

An aerial photograph of a fighter jet, likely an F-16, flying over a rugged, snow-capped mountain range. The jet is viewed from a high angle, showing its wings, tail, and cockpit. The terrain below is a mix of dark, rocky peaks and white snow, with some small structures visible in the valleys. The lighting suggests a low sun, creating long shadows and highlighting the textures of the mountains.

OCO Spending and the Uncertain Cost of America's Wars

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Introduction

The United States has been involved in some form of warfare or conflict for most of the period since 1941 , and has been continuously at war since September 11, 2001—nearly a decade and a half. The United States has never, however, come to grips with the reality of its involvement in such conflicts. Its official reporting on each conflict has been erratic at best, and has never really addressed the details of the cost of its wars, nor has it ever really addressed its strategies and how they were intended to be implemented. Furthermore, U.S. official reporting has not provided net assessments of the forces involved, nor has it provided a clear picture of the effectiveness of its military and civil efforts.

Examining the Cost of Wars

This study by the Burke chair at CSIS examines the cost of the U.S. fighting in Afghanistan, Iraq, Syria, and other “wars” related to terrorism and extremism as it is reported in U.S. budget data on Overseas Contingency Operations in the U.S. budget. It puts these cost estimates in the broader context of estimates of the past cost of U.S. wars, the relative size of U.S. military efforts compared to other powers, the overall burden that military spending puts on the U.S. economy, and how spending on U.S. wars compares to the overall levels of spending on defense. It shows that,

The cost of U.S. wars since 2001 has been substantial, and high relative to past limited U.S. wars as measured in constant dollars. The U.S. still dominates global military spending, however, in spite of recent cuts in U.S. spending, and its spending on war has still been a comparatively small part of that expenditure.

Moreover, both spending on war and total defense spending have steadily dropped as a burden on the U.S. economy in spite of the comparatively high cost of recent U.S. wars, and a steadily rising U.S. deficit and debt have been – and will be – driven by federal spending on civil entitlement programs like Social Security and medical programs.

Drawing on work by Amy Belasco of the Congressional Research Service, estimates that the total military and civil cost of Overseas Contingency Operations (OCO) in the Afghan War rose to \$686 billion in FY2001/2002 to FY2015. These costs have dropped sharply since the U.S. withdrew most forces in 2014. Meaningful data are lacking on non-Defense OCO spending, but the planned Department of Defense portion of OCO spending has since risen by a total of some \$83 billion in FY2016 and FY2017. This brings the direct cost of the Afghan war to a total of some \$770 billion through FY2017.

The total military and civil cost of the wars in Iraq and Syria reached \$815 billion in FY2001/2002 to FY2015. The OCO defense-only cost of returning to Iraq and the Syria conflict is reported to be \$14 billion from FY2016 through FY2017. This raises the total cost to \$778 billion, but these costs would be almost certainly be over \$790 billion if meaningful reporting was available on the civil portion of U.S. spending, including humanitarian aid.

These spending totals are not tied to any meaningful breakout of the size of the U.S military effort, and the full nature of U.S. support to Afghan, Iraqi, and U.S. forces. The cuts in U.S. military support have, however, been far sharper than the total cuts in OCO spending, and raise serious questions as to the adequacy of these efforts in allowing Afghan, Iraqi, and Syrian rebel forces to win.

Total civil and military OCO spending includes a wide range of additional efforts that include other fighting against terrorists and extremists, but also a wide range of other poorly defined programs. The civil costs of OCO efforts were \$9 billion in FY2015, \$15 billion in FY2016, and \$15 billion in FY2017. The military costs were \$64 billion in FY2015, \$59 billion in FY2016, and \$59 billion in FY2017. The totals were \$73 billion in FY2015, \$74 billion in FY2016, and \$74 billion in FY2017.

The public reporting on OCO spending and budget is so limited, contradictory, and poorly defined that these estimates are questionable even as estimates of direct OCO costs. They often seem to include costs unrelated to the wars and they do not include the longer term costs of military medical and pension payments coming out of the war, the full costs of replace combat equipment losses, and other costs. They also do not include politicized efforts to exaggerate war costs like opportunity costs.

There are no meaningful Executive Branch projections of OCO costs beyond FY2017. The data reported is little more than meaningful placeholder or straightline projections. More broadly, even Baseline defense data through FY2021 seem unrelated to any meaningful Future Year Defense Plan or Program Budget. The projections that are available make no allowance for continued or new U.S. wars, and seem more of an effort to game limited increases in the Budget Control Act levels of spending than anything approaching real plans.

None of the previous costs include the full range of costs in the “war on terrorism,” which would have to include total cost of at least the federal portion of homeland security. An analysis by OMB shows that they totaled --or are planned to total -- \$71.8 billion in FY2015, \$71.7 billion in FY2016, and \$70.5 billion in FY2017.

The OMB analysis indicates that many of these Homeland Defense costs are totally unrelated to Homeland defense and consist largely of efforts to fund unrelated programs under the guise of the “war” on terrorism. OMB estimates that the portion being spent on “preventing and disrupting terrorist attacks” is only \$41.5 billion in FY2015, \$36.6 billion in FY2016, and \$36.6 billion in FY2017.

If the total Homeland Defense budget is added to the total OCO budget, however, the total cost of U.S. wars rises to \$144.8 billion in FY2015, \$145.7 billion in FY2016, and \$144.5 billion in FY2017.

The data supporting these conclusions are laid out in detail in the report, as are the source materials from which each table

and graph are drawn. It is critical to note that the source material contained long warnings and explanation about the limits to the data and its uncertainty that would more than triple the length of the report if they were fully quoted. The reader should be aware that U.S. official reporting is anything but reliable and transparent, and sometimes borders on dysfunctional rubbish.

Fifteen Years of War Without Effective Official U.S. Reporting

The Department of Defense has issued reports on the conduct of the Iraq and Afghan Wars, and these have at some point covered the civil side of the conflicts. These reports have, however, always been retrospective, have never provided a clear picture of U.S. strategy and have often failed to report negative developments in depth. The Iraq reports ended with the withdrawal of U.S. combat troops in 2011, and the Afghan reports have had increasingly limited detail and increasingly ignored negative developments, and failed to provide a clear picture of the overall course of the insurgency.

(For an example of the DoD report see Enhancing Stability and Security in Afghanistan, December 2015, http://www.defense.gov/Portals/1/Documents/pubs/1225_Report_Dec_2015_-_Final_20151210.pdf. The closest thing to a U.S. official report on the current Iraq and Syria wars is a site on the Department of Defense web page's list of top issues called Target Operations Against ISIL Targets, http://www.defense.gov/Portals/1/Documents/pubs/1225_Report_Dec_2015_-_Final_20151210.pdf. Interestingly, the Afghan War is no longer a "top issue" and has been dropped from the list.)

The U.S. has established Lead Inspector General reports on the Afghan conflict (Operation Freedom's Sentinel) and Iraq and Syria Conflicts (Operation Inherent Resolve) that attempt to integrate the views of the inspector generals from the Department of Defense, State, and USAID. These reports have slowly improved over time, but still focus on audits more than strategy and the course of the conflict, and provide little insight into the nature or effectiveness of U.S. and allied civil and military efforts.

