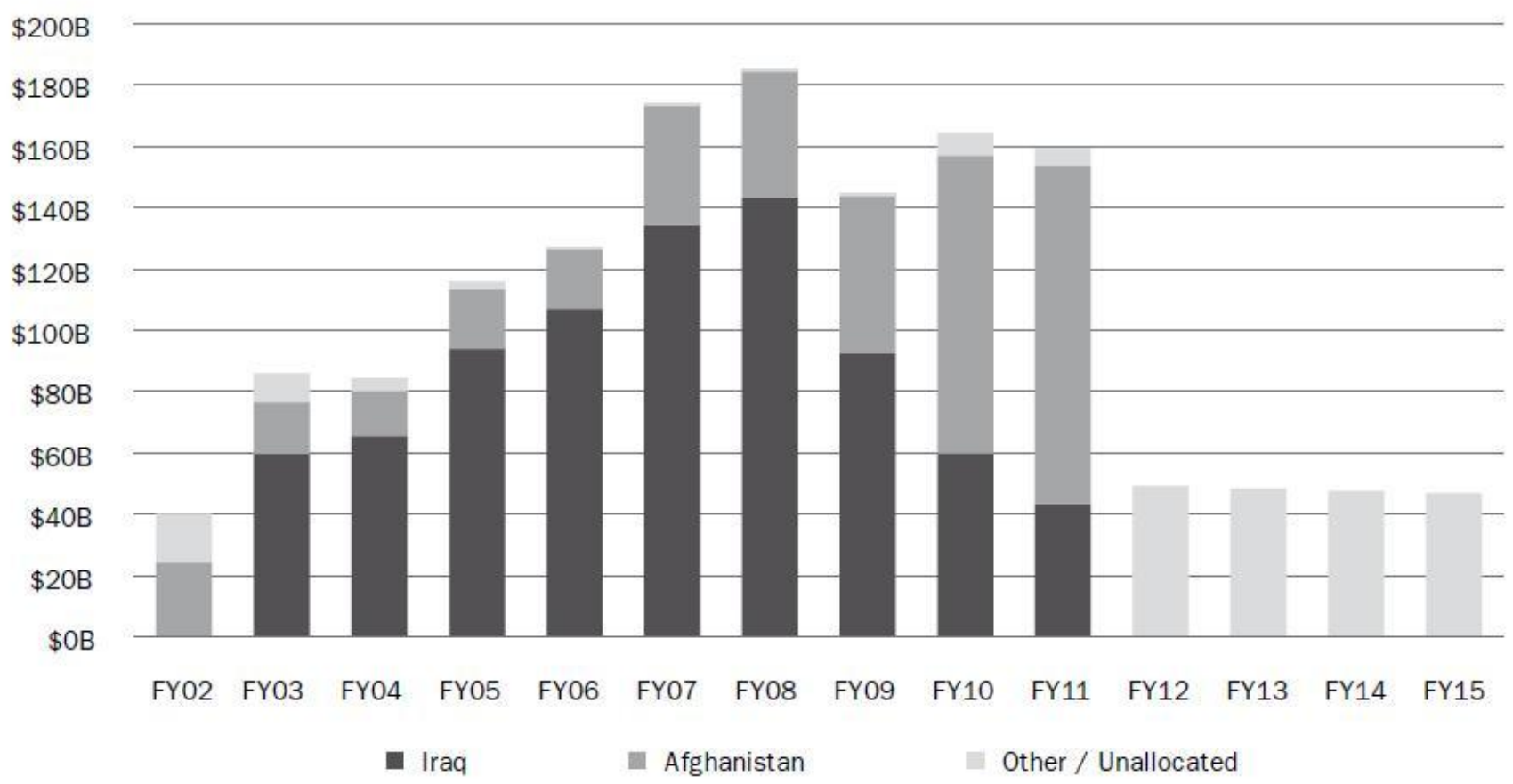
Dollars (in billions)



CSBA Estimate of US DOD Cost of Afghan and Iraq Wars

(In \$US Current Billions in Budget Authority)

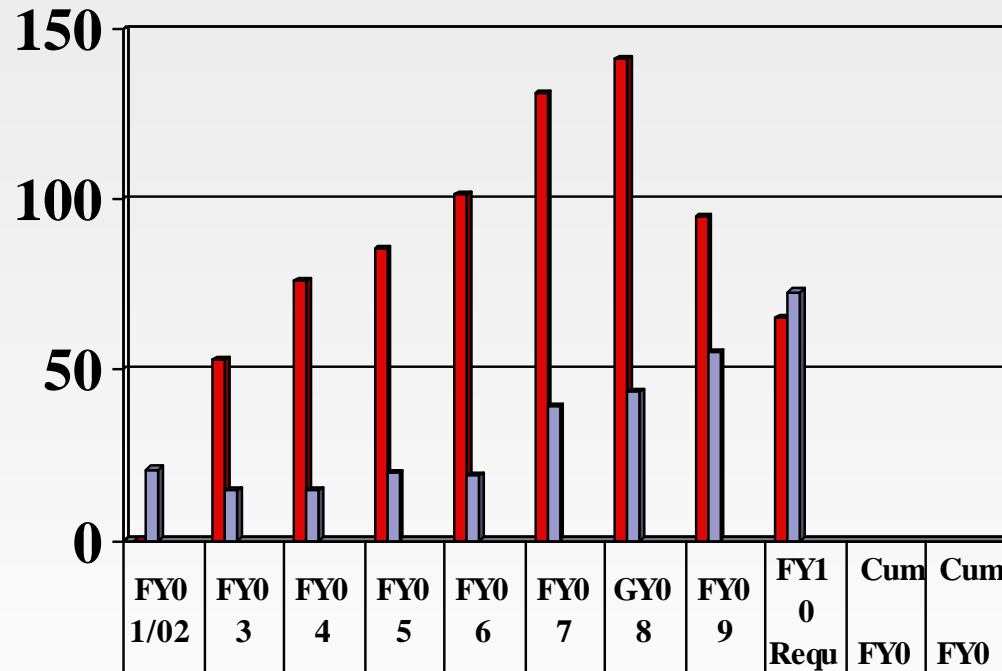
FIGURE 3. DOD WAR FUNDING (in FY 2011 dollars)



Source: Todd Harrison, *Analysis of the FY 2011 Defense Budget*, CSBA, June 2010, p. 8.

CRS Estimate of Total Spent on Iraq and Afghan Wars FY 2001 - 2010

(Billions of \$USD)

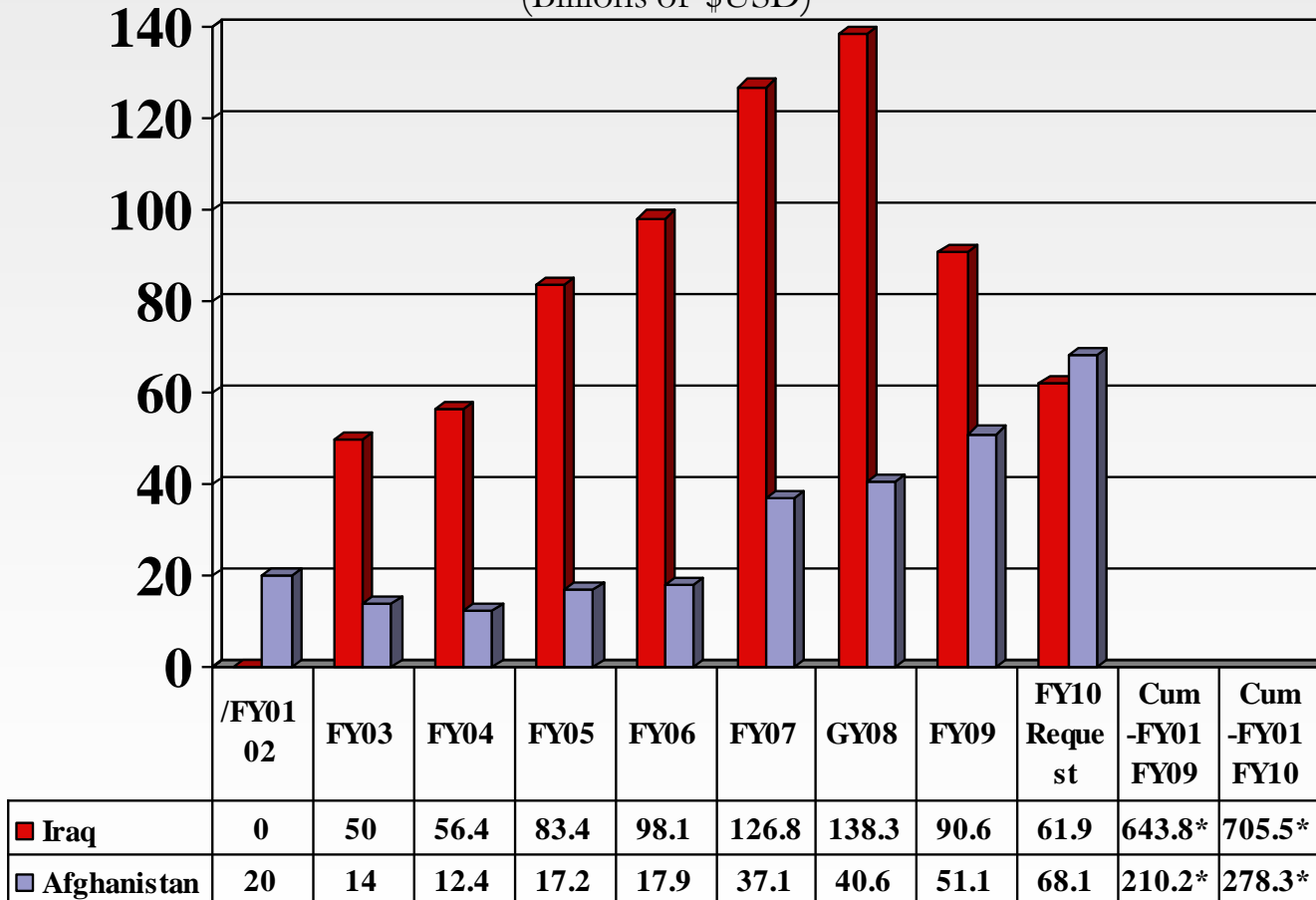


	FY0 1/02	FY0 3	FY0 4	FY0 5	FY0 6	FY0 7	GY0 8	FY0 9	FY1 0 Requ	Cum FY0	Cum FY0
■ Iraq	0	53	75.9	85.5	102	131	141	94.8	65.4	.682*	.748*
■ Afghanistan	20.8	14.7	14.5	20	19	39.1	43.4	55.2	72.9	.226*	.299*
■ Enhanced Security	13*	8*	3.7*	2.1*	0.8*	0.5*	0.1*	2.*	2.*	28.5*	28.7*
■ Unallocated	-	-	-	-	-	-	-	-	-	5.5*	5.5*
■ Total War Funding	33.8*	81.1*	94.1*	107*	121*	171*	184*	150*	138*	.943*	1.08*

Source: Adapted by the Dr. Anthony Cordesman from data provided by Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 28 September 2009, p. 9.