(For recent reports see http://www.dodig.mil/IGInformation/archives/LIG%20OCO_OFS_RPT_Oct2015_w_SIGNATURES_V2.pdf and https://oig.state.gov/system/files/oir_quarterly_march2016.pdf.)

Much of the rest of U.S. official reporting has consisted of press briefings on the immediate combat situation. These have provided some insight into the immediate course of the war, but – like the data on the Department of Defense website -- they have often consisted of "spin" designed to justify the conflict and provide a favorable picture of U.S. and allied military efforts.

The U.S. Congress has held repeated hearings on the wars and strategy, but they have been largely political efforts focusing only on the broadest trends and aspects of strategy. They have had little substantive data, and have failed to examine the details of how strategy is being implemented, the cost-effectiveness of U.S. efforts, or net assessments of the course of the war.

Congress has established Special Inspector General's for the Iraq and Afghan conflicts, but the Special Inspector General for Iraq (SIGIR) ceased to function after U.S. forces withdrew in 2011. Reporting by the Special Inspector General for Afghanistan (SIGAR) reporting has often provided major insights into the course of the war, the development of Afghan forces, and the effectiveness of given military and civil aid programs. SIGAR's mandate, however, focuses on auditing U.S. military and civil aid to Afghanistan and only indirectly on the overall conduct of the war.

(For the latest SIGAR report on the Afghan War, see [April 30, 2016 Quarterly Report to Congress](https://www.sigar.mil/quarterlyreports/), <https://www.sigar.mil/quarterlyreports/>.)

In spite of its mandate to examine and control the federal budget and spending, Congress has never publically focused on the steadily rising cost of given conflicts. The one major exception has been the work of Amy Belasco of the Congressional Research Service, who has attempted to cost the Afghan and Iraq Wars on the basis of the budgets for U.S. Overseas Contingency Operations Reports. These studies provide the core of official U.S. reporting on the cost of the wars through FY2014, but have not been regularly updated, and – as Ms. Belasco makes clear in her reports – face limits because of major limits and uncertainties in the official data.

(For the most recent publically available report by Ms. Belasco, see *The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11*, December 8, 2014, <https://www.fas.org/sgp/crs/natsec/RL33110.pdf>.)

The Cost of Past Wars

The Cost of Past Wars

There is no agreed estimate of the cost of past wars, and no official Department of Defense estimate of such costs. The best generally available data seem to come from work by Stephen Daggett of the Congressional Research Service, which is often quoted by Department of Defense speakers.

(This publication is entitled *Costs of Major U.S. Wars*, is dated June 10, 2010, and is available on the web at <https://www.fas.org/sgp/crs/natsec/RS22926.pdf>.)

- **Figures One to Three** show the costs of wars before World War One. These wars took place when America was a radically different nation in every way, and it is important to note that these estimate do not include irregular wars between the U.S. Government and Native Americans. The civil war is the only war reflecting a massive U.S. effort, and one that placed a meaningful burden on the U.S. economy.
- **Figures Four to Six** display recent and current wars and display a more accurate and relevant impact on the U.S. economy. These figures show that World War Two came as close to total war as the U.S. has ever come, although the percentages of economic effort must be strikingly lower than those of other major combatants.

The key message in these figures, however, is that the growth of the U.S. economy has steadily reduced the burden that limited wars are likely to place upon it.

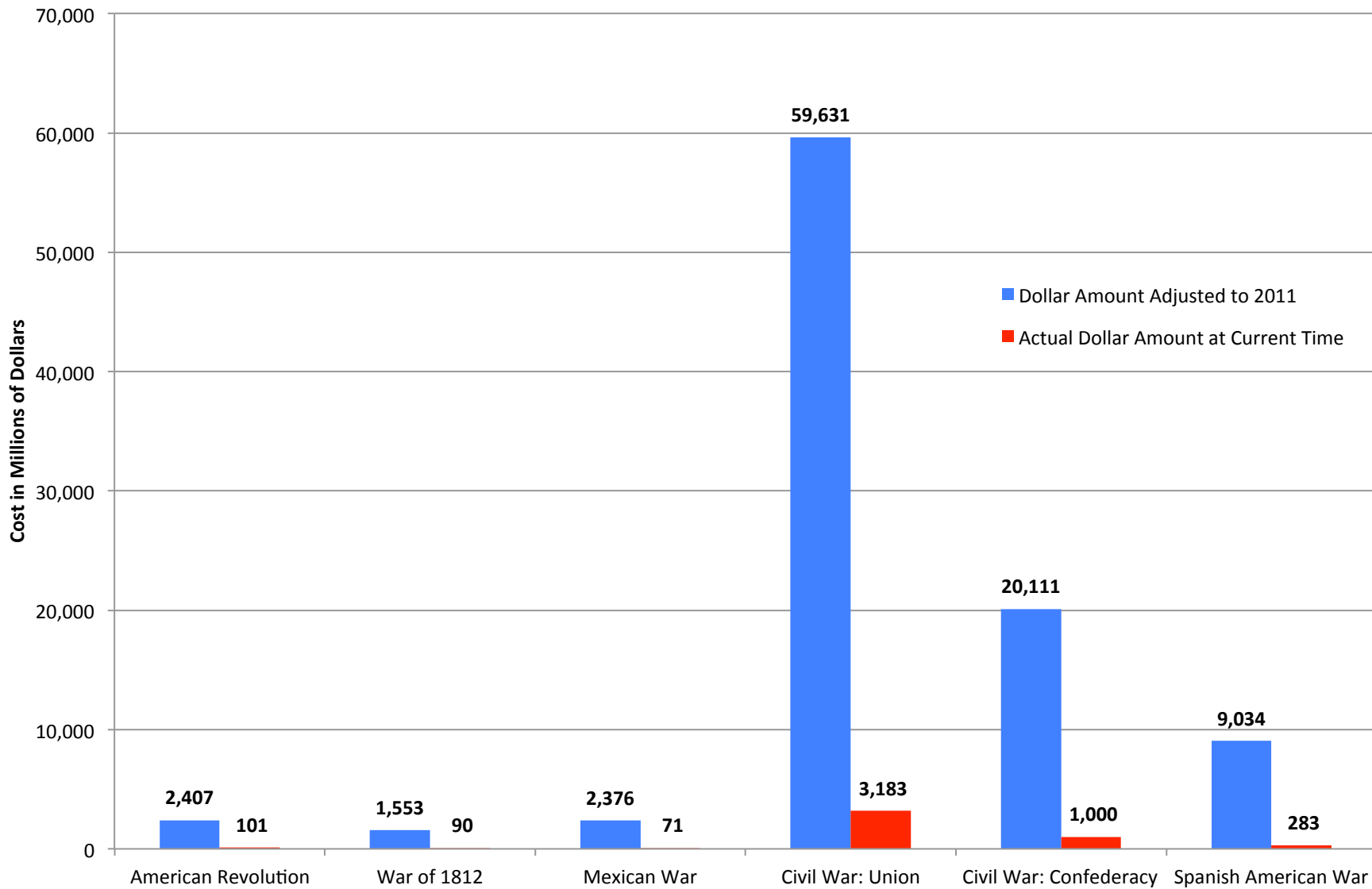
The cost of the peak impact of the Iraq War only amounts to some one percent of the U.S. GDP. A cost of \$784 billion in constant FY2011 dollars from FY2002 to FY2011 is still a massive amount of money, but it scarcely represented a critical burden on the U.S. economy, and – as the following Figures show – these costs have become far smaller now that the U.S. relies on air power and limited train and assist missions on the ground, rather than deploying major combat forces.

Figure 1: CRS Estimate of Military Cost of Wars Until World War I

(Updated to include appropriations enacted and requested through FY2010)

	Years of War Spending	Peak Year of War Spending	
	Total Military Cost of War in Millions/Billions of Dollars	War Cost % GDP in Peak Year of War	Total Defense % GDP in Peak Year of War
American Revolution	1775-1783		
Current Year \$	101 million	NA	NA
Constant FY2011\$	2,407 million		
War of 1812	1812-1815		1813
Current Year \$	90 million	2.2%	2.7%
Constant FY2011\$	1,553 million		
Mexican War	1846-1849		1847
Current Year \$	71 million	1.4%	1.9%
Constant FY2011\$	2,376 million		
Civil War: Union	1861-1865		1865
Current Year \$	3,183 million	11.3%	11.7%
Constant FY2011\$	59,631 million		
Civil War: Confederacy	1861-1865		
Current Year \$	1,000 million	NA	NA
Constant FY2011\$	20,111 million		
Spanish American War	1898-1899		1899
Current Year \$	283 million	1.1%	1.5%
Constant FY2011\$	9,034 million		

Figure 2: Total Military Cost of Past Wars (1776-1900) in \$ Millions



Sources: Stephen Daggett, Costs of Major U.S. Wars, Congressional Research Service, RS22926, June 29, 2010, <https://www.fas.org/sgp/crs/natsec/RS22926.pdf>.

Figure 3: Total Defense Spending as % of GDP in Peak Year of War (1776-1900)

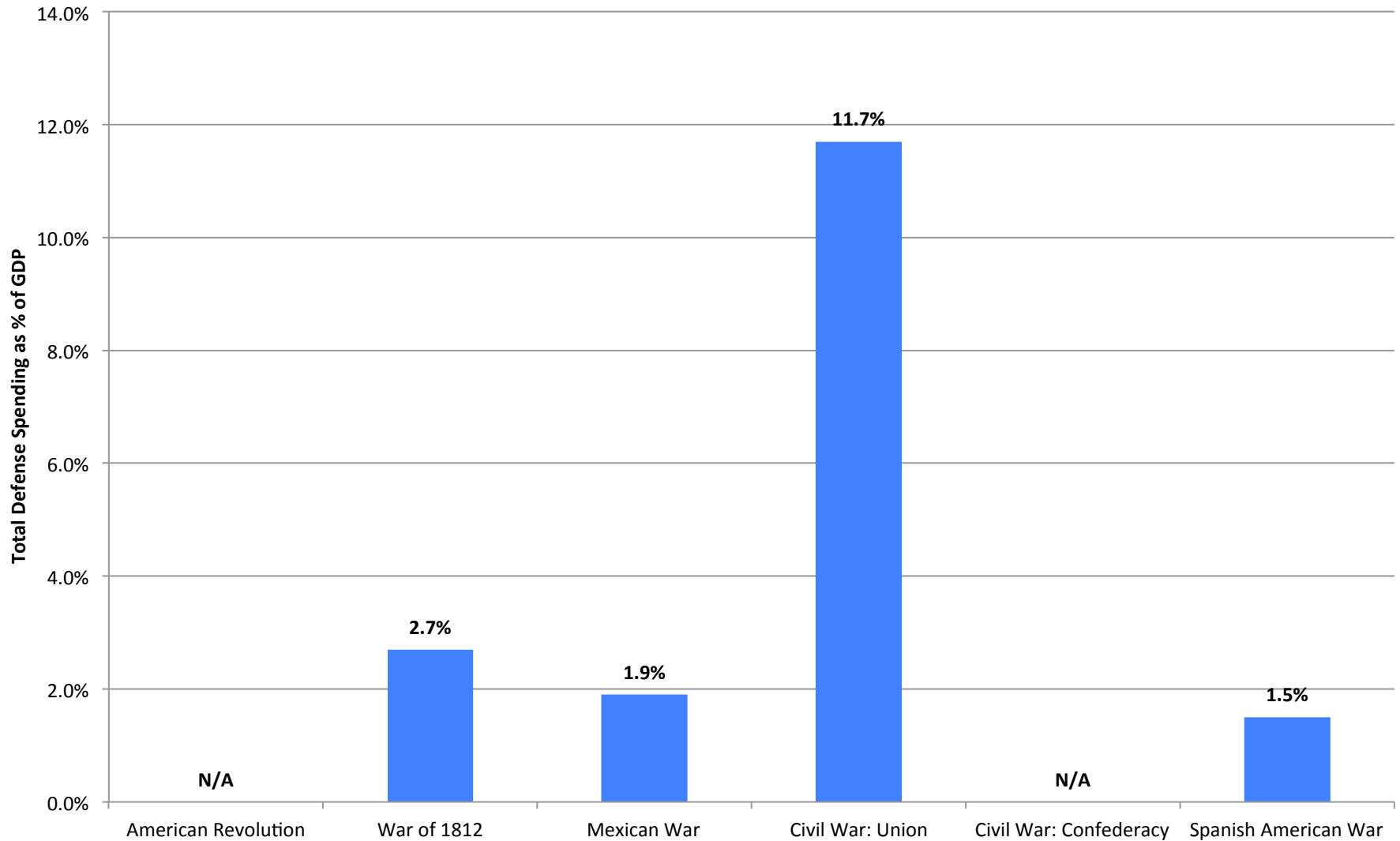
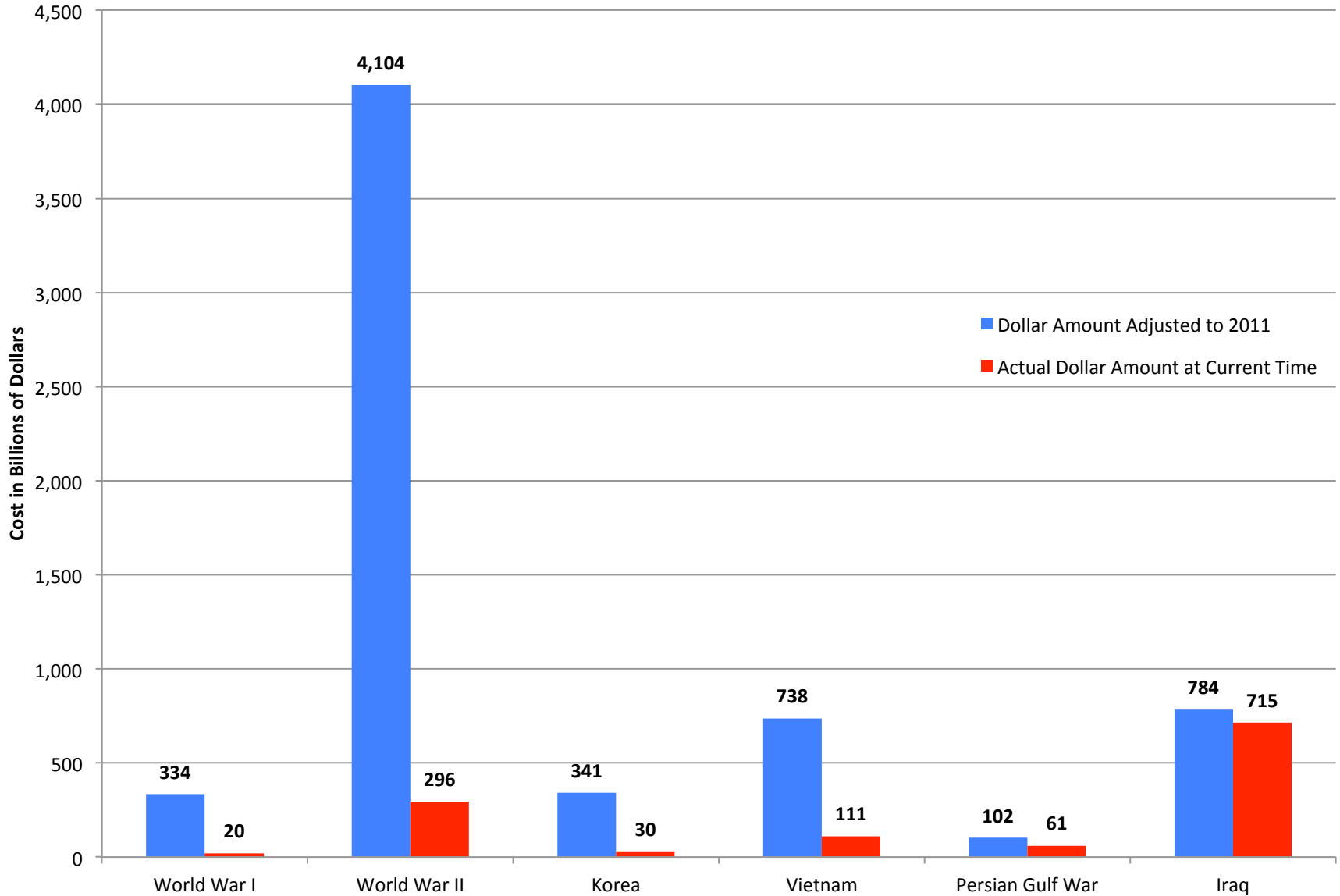