CRS Estimate of Annual DOD Spending on Iraq and Afghan Wars FY 2001 - 2010

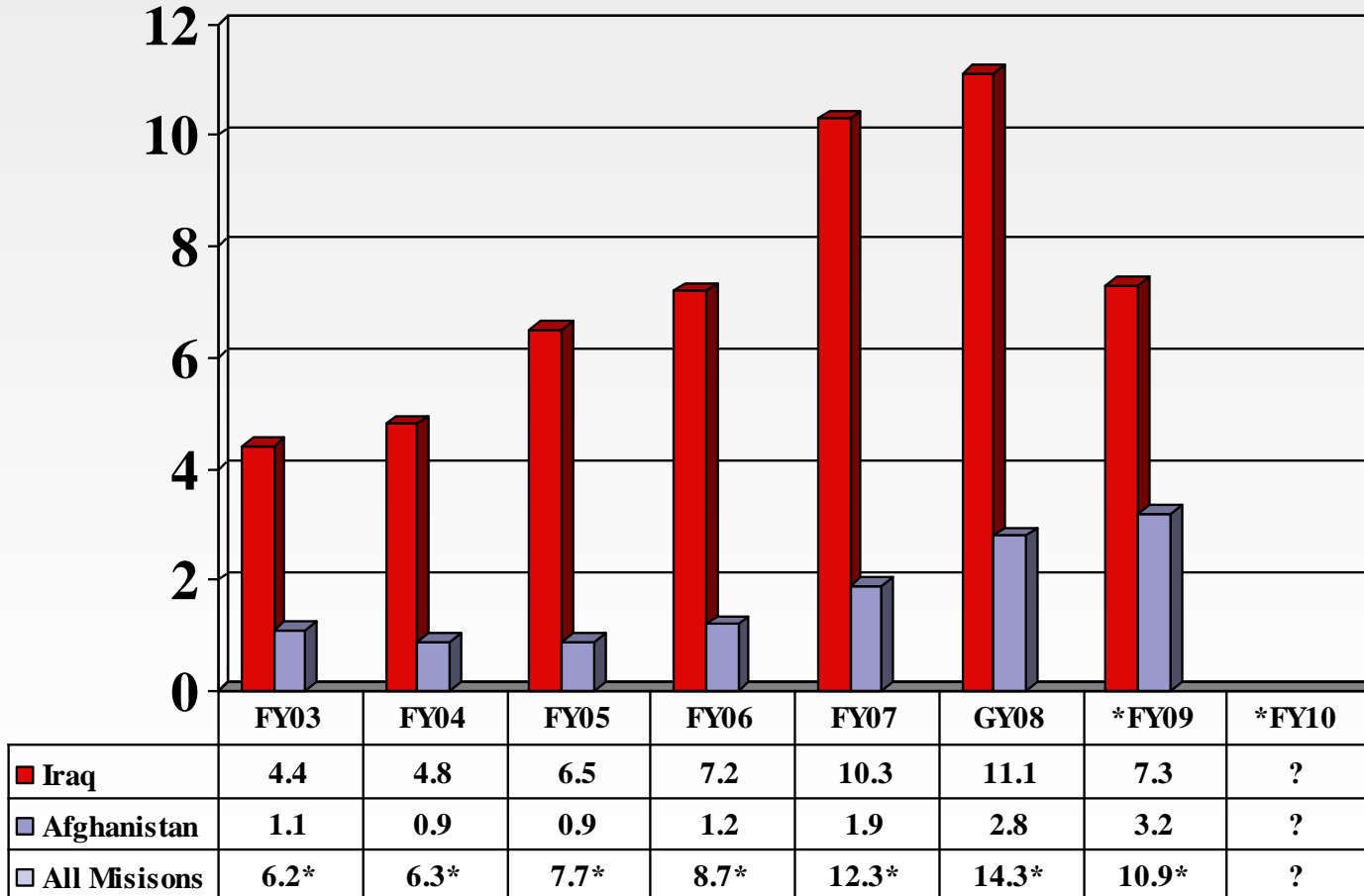
(Billions of \$USD)



Source: Adapted by Dr. Anthony Cordesman from data provided by Amy Belasco, *The Cost of Afghanistan, Iraq and Other Global War on Terror Operations Since 9/11*. Congressional Research Services (RL33110). Updated, 28 September 2009, p. 13.

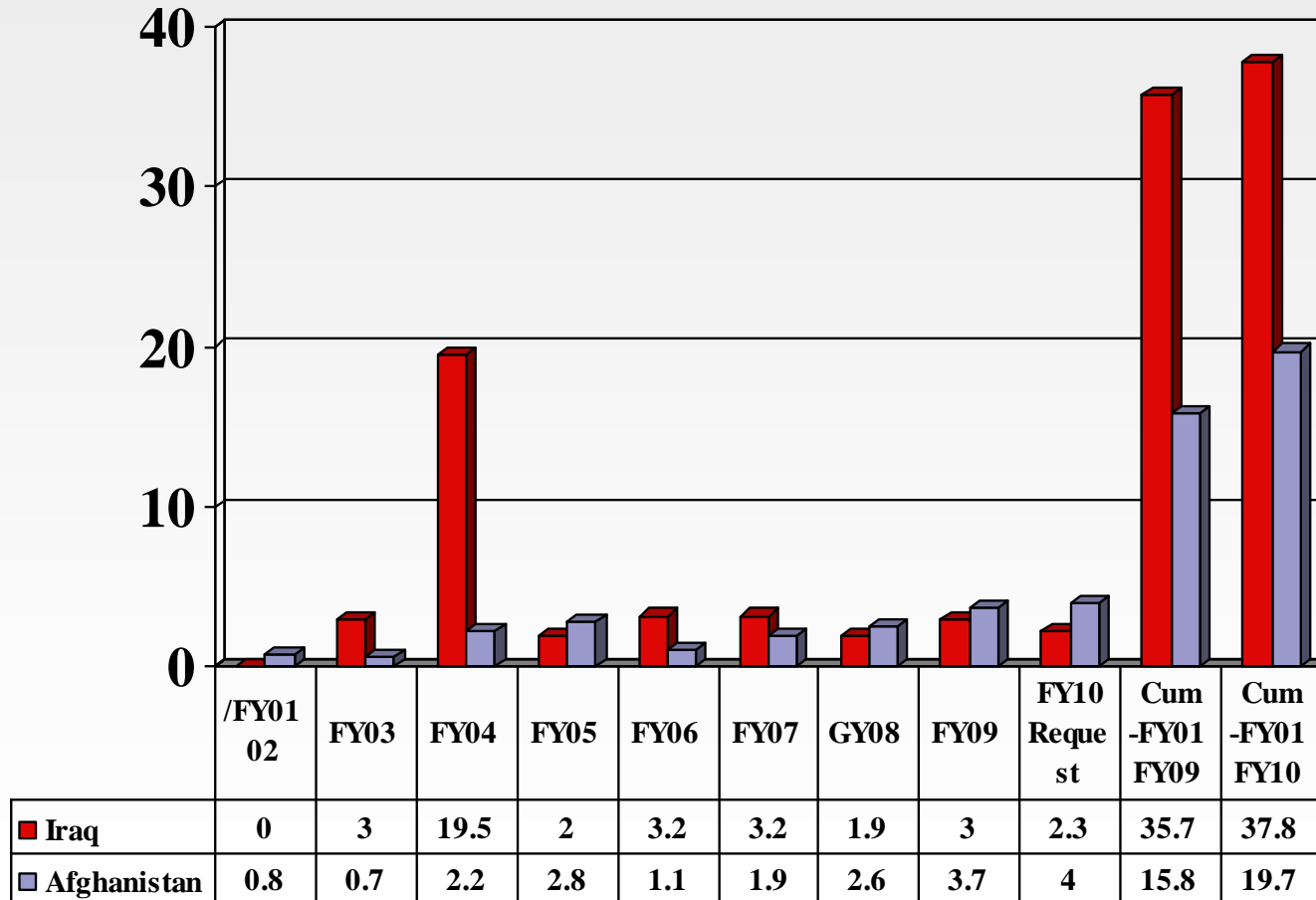
CRS Estimate of Average Monthly DOD Spending on Iraq and Afghan Wars FY 2001 - 2010

(Billions of \$USD)