Figure 4: CRS Estimate of Military Cost of Wars From World War I Onwards

	Years of War Spending	Peak Year of War Spending	
	Total Military Cost of War in Millions/Billions of Dollars	War Cost % GDP in Peak Year of War	Total Defense % GDP in Peak Year of War
World War I	1917-1921		1919
Current Year \$	20 billion	13.6%	14.1%
Constant FY2011 \$	334 billion		
World War II	1941-1945		1945
Current Year \$	296 billion	35.8%	37.5%
Constant FY2011 \$	4,104 billion		
Korea	1950-1953		1952
Current Year \$	30 billion	4.2%	13.2%
Constant FY2011 \$	341 billion		
Vietnam	1965-1975		1968
Current Year \$	111 billion	2.3%	9.5%
Constant FY2011 \$	738 billion		
Persian Gulf War^b	1990-1991		1991
Current Year \$	61 billion	0.3%	4.6%
Constant FY2011 \$	102 billion		
Iraq^a	2003-2010		2008
Current Year \$	715 billion	1.0%	4.3%
Constant FY2011 \$	784 billion		

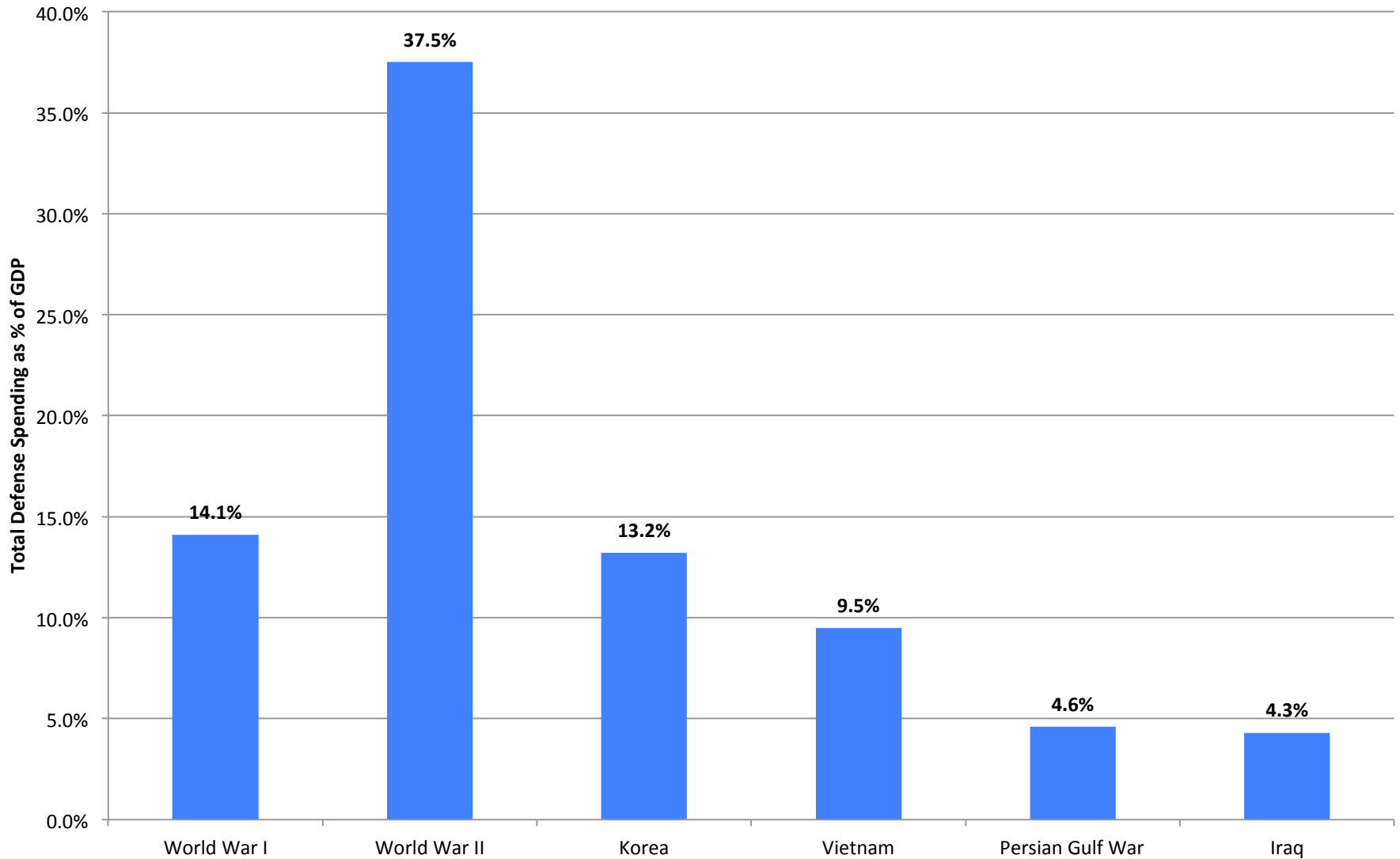
Sources: Stephen Daggett, Costs of Major U.S. Wars, Congressional Research Service, RS22926, June 29, 2010, <https://www.fas.org/sgp/crs/natsec/RS22926.pdf>.

Figure 5: Total Military Cost of Past Wars (1901-2010) in \$ Billions



Sources: Stephen Daggett, Costs of Major U.S. Wars, Congressional Research Service, RS22926, June 29, 2010, <https://www.fas.org/sgp/crs/natsec/RS22926.pdf>.

Figure 6: Total Defense Spending as % of GDP in Peak Year of War (1901-2010)



Key Qualifications in the CRS Estimate of the Cost of Past War

This CRS report provides estimates of the costs of major U.S. wars from the American Revolution through current conflicts in Iraq, Afghanistan, and elsewhere. It presents figures both in “current year dollars,” that is, in prices in effect at the time of each war, and in inflation-adjusted “constant dollars” updated to the most recently available estimates of FY2011 prices. All estimates are of the costs of military operations only and do not include costs of veterans benefits, interest paid for borrowing money to finance wars, or assistance to allies. The report also provides estimates of the cost of each war as a share of Gross Domestic Product (GDP) during the peak year of each conflict and of overall defense spending as a share of GDP at the peak.

Comparisons of war costs over a 230-year period, however, are inherently problematic. One problem is how to separate costs of military operations from costs of forces in peacetime. In recent years, the Department of Defense (DOD) has tried to identify the additional “incremental” expenses of engaging in military operations, over and above the costs of maintaining standing military forces. Figures used in this report for the costs of the Vietnam War and of the 1990-1991 Persian Gulf War are official DOD estimates of the incremental costs of each conflict. Costs of post-9/11 military operations in Afghanistan, Iraq, and elsewhere are estimates of amounts appropriated to cover war-related expenses. These amounts appear to reflect a broader definition of war-related expenditures than earlier DOD estimates of incremental Vietnam or Persian Gulf War costs.

Before the Vietnam conflict, the Army and Navy, and later the DOD, did not identify incremental expenses of military operations. For the War of 1812 through World War II, CRS estimated the costs of conflicts by calculating the increase in expenditures of the Army and Navy compared to the average of the three years before each war. The premise is that increases reflect the cost of a temporary buildup to fight each war. Costs of the Revolutionary War and of the Confederate side in the Civil War are from other published sources. Costs of the Korean War were calculated by comparing DOD expenditures during the war with a trend line extending from the average of three years before the war to the average of three years after the war.

Figures are problematic, as well, because of difficulties in comparing prices from one vastly different era to another. Inflation is one issue—a dollar in the past would buy more than a dollar today. Perhaps a more significant problem is that wars appear vastly more expensive over time as the sophistication and cost of technology advances, both for military and for civilian purposes.

The estimates presented in this report, therefore, should be treated, not as truly comparable figures on a continuum, but as snapshots of vastly different periods of U.S. history.

Source: Stephen Daggett, *Costs of Major U.S. Wars*, CRS RS22926, June 10, 2010, <https://www.fas.org/sgp/crs/natsec/RS22926.pdf>.)

Sources

All estimates are of the costs of military operations only and do not reflect costs of veterans' benefits, interest on war-related debt, or assistance to allies. Except for costs of the American Revolution and the Civil War costs of the Confederacy, all estimates are based on U.S. government budget data. Current year dollar estimates of the costs of the War of 1812 through World War II represent the increase in Army and Navy outlays during the period of each war compared to average military spending in the previous three years. For the Civil War costs of the Confederacy, the estimate is from the Statistical Abstract of the United States, 1994. For the American Revolution, the estimate is from an unofficial financial history of the United States published in 1895. For the Korean War, the estimate represents increased expenditures of the DOD during the period of the conflict compared to the projected trend from the average of three years before the war to three years after.

For the Vietnam War and the Persian Gulf War, figures are DOD estimates of the incremental costs of operations, meaning the costs of war-related activities over and above the regular, non-wartime costs of defense. For operations since September 11, 2001, through FY2009, figures reflect CRS estimates of amounts appropriated to cover war-related costs. For FY2010, figures are DOD estimates of war-related appropriations. The current-year dollar estimates are converted to constant prices using estimates of changes in the consumer price index for years prior to 1940 and using Office of Management and Budget and DOD estimates of defense inflation for years thereafter. The CPI estimates used here are from a data base maintained at Oregon State University. The data base periodically updates figures for new official CPI estimates of the U.S. Department of Commerce.

a. Totals for post-9/11 operations include all funds appropriated through the enactment of FY2010 appropriations plus \$33 billion in requested additional supplemental appropriations for FY2010. Totals are for activities of the DOD only and do not include costs of reconstruction assistance, diplomatic security, and other activities by other agencies. Figures for post-9/11 costs are for budget authority—all other figures are for outlays.

b. Most Persian Gulf War costs were offset by allied contributions or were absorbed by DOD. Net costs to U.S. taxpayers totaled \$4.7 billion in current year dollars. Source: "Department of Defense Annual Report to Congress for Fiscal Year 1994," January, 1993.

c. Reflects funding for "Operation Enduring Freedom," the bulk of which is for operations in Afghanistan but which also includes amounts for operations in the Philippines, the Horn of Africa, and other areas.

d. Based on data available from DOD, CRS is not able to allocate \$5.5 billion, in current year dollars, in FY2003 by mission. That amount is included here in the total for all post-9/11 operations. The total also includes \$28 billion, in current year dollars, for enhanced security at domestic U.S. military bases from FY2001-FY2009.

Comparisons of costs of wars over a 230-year period, however, are inherently problematic. One problem is how to separate costs of military operations from costs of forces in peacetime. In recent years, the DOD has tried to identify the additional "incremental" expenses of engaging in military operations, over and above the costs of maintaining standing military forces. Before the Vietnam conflict, however, the Army and the Navy, and later the DOD, did not view war costs in such terms.