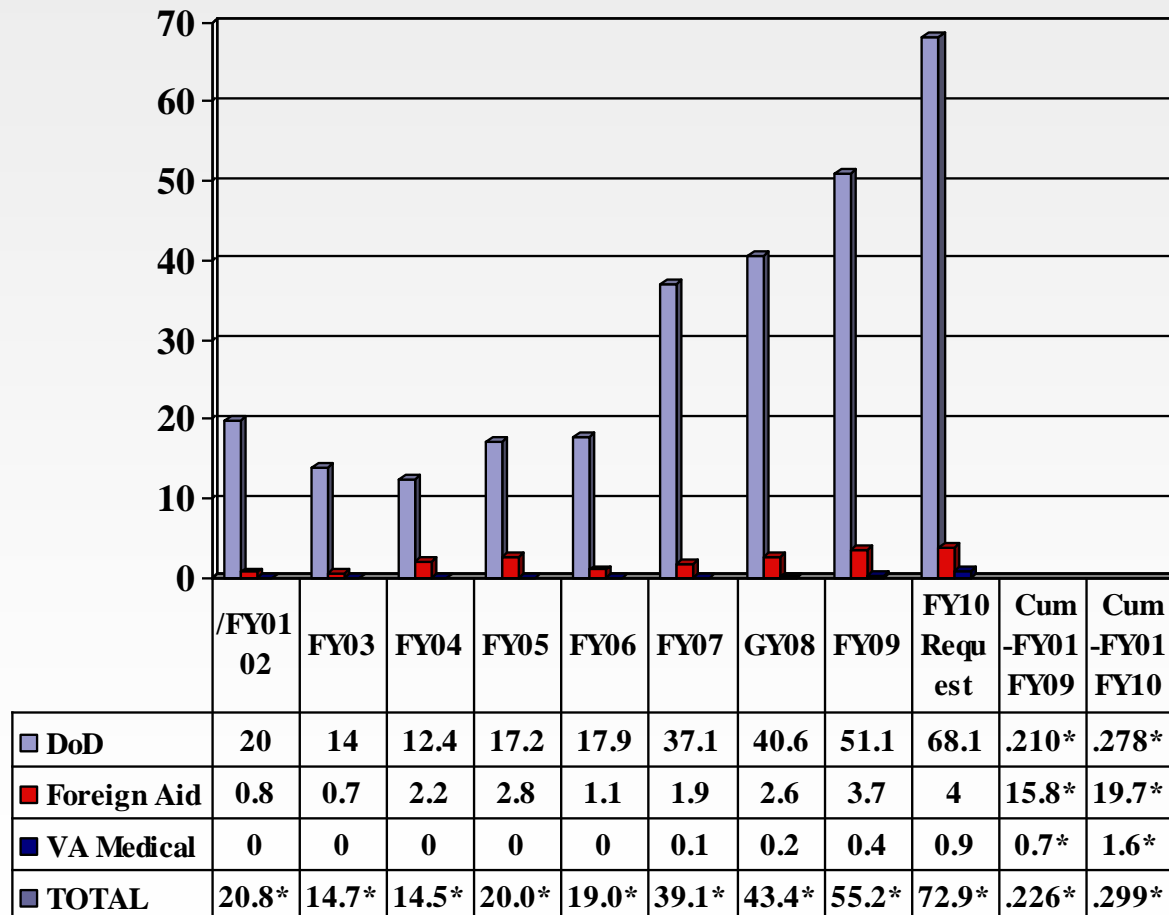
CRS Estimate of Annual Foreign Aid Spending on Iraq and Afghan Wars FY 2001 - 2010

(Billions of \$USD)



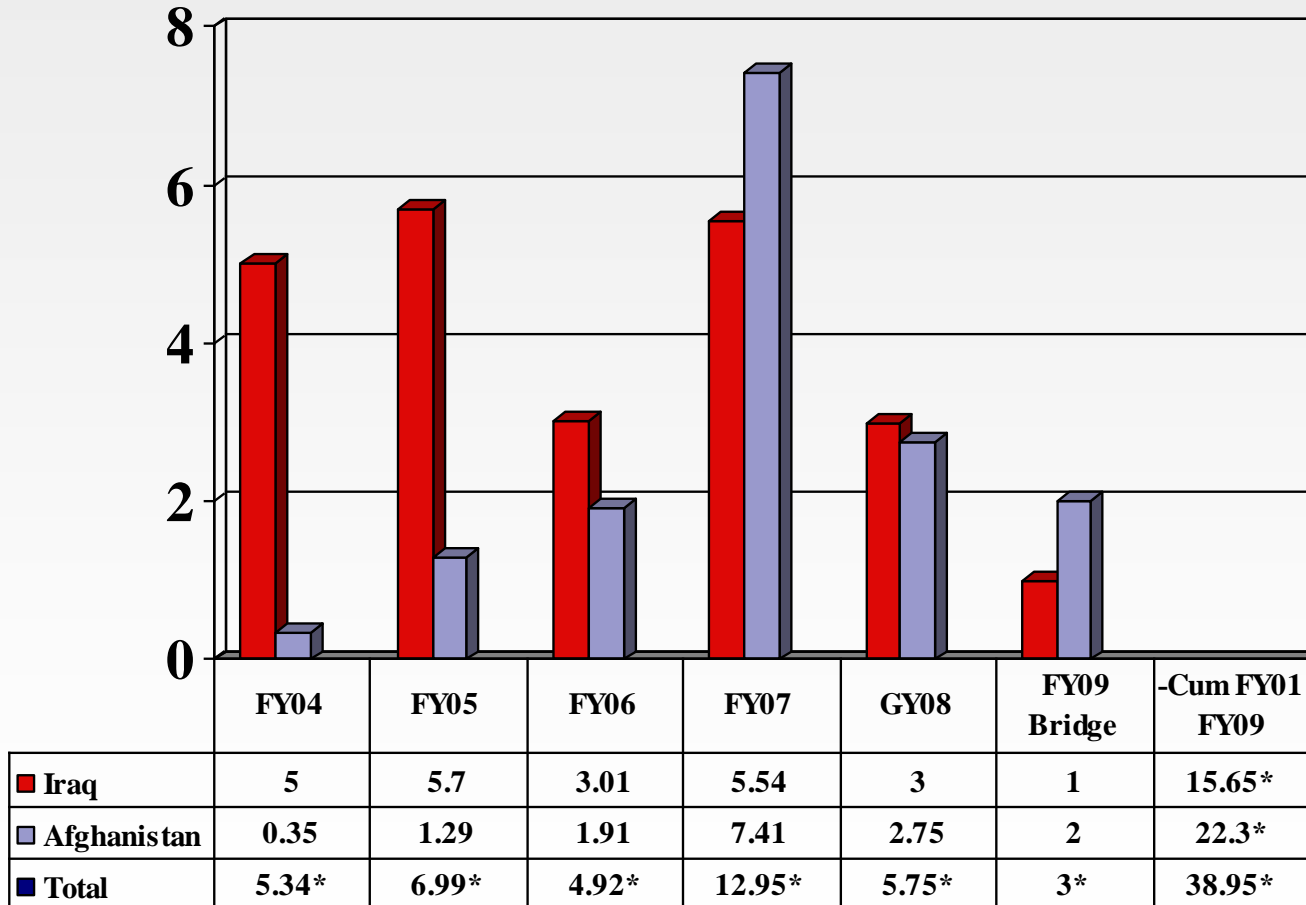
CRS Estimate of Annual Spending on the Afghan Wars by Category FY 2001 - 2010

(Billions of \$USD)



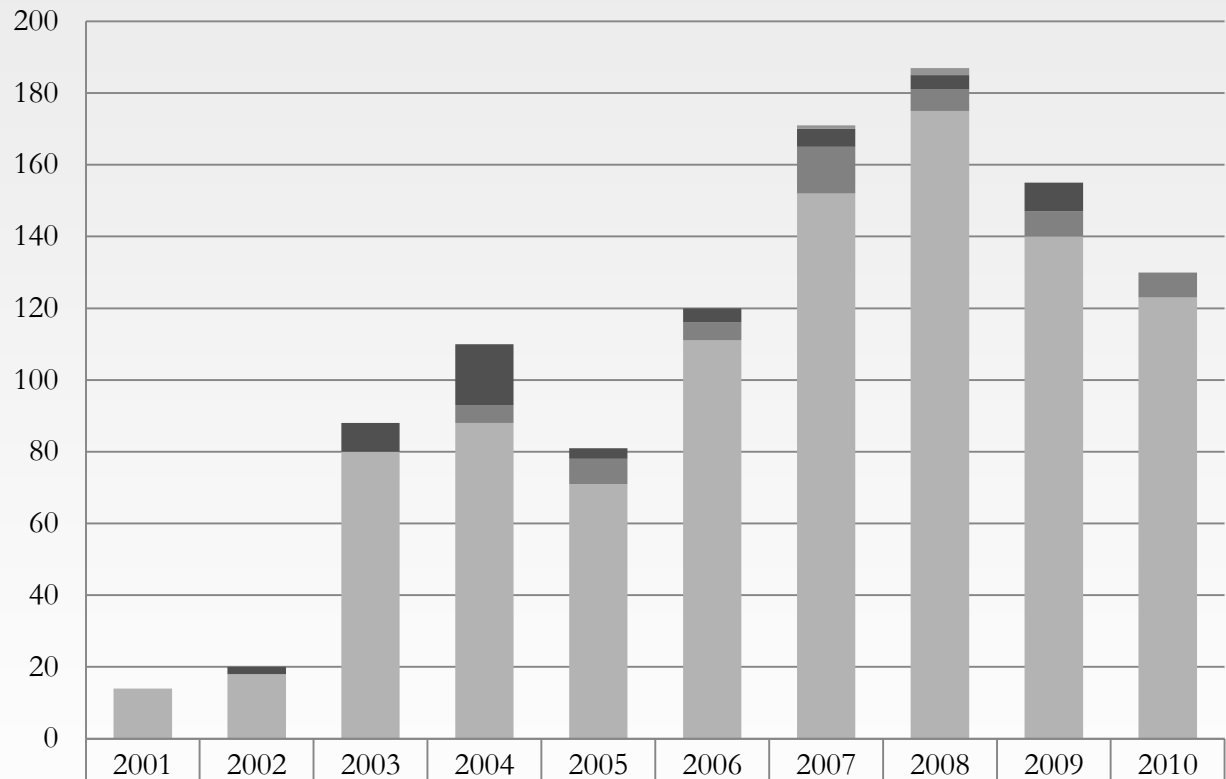
CRS Estimate of Annual US Aid Spending Iraqi and Afghan Security Forces FY 2001 - 2009

(Billions of \$USD)



CBO Estimate of Cost of All US Government Activity in Afghan Wars and GWOT, by Category

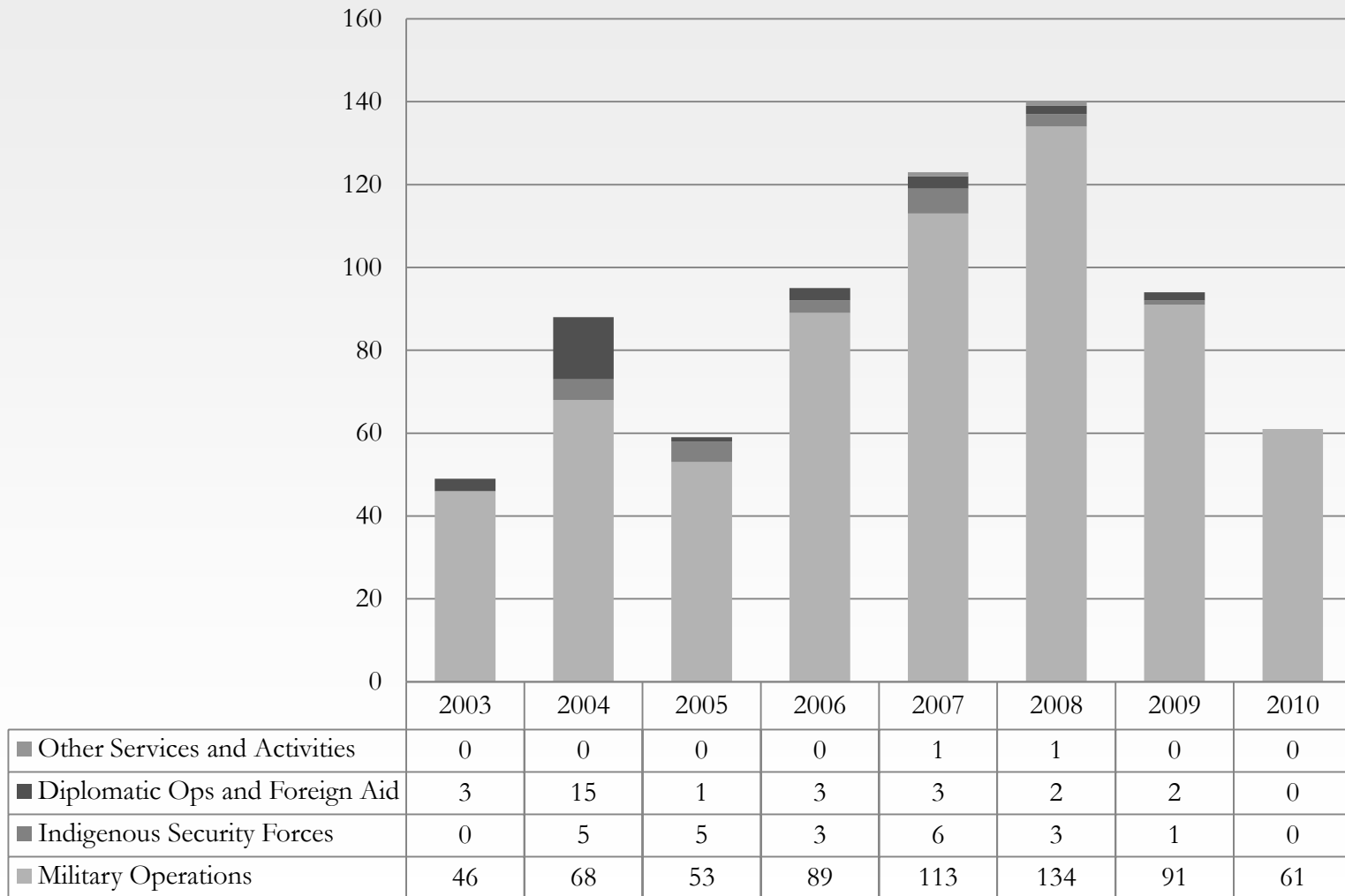
(In Appropriations of \$US Current Billions by Fiscal year)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
■ Other Services and Activities	0	0	0	0	0	0	1	2	0	0
■ Diplomatic Ops and Foreign Aid	0	2	8	17	3	4	5	4	8	0
■ Indigenous Security Forces	0	0	0	5	7	5	13	6	7	7
■ Military Operations	14	18	80	88	71	111	152	175	140	123

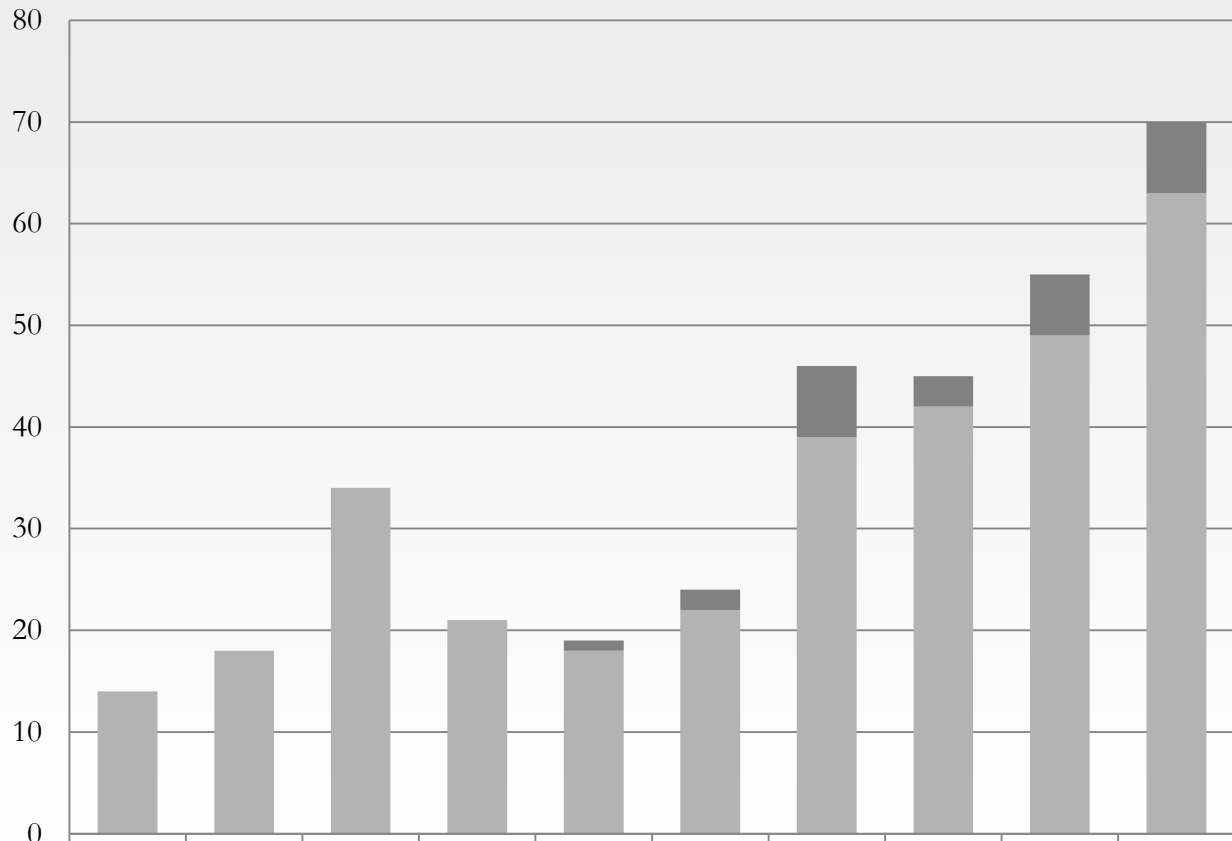
CBO Estimate of Cost of All US Government Activity in the Iraq War by Category

(In Appropriations of \$US Current Billions by Fiscal year)



CBO Estimate of Cost of All US Government Activity in Afghanistan by Category

(In Appropriations of \$US Current Billions by Fiscal year)



■ Indigenous Security Forces	0	0	0	0	1	2	7	3	6	7
■ Military Operations	14	18	34	21	18	22	39	42	49	63

Part C: Breaking Bad Habits?: Institutionalization of War Funding in FY 2011

KEY POINTS:

1. The Obama Administration and the DOD attempted to institutionalize war funding into the FY 2011 budget request
2. A comparison of OCO budgeting in FY 2010 and FY 2011 corroborates the Administration's claims

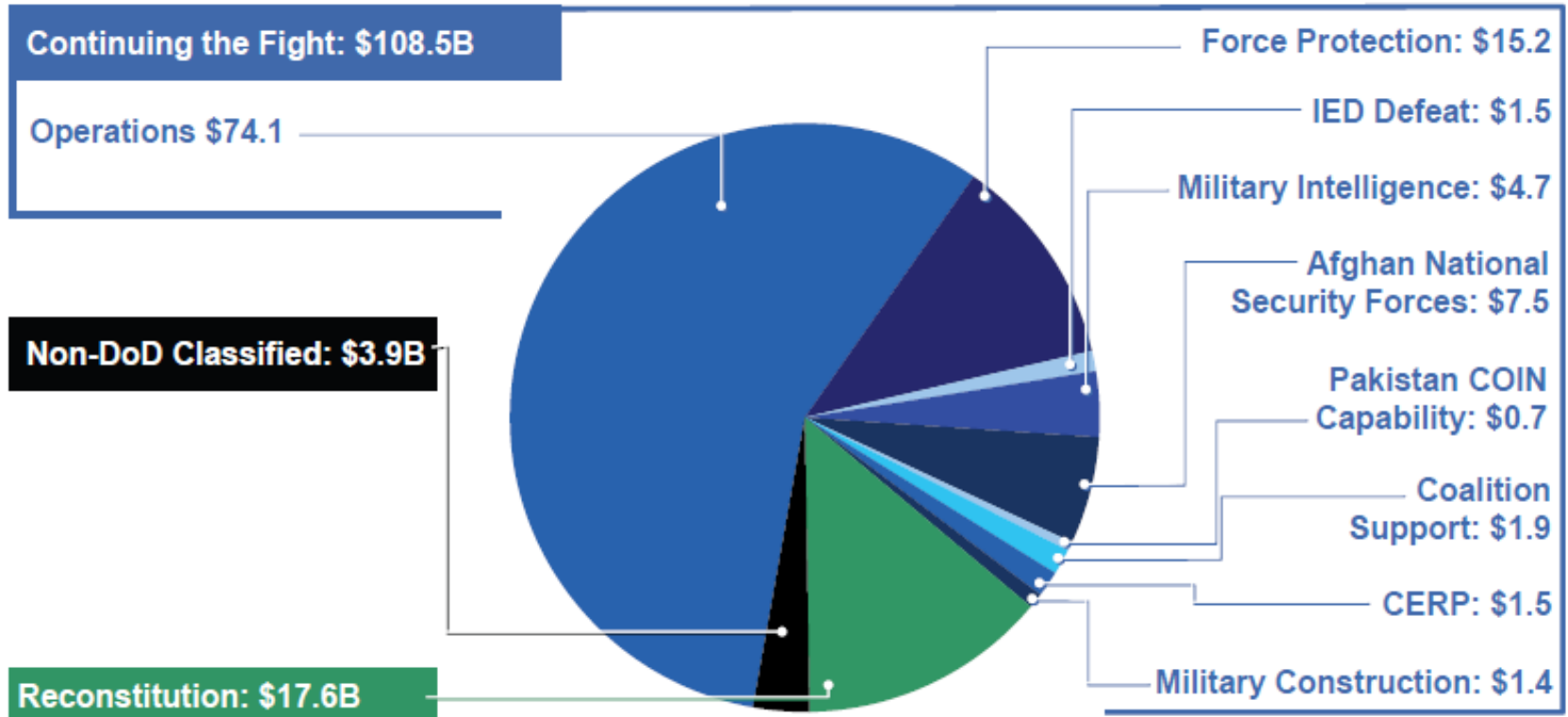
Institutionalization of War Costs in FY 2011 Budget Request