Figures are problematic, as well, because of difficulties in comparing prices from one vastly different era to another. Inflation is one issue—a dollar in the past would buy more than a dollar today. Perhaps a more significant problem is that wars appear more expensive over time as the sophistication and cost of technology advances, both for military and for civilian activities. Adjusted for inflation, the War of 1812 cost about \$1.6 billion in today's prices, which appears, by contemporary standards, to be a relatively small amount. But using commonly available estimates of gross domestic product, the overall U.S. economy 192 years ago was less than 1/1,400th as large as it is now. So at the peak of the conflict in 1813, the war consumed more than 2% of the nation's measurable economic output, the equivalent of more than \$300 billion today. The data in the table, therefore, should be treated, not as truly comparable figures on a continuum, but as snapshots of vastly different periods of U.S. history.

Putting Total U.S. Defense Spending in Its Global Context

War and Defense Costs Relative to Other Powers

The limited cuts in U.S. baseline defense spending, cutbacks in military manpower to FY2000 levels, and the broader impact of the Budget Control Act have led to a number of commentaries about the decline in U.S. military power. Military spending does not necessarily buy power or war fighting capability. Military spending can buy waste and mistakes.

In broad terms, however, U.S. military spending is probably not less efficient than that of any other significant military power. The following figures use data from the International Institute of Strategic Studies (IISS) and Stockholm International Peace Research Institute (SIPRI) to show how U.S. military efforts compare to other leading powers, and they scarcely send message about American decline:

- **Figure Seven** shows that the United States retains a massive lead in total military spending over its major rivals China and Russia, and that its key allies make major military efforts as well.
- **Figure Eight** shows that the United States accounts for over a third of all global military spending. Its percentage is three to four times that of China and more than eight times that of Russia. Once again, U.S. allies make up a major portion of global military spending,
- **Figure Nine** compares the fifteen largest spenders on military forces in the world in terms of their military spending as a percent of GDP. The United States is not on the list, and several U.S. allies are.

It is important to note that later figures show that total U.S. military spending is now well under 4% of GDP and that the peak cost of all OCO spending was never more than a fraction of total U.S. military spending. The costs of projecting power in combat remain serious, but they have not dominated U.S. military efforts, have dropped sharply in recent years, and have always remained a relatively low proportion of total U.S. military spending.

Figure 7: IISS and SIPRI Comparative Estimates of 2015 Global Military Spending in Billions \$USD

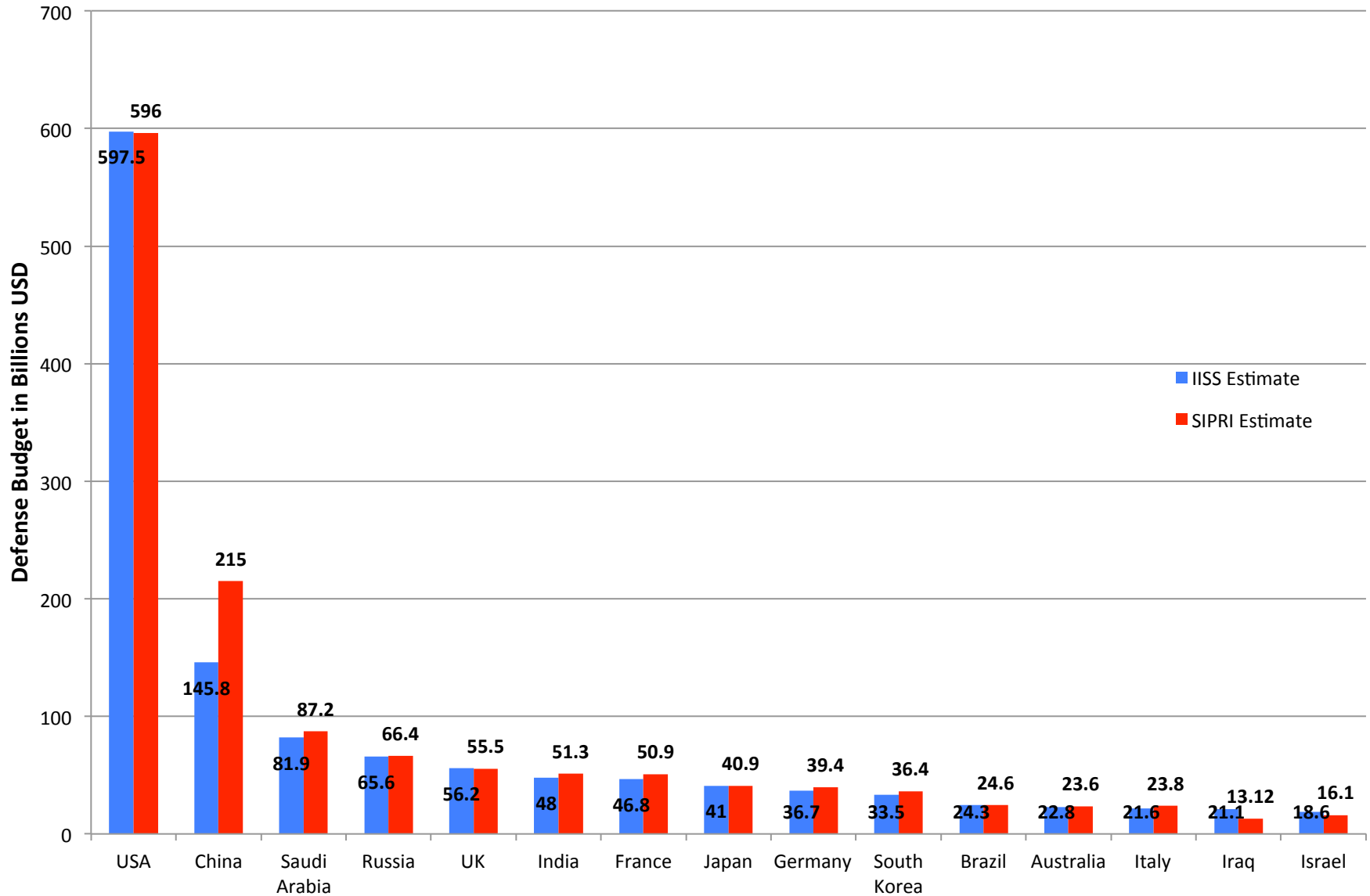


Figure 8: IISS and SIPRI Comparative Estimates of the Share of Total 2015 World Military Expenditure