- The current Administration's policy is to institutionalize war funding into the initial budget request
 - OCO funding is still submitted in a separate, supplemental request but is submitted simultaneously with the FY 2011 base budget request
 - This supplemental request must also through the appropriations committees
 - Therefore, Congress now has more oversight on OCO funding than it has in the past
- A brief comparison of OCO funding in FY 2010 and FY 2011 seems to corroborate the Administrations claims
 - The FY 2011 Base OCO request represents a 22.5% increase of the base request in FY 2010
 - In other words, the FY 2011 Base OCO request is only 2.3% less than total FY 2010 OCO funding
- However, even if the DOD submitted a more honest budget this year, the likelihood of an FY 2011 emergency OCO request hinges on developments in the Afghanistan surge, which are inherently unpredictable

Support the Troops in the Field

FY 2010 Overseas Contingency Operations

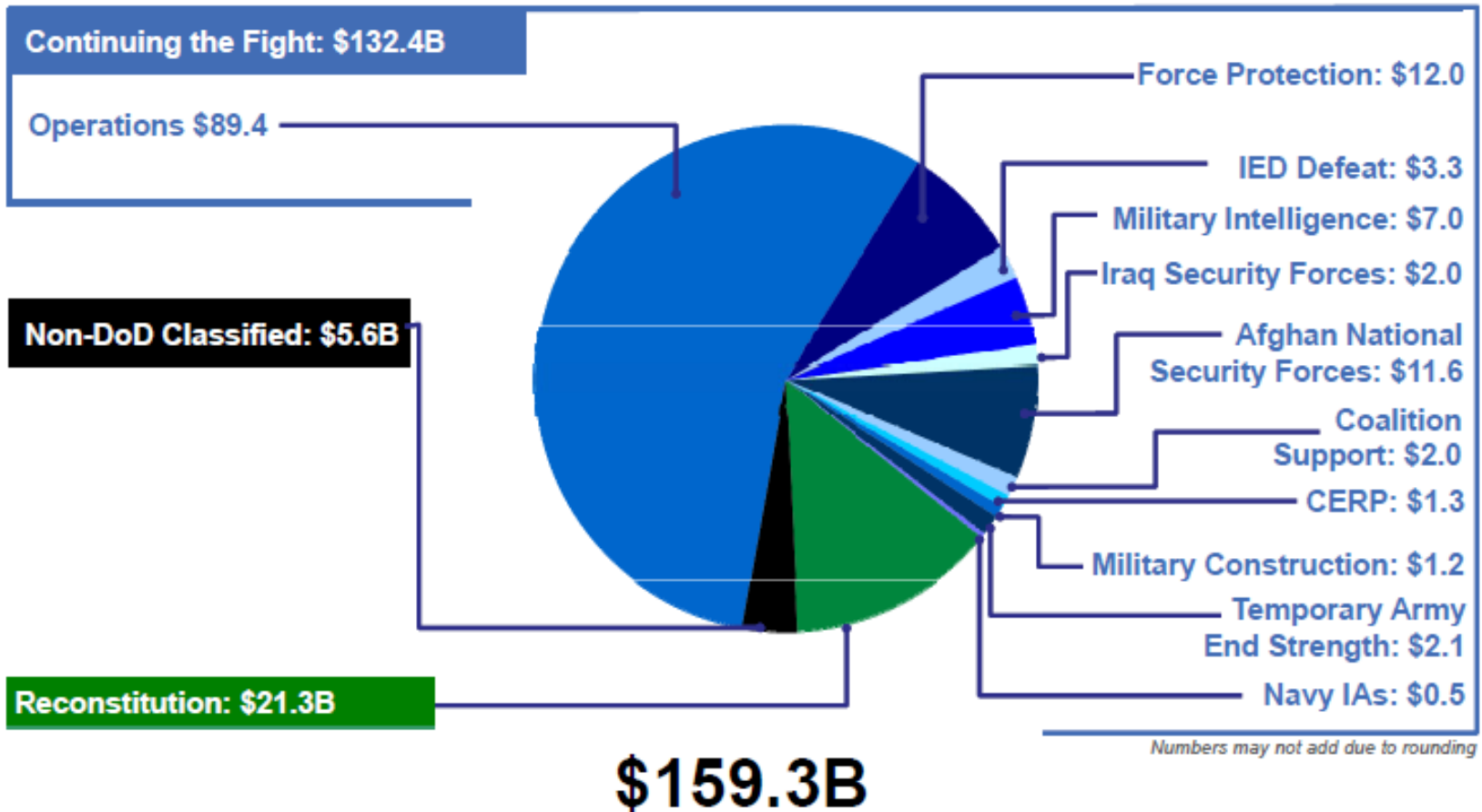
(Dollars in Billions)



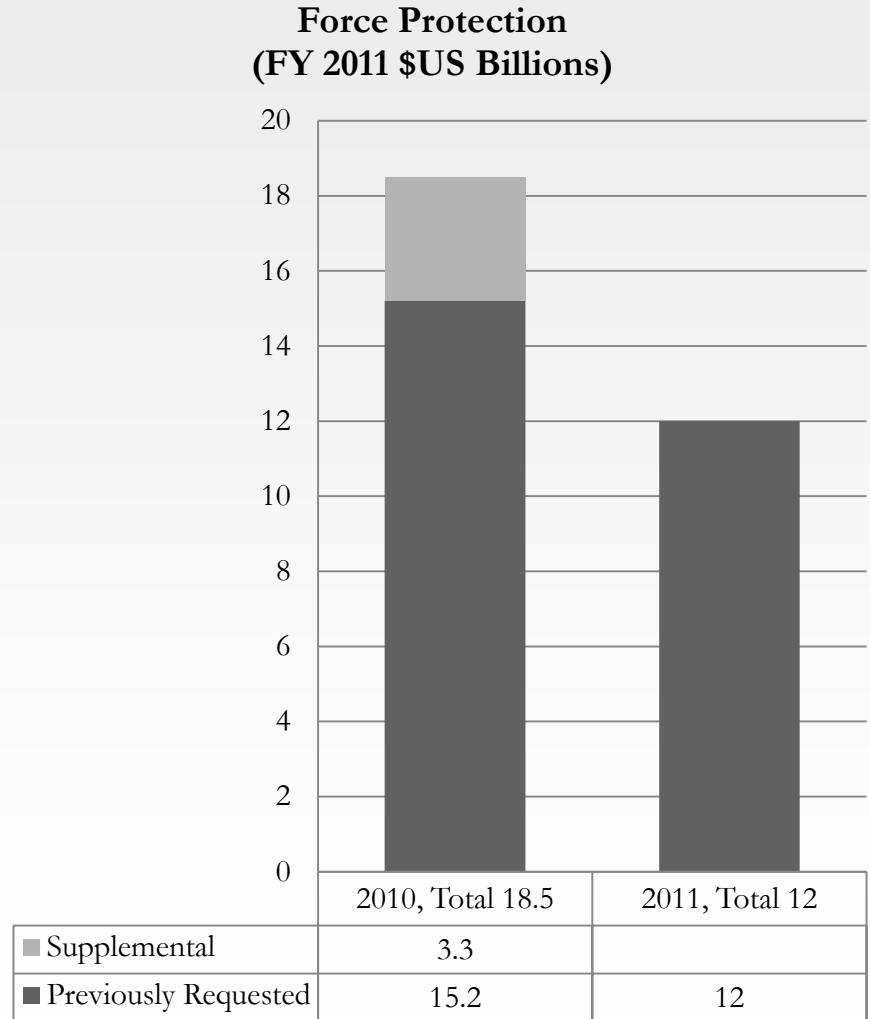
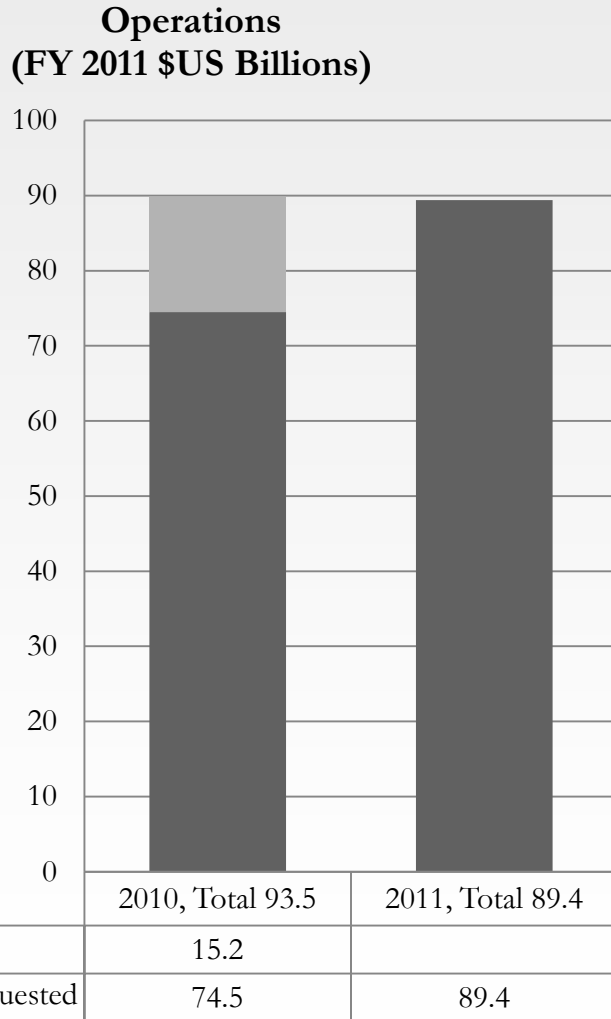
\$130.0B

FY 2011 Overseas Contingency Operations Budget Request

(Dollars in Billions)

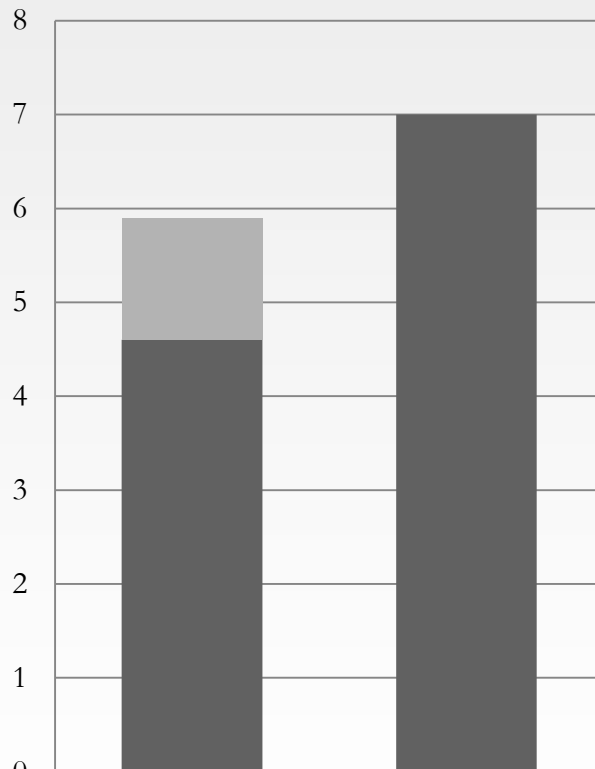


The Overseas Contingency Operations Request for FY 2011



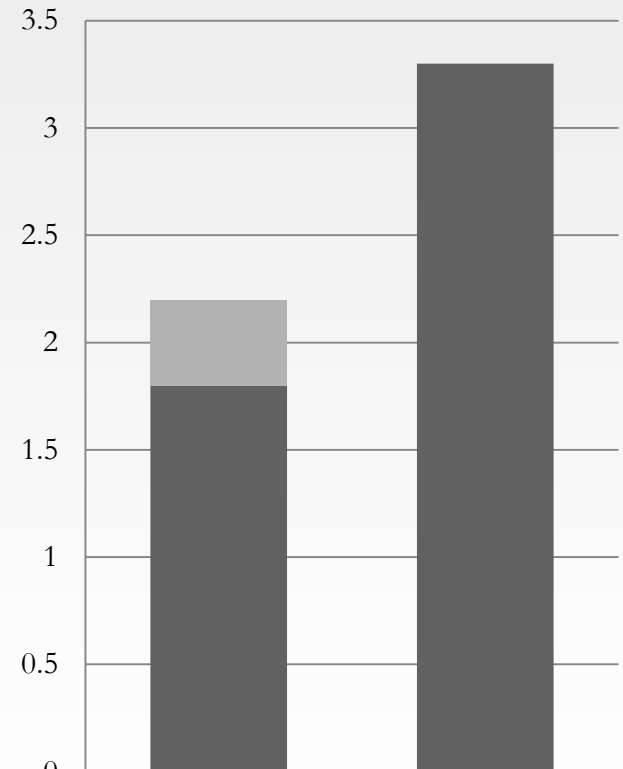
The Overseas Contingency Operations Request for FY 2011

**Military Intelligence Program
(FY 2011 \$US Billions)**



■ Supplemental	1.3	
■ Previously Requested	4.6	7

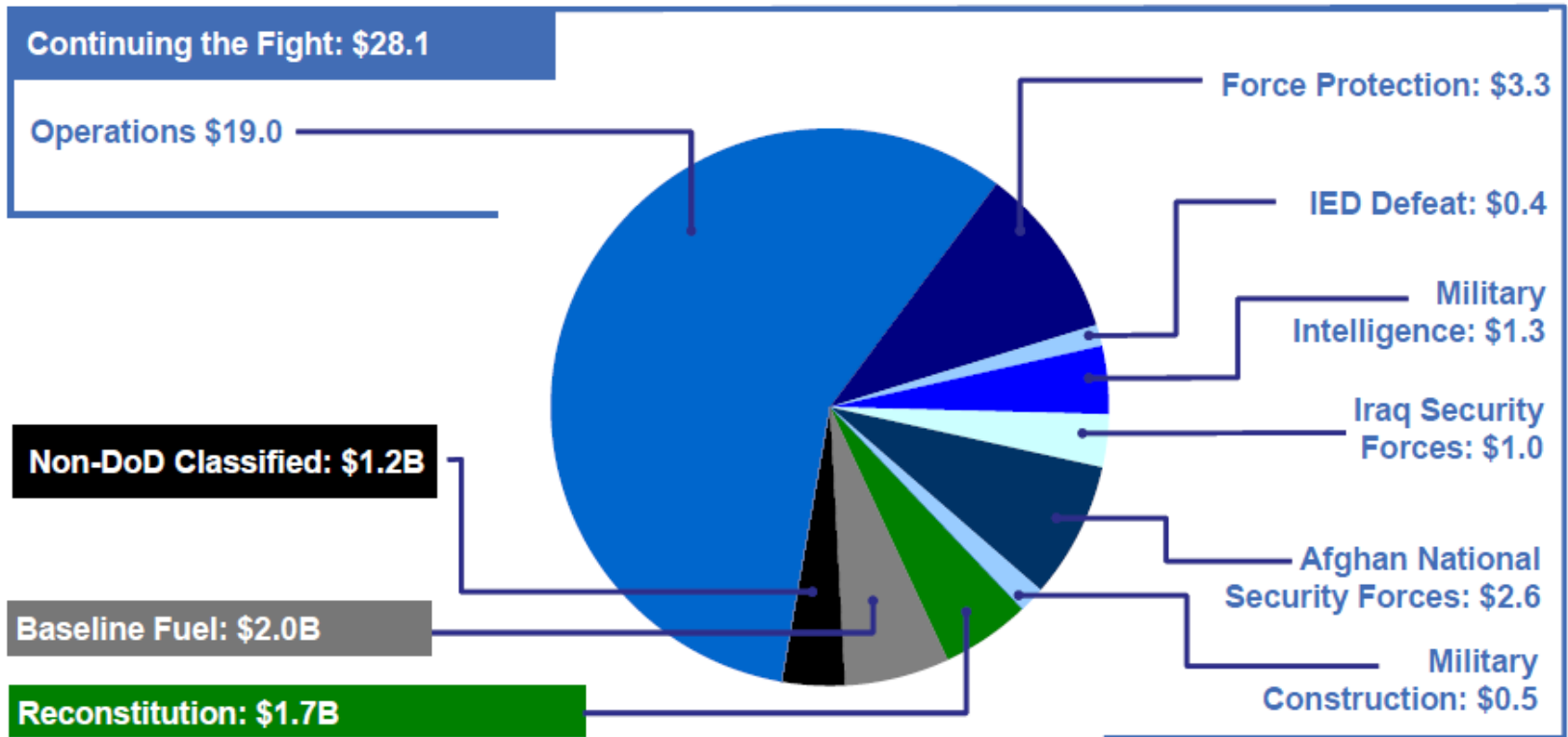
**IED Defeat Program
(FY 2011 \$US Billions)**



■ Supplemental	0.4	
■ Previously Requested	1.8	3.3

FY 2010 Overseas Contingency Operations Supplemental Request

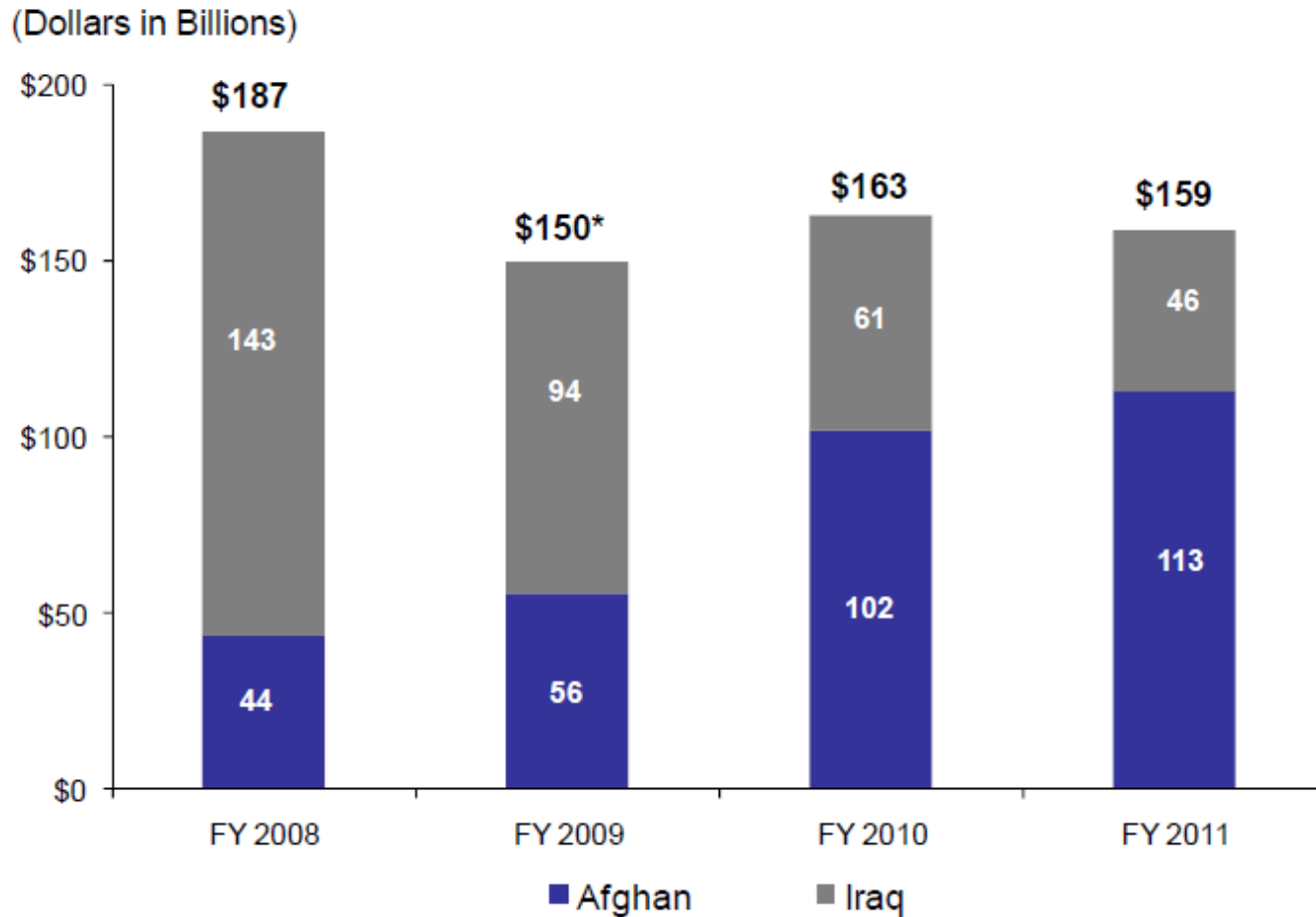
(Dollars in Billions)



Numbers may not add due to rounding

\$+33.0B

Trends in OCO Funding



* This level does not reflect the \$4.5B rescission included in the FY 2009 Supplemental Appropriation Act for baseline fuel and other items.