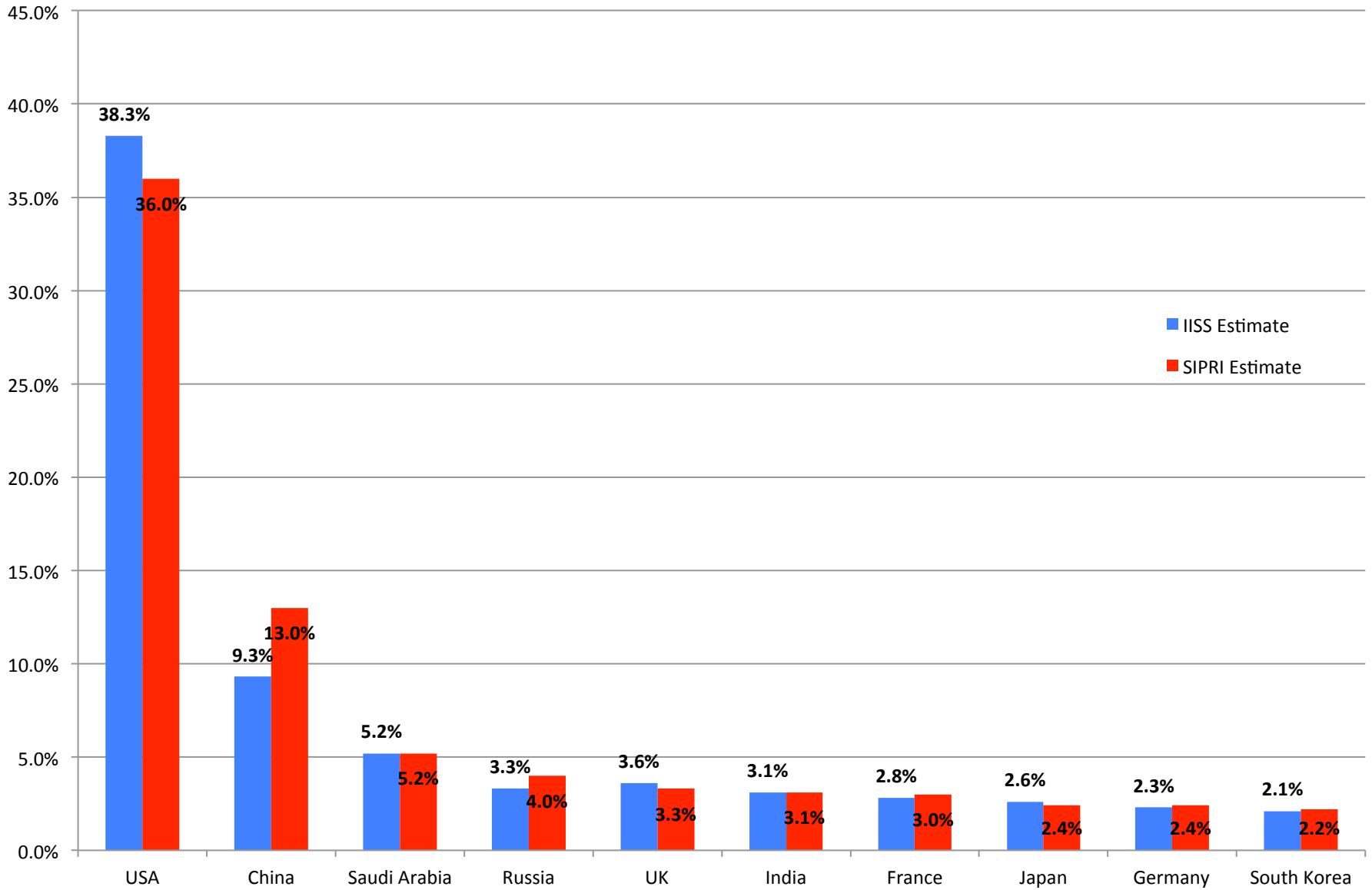
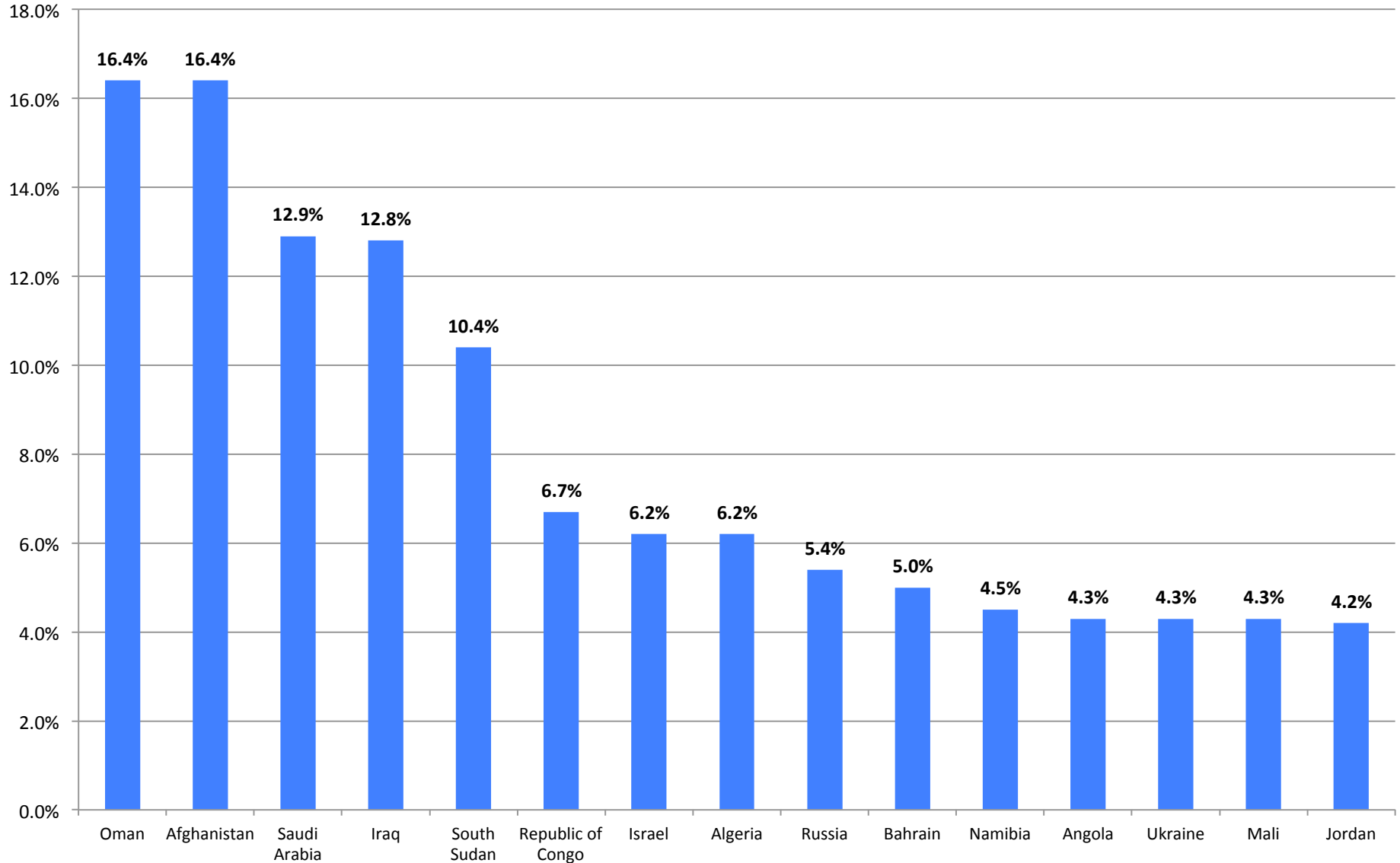


Figure 9: IISS Estimate of National Defense and Security Budgets as a % of GDP



The Declining (?) Burden of Defense Spending on the Economy

The Declining (?) Burden of Defense Spending on the Economy

The political rhetoric surrounding military spending, budget debates, and given programs often leads to misleading a statements about the impact of total military spending – which sometimes is conflated with the cost of war fighting.