Part D: Looking Ahead

KEY POINTS:

1. Difficulties associated with accurately assessing past war costs make extrapolating projections of future war costs difficult
2. Future projections of war costs are highly contingent upon factors exogenous to budgetary choices

ANALYSIS: The obscurity surrounding the real costs of the wars in Afghanistan and Iraq to date make extrapolating even baseline war costs in the out years very prone to inaccuracy. Uncertainty surrounding projections of future costs increases exponentially when takes into account the influence that conditions on the ground and other exogenous factors have upon the Administration's decision to increase, sustain or draw-down operations in Iraq and Afghanistan. In spite of this, the CBO predicts that Defense spending will continuously decrease as a share of GDP over the next several years.

CRS Estimate of Troop Levels and Pay

Table 4. Average Monthly Troop Levels in Afghanistan and Iraq, FY2002-FY2008: Five DOD Sources

Rounded to hundreds

Average Monthly Troop Level	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007	FY2008	Percent Change, FY2004-FY2008 ^a
Boots on the Ground	5,200	78,100	145,800	162,900	161,500	172,000	187,900	29%
Operations Report	8,800	141,100	216,600	204,000	203,300	215,800	223,100	3%
Combat Pay Estimate ^b	63,300	166,000	238,300	251,700	228,700	247,900	292,500	23%
Average Strength with CRS Allocation ^c	83,400	237,600	232,700	255,000	262,500	274,500	293,600	26%
Location Report ^d	90,197	254,312	247,277	282,659	277,478	289,134	307,503	NA

Sources: Joint Staff, Joint Chiefs of Staff, “Boots on the Ground” (BOG) reports; Central Command, “Operations Report;” Defense Finance Accounting Services (DFAS), “Supplemental & Cost of War Execution Reports;” Defense Manpower Data Center (DMDC), DRS 21198, “Average Number of Members Deployed on any given day by Service Component and Month/Year,” January 2009; DMDC, DRS 11280, “Modified Location Country Report,” December 2008, as of April 21, 2009.

CRS Estimate of Changing War Costs

Table 3. Actual and Estimated DOD War Funding, FY2008-FY2012

in billions of dollars or percent change

Category	FY2008	FY2009	FY2010	FY2011	FY2012
Enacted Level	187.1	65.9	NA	NA	NA
New Request	NA	75.5	130.0	50.0	50.0
Fiscal Year Total	187.1	141.4	130.0	50.0	50.0
Change from Prior Year	33.1	-45.6	-11.4	-80.0	0.0
Annual Percentage Change	9%	-24%	-8%	-62%	0%
Annual Percent Change in Troop Level	9%	-1%	-19%	-30%	-36%
Potential Adjustments to War Requests					
DOD's Non-War Funding in Enacted Supplemental ^a	12.2	-12.2	NA	NA	NA
One-Time MRAP Funding ^b	16.8	-16.8	NA	NA	NA
Transfers to Baseline ^c	NA	NA	-8.0	NA	NA
Change in Reconstitution Policy ^d	NA	-26.8	NA	NA	NA
Changes in Troop Levels	NA	1.8	-7.7	-25.4	-22.1
Total Annual Adjustments	NA	-54.0	-15.7	-25.4	-22.1
War Baseline Adjusted for Non-War, MRAP, Transfers, Reconstitution, and Troop Levels	NA	133.1	117.4	91.9	69.8
Difference with Administration Request	NA	-8.3	-12.6	41.9	19.8

CRS Estimates—How Force Levels Shift

Table 1. Average Monthly Boots On the Ground in Afghanistan and Iraq: FY2002-FY2012

Reported FY02-FY08, Estimated FY09-FY12, Rounded to Hundreds

Fiscal Year/Country	Afghanistan	Iraq	Total	Percentage Change		
				Annual	Since FY2003	Since FY2008
FY2002	5,200	0	5,200	NA	NA	NA
FY2003	10,400	67,700	78,100	1402%	NA	NA
FY2004	15,200	130,600	145,800	87%	87%	NA
FY2005	19,100	143,800	162,900	12%	109%	NA
FY2006	20,400	141,100	161,500	-1%	107%	NA
FY2007	23,700	148,300	172,000	7%	120%	NA
FY2008	30,100	157,800	187,900	9%	141%	NA
FY2009	50,700	135,600	186,300	-1%	139%	-1%
FY2010	63,500	88,300	151,800	-19%	94%	-19%
FY2011	63,500	42,800	106,200	-30%	36%	-43%
FY2012	63,500	4,100	67,500	-36%	-14%	-64%

CRS Estimate—Troop Levels: Possible Reductions in Iraq, Increase in Afghanistan

Table 2. Average Monthly Troop Levels by War, FY2006-FY2012

Actuals through FY2008, Estimates for FY2009-FY2012 in Italics

Troop Levels and Estimated Costs	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	FY2012
AFGHAN WAR							
In-Country Average Troop Levels ^a	20,417	23,658	30,142	<i>50,700</i>	<i>63,400</i>	<i>63,450</i>	<i>63,350</i>
Average BCTs In-Country/a/	2.3	2.6	3.3	<i>5.6</i>	<i>7.1</i>	<i>7.1</i>	<i>7.0</i>
Percent Annual Change	7%	16%	27%	<i>68%</i>	<i>25%</i>	<i>0%</i>	<i>0%</i>
Share of Total	13%	14%	16%	<i>27%</i>	<i>42%</i>	<i>60%</i>	<i>94%</i>
IRAQ WAR							
In-Country Average Troop Levels	141,100	148,292	157,775	<i>135,600</i>	<i>88,300</i>	<i>42,750</i>	<i>4,050</i>
Average BCTs In-Country/a/	15.7	16.5	17.5	<i>15.1</i>	<i>9.8</i>	<i>4.8</i>	<i>0.5</i>
Percent Annual Change	-2%	5%	6%	<i>-14%</i>	<i>-35%</i>	<i>-52%</i>	<i>-91%</i>
Share of Total	87%	86%	84%	<i>73%</i>	<i>58%</i>	<i>40%</i>	<i>6%</i>
AFGHAN AND IRAQ WARS							
In-Country Average Troop Levels	161,517	171,950	187,917	<i>186,300</i>	<i>151,750</i>	<i>106,200</i>	<i>67,500</i>
Average BCTs In-Country	17.9	19.1	20.9	<i>20.7</i>	<i>16.9</i>	<i>11.8</i>	<i>7.5</i>
Percent Annual Change	12%	6%	9%	<i>-1%</i>	<i>-19%</i>	<i>-30%</i>	<i>-36%</i>
Share of Total	100%	100%	100%	<i>100%</i>	<i>100%</i>	<i>100%</i>	<i>100%</i>

The Lower Cost of Having “Won”

- Previously, most future cost estimates assumed either a constant level of war or a three to five year decline in spending as the US “wins.”
- The CBO has provided other estimates of the DOD budget in outlays if major cuts take place in current deployments.
- There is also a CBO estimate showing the steady-state cost of maintaining a US presence once the US has helped Iraq achieve a high degree of security and stability.
 - The capital cost of the US maintaining a 55,000 manpower level in strategic overwatch and an advisory role is estimated to be \$4-8 billion. The annual cost is estimated to be \$10 billion.
 - The capital cost of the US maintaining a 55,000 manpower level that both supports Iraqi forces in combat and provides an advisory role is estimated to be \$8 billion. The annual cost is estimated to be \$25 billion.

“Guesstimating” the Long-Term Cost of the Afghan War, Iraq War, and GWOT

- The baseline budget does not include most war costs.
- Supplementals are not measures of the cost of the war.
- There are no reliable DOD cost estimates, and the CRS, CBO, and GAO have produced different estimates.
- The full nature of deferred costs is unclear.
- The Iraq War is driven by externals like Iran, Iraqi accommodation, Iraqi force development and willingness to take over the financial burden.
- The Afghan War is driven by externals like Pakistan, the role of our allies, and progress in Afghan governance and force development

Key Factors Driving Future War-Related Costs

- Major increases are being made in ground forces with very uncertain mixes of modernization and “reset,” and allowances for transfers of equipment and supplies to Iraqi and Afghan forces.
- The CBO does not project the rise in military manpower costs per se, but does project that the future O&M costs of military manpower will rise sharply above the historical trend:
 - By approximately by 20% from FY2006-FY2025 if real-world unbudgeted costs are included.
- The CBO’s estimate of rising military medical costs is stunning:
 - But much of this is not war related, but rather the result of Congressional actions that have effectively raised the entitlement cost of military medical care for the entire military.
 - The vast majority of this cost growth is attributable to growth in medical benefits received by non-active duty military health care members, like retired military and family members of active duty military

The CBO does provide an Estimate of the Impact of Current Wars on the Entire Defense Budget Through FY2025

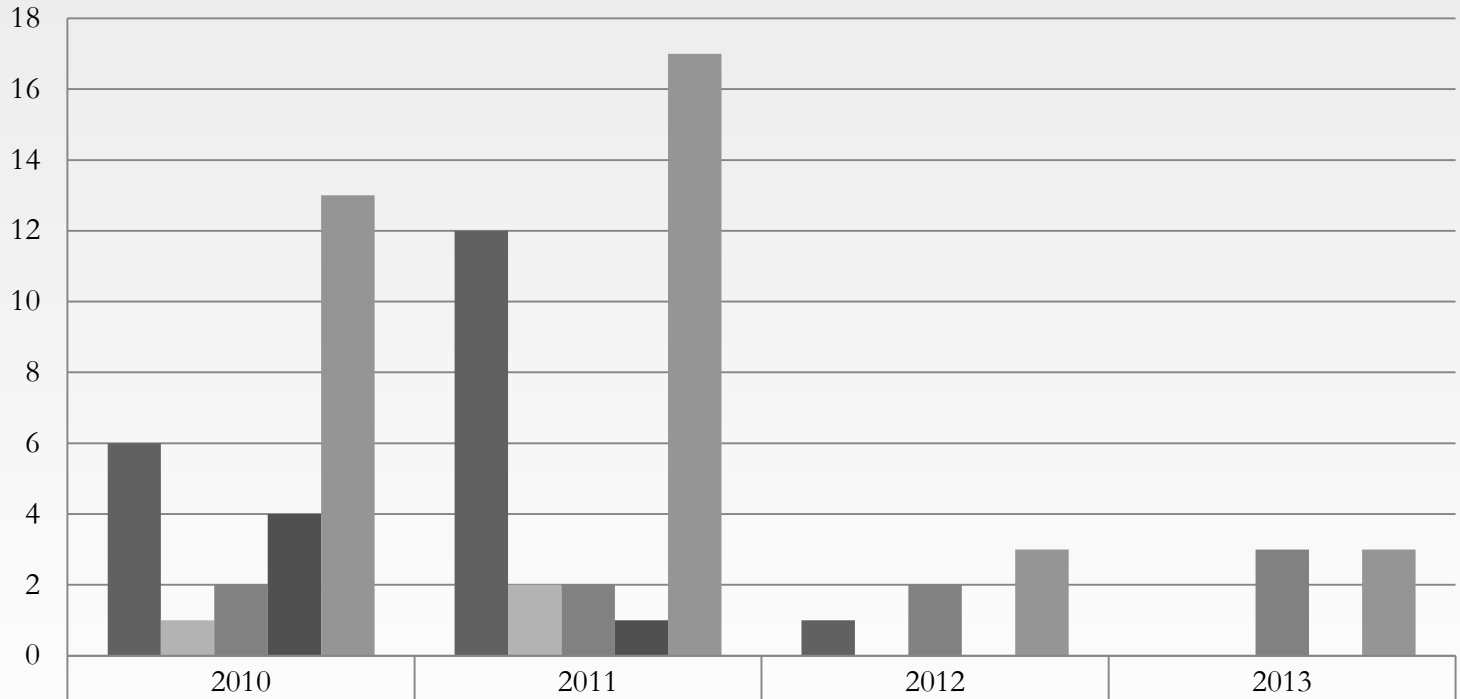
- The estimated baseline cost of the defense budget averages \$521 billion a year between FY2014 and FY2025 -- if deployed US combat personnel drop to about 35% of the present total by FY2025
 - The \$521 billion does not include supplementals but does raise the DOD level by 8% to correct for DOD under-costing.
- The real world cost, with supplementals and correcting for DOD under-costing of the budget would be about \$146 billion higher than DOD projects through FY2013, and would average about \$621 billion from FY2014-FY2025.
- The real world operating cost of US forces would be far higher than DOD budgets for.
- **But, even with these cost increases, the percent of GDP spent on defense would still continue to drop, reaching 2-3% by FY2025.**

Future War Costs are Highly Unpredictable

- Ultimately, projections of future war costs must be taken with a grain of salt
- Future war costs are highly contingent upon factors exogenous to the budgetary decisions
- Exogenous factors include the whole host of events and circumstances outside the immediate control of the President, Congress and the DOD such as conditions on the ground and political will
- Obscurity in war cost accounting since the beginning of GWOT operations obfuscates any effort to extrapolate future costs based on past and present costs

CBO Estimate of Costs Associated 30,000 Troop Surge in Afghanistan

(In Appropriations of \$US Current Billions by Fiscal year)



■ Operations	6	12	1	0
■ Personnel	1	2	0	0
■ Other	2	2	2	3
■ Force Protection	4	1	0	0
■ Total	13	17	3	3

CBO Estimate of Possible Future Savings From Reduced Wartime Expenditures

(\$US Billions)

Table 1-5.

Budgetary Effects of Selected Policy Alternatives Not Included in CBO's Baseline

(Billions of dollars)

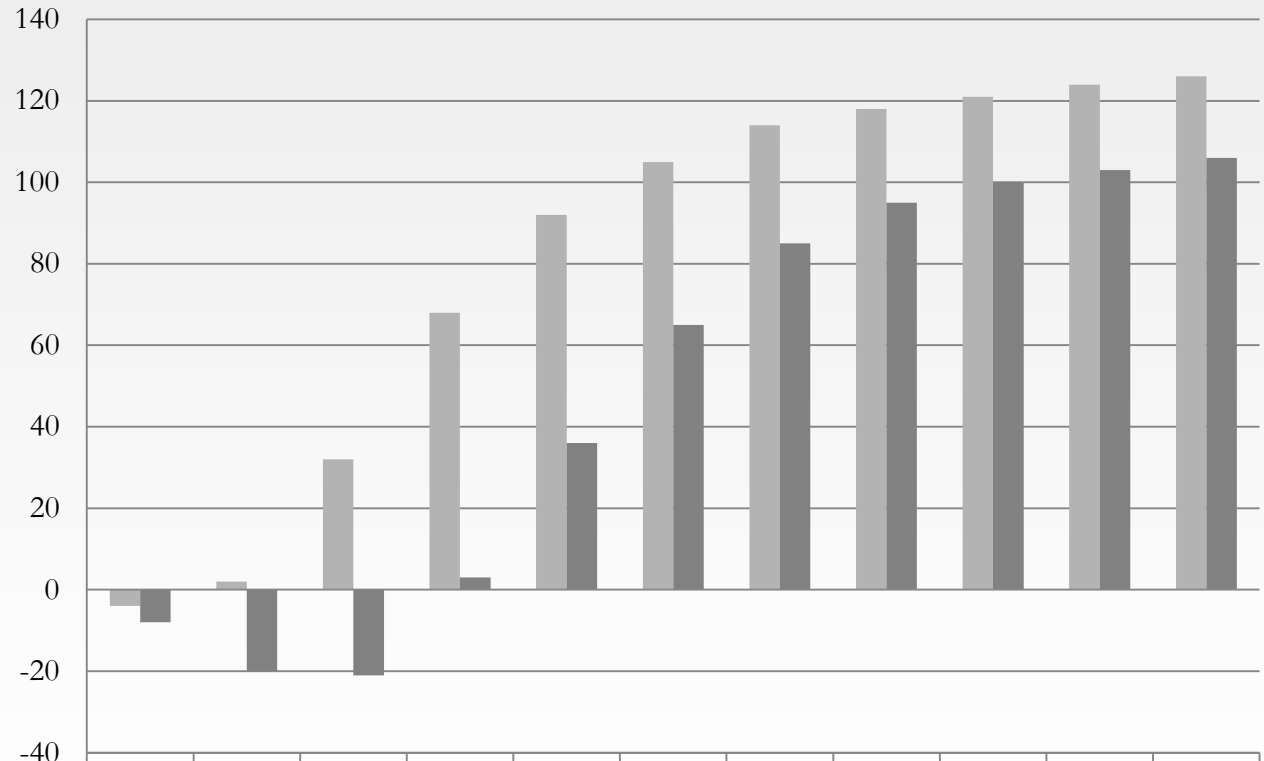
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total, 2011- 2015	Total, 2011- 2020
Policy Alternatives That Affect Discretionary Outlays													
Reduce the Number of Troops Deployed for Military Operations in Iraq and Afghanistan and for Other War-Related Activities to 30,000 by 2013 ^a													
Effect on the deficit ^b	-4	2	32	68	92	105	114	118	121	124	126	299	902
Debt service	*	*	*	2	6	11	17	24	32	40	49	19	182
Reduce the Number of Troops Deployed for Military Operations in Iraq and Afghanistan and for Other War-Related Activities to 60,000 by 2015 ^c													
Effect on the deficit ^b	-8	-20	-21	3	36	65	85	95	100	103	106	63	552
Debt service	*	*	-1	-1	-1	1	5	9	15	21	27	-2	76

CBO Estimate of Affects on Deficit Under Different Assumptions Regarding in Afghan and Iraq Wars, and GWOT

(In \$US Current Billions by Fiscal year)

“Activities” refers to total number of troops deployed to Iraq and Afghanistan. A positive number indicates an decrease in the CBO’s projected baseline budget—e.g. more funds are available for other uses

Note: These numbers do not include additional costs incurred from debt service



■ Activities to 30,000 by 2013	-4	2	32	68	92	105	114	118	121	124	126
■ Activities to 60,000 by 2013	-8	-20	-21	3	36	65	85	95	100	103	106

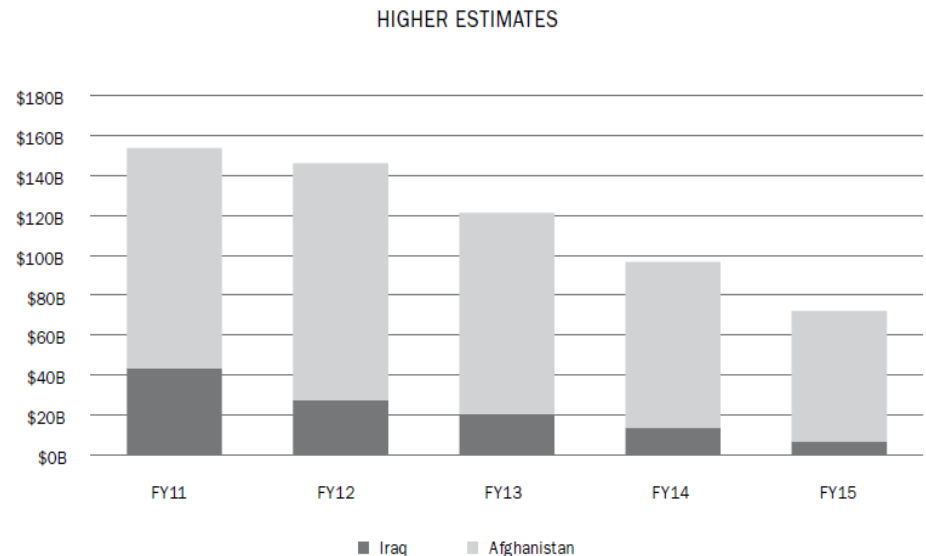
* Negative numbers indicate an increase in the deficit

Source: CBO, *The Budget and Economic Outlook: FY2010-2020*, January 2009, pp 16.

CSBA's Projections of Future War Costs: High Estimate

- The CSBA formulates a projection of future war costs by multiplying per troop costs by assumed troop levels:
- The high estimates troop level assumptions are
- For Afghanistan:
 - Troop levels remain at peak in Afghanistan throughout FY 2012
 - Then decline by 15,000 per year
 - Reach 55,000 in FY 2015
- For Iraq:
 - Troop level remains constant at 40,000 through FY 2012
 - 10,000 are withdraw annually thereafter

FIGURE 5. FUTURE WAR COSTS (in billions of FY 2011 dollars)



CSBA's Projections of Future War Costs: Low Estimate

- The low estimates troop level assumptions are
- For Afghanistan
 - Return to pre-surge troop levels by FY 2012
 - Withdraw 20,000 annually thereafter
 - Only 10,000 remain in FY 2015
- For Iraq
 - Withdrawal of forces is completed in FY 2012
 - No forces remain in country from FY 2013 forward