- **Figure Ten** shows a Congressional Budget Office (CBO) projection of the total trends in U.S. federal spending from FY2015 to FY2026. Such estimates are inherently uncertain, but the CBO has a better track record than most. Barring a major new war, it is mandatory retirement and medical spending (costs like Social Security and Medicare/Affordable Care Act) that will dominate federal spending and the continuing rises in the deficit and debt costs.
- **Figure Eleven** breaks these costs out in more detail at key intervals from FY1966 to FY2026. U.S. military spending drops from 7.5% of the GDP in FY1966 – near the peak of the Cold War and Vietnam – to 5.2% in FY1991 (just as the Cold War ended), only 3.2% in 2016, and only 2.6% in 2026. Other discretionary spending drops from 4.0% of the GDP in FY1966 to 3.5% in FY1991, 3.4% in 2016, and only 2.6% in 2026.
- In contrast, Federal Spending on Social Security rises from 2.6% of the GDP in FY1966 to 4.4% in FY1991, 4.9% in 2016, and 5.9% in 2026. In contrast, Federal Spending on major health care programs rises from 0.1% of the GDP in FY1966 to 2.5% in FY1991, 5.5% in 2016, and 6.5% in 2026.
- Health programs alone will rise from near zero in 1966 to well over twice the level of total military spending in FY2026, and neither the debt or deficit problems will have been addressed.
- **Figure Twelve** highlights the CBO projection of the impact of U.S. military and OCO spending in the GDP. It shows that the recent costs of war have only had a minor impact on the economy relative to the rising cost of mandatory civil programs, and that both the OCO and other U.S. defense costs have dropped sharply since FY2010.

- **Figures Thirteen to Fifteen** provide an OMB forecast of total federal budget spending in both budget authority and outlays by function for FY2015 to FY2021. They all project a continued major U.S. national security effort, but again they illustrate that the rising costs of federal programs will be in mandatory civil programs. This is highlighted in the constant dollar data shown in **Figure Fourteen**.
- **Figure Sixteen** compares U.S. regular or “baseline” military spending with OCO spending, and the potential impact of the Budget Control Act (which does not limit OCO spending per se). It again highlights the limited impact of OCO spending, but it also warns that current projections assume a virtually end to today’s wars and no new OCO contingencies. Given the fact the U.S. has been at war most of the time since 1941, such assumptions have obvious problems.
- **Figure Seventeen** shows the same data, but also spending by major category within the baseline levels. It warns that, quite aside from wartime or OCO spending, the cost of O&M, military personnel, and RDTE&E and procurement all continue to rise sharply in constant dollars. This reflects the fact that the efforts to reduce cost and increase efficiency in the rest of U.S. defense spending have had an impact in selected areas, but little overall macro impact on U.S. military spending.

Figure 10: CBO Estimate of Federal Spending as % of GDP: 1966-2026

Percentage of Gross Domestic Product

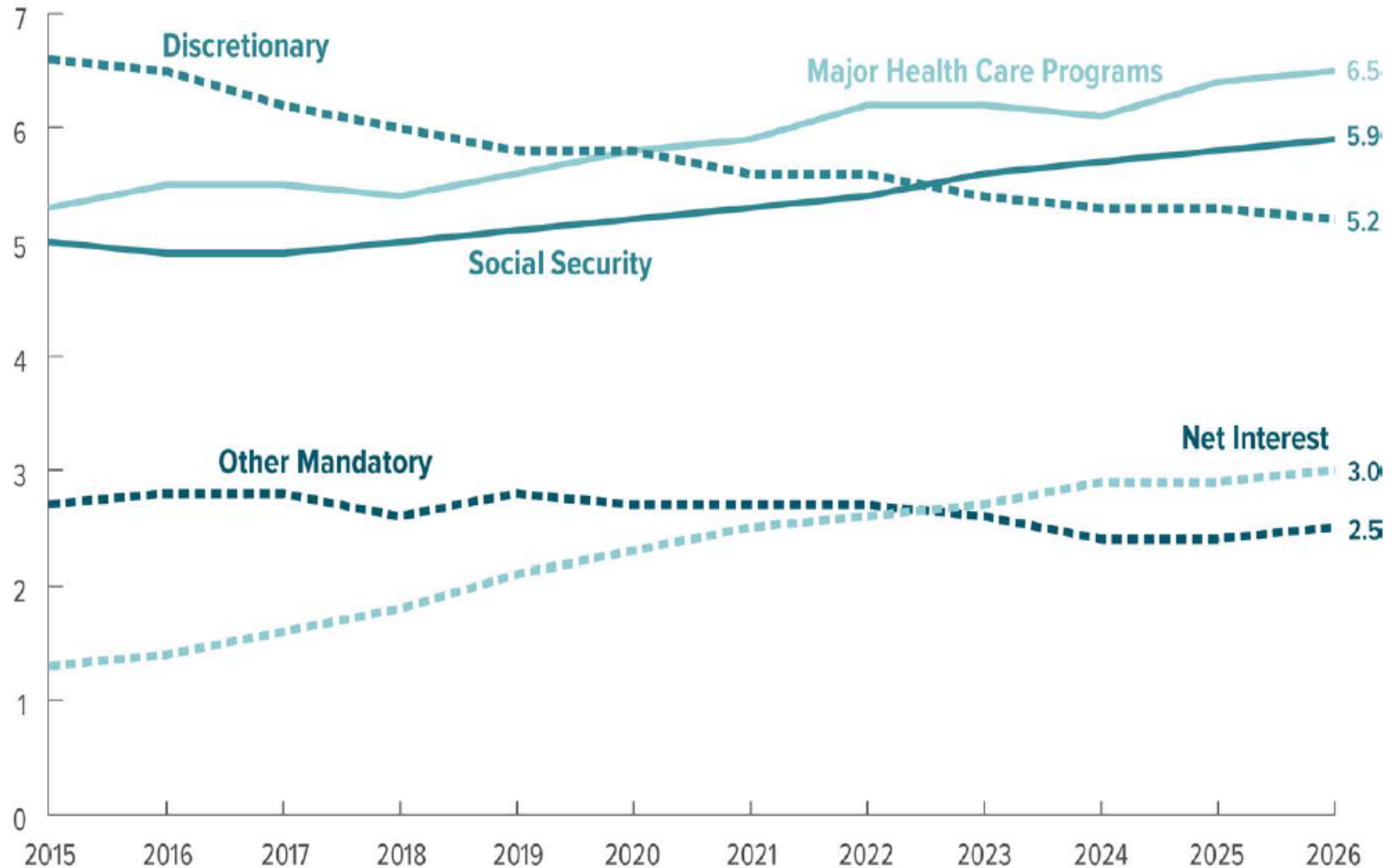


Figure 11: CBO Estimate of Federal Spending as % of GDP: 1966-2026

Percentage of Gross Domestic Product

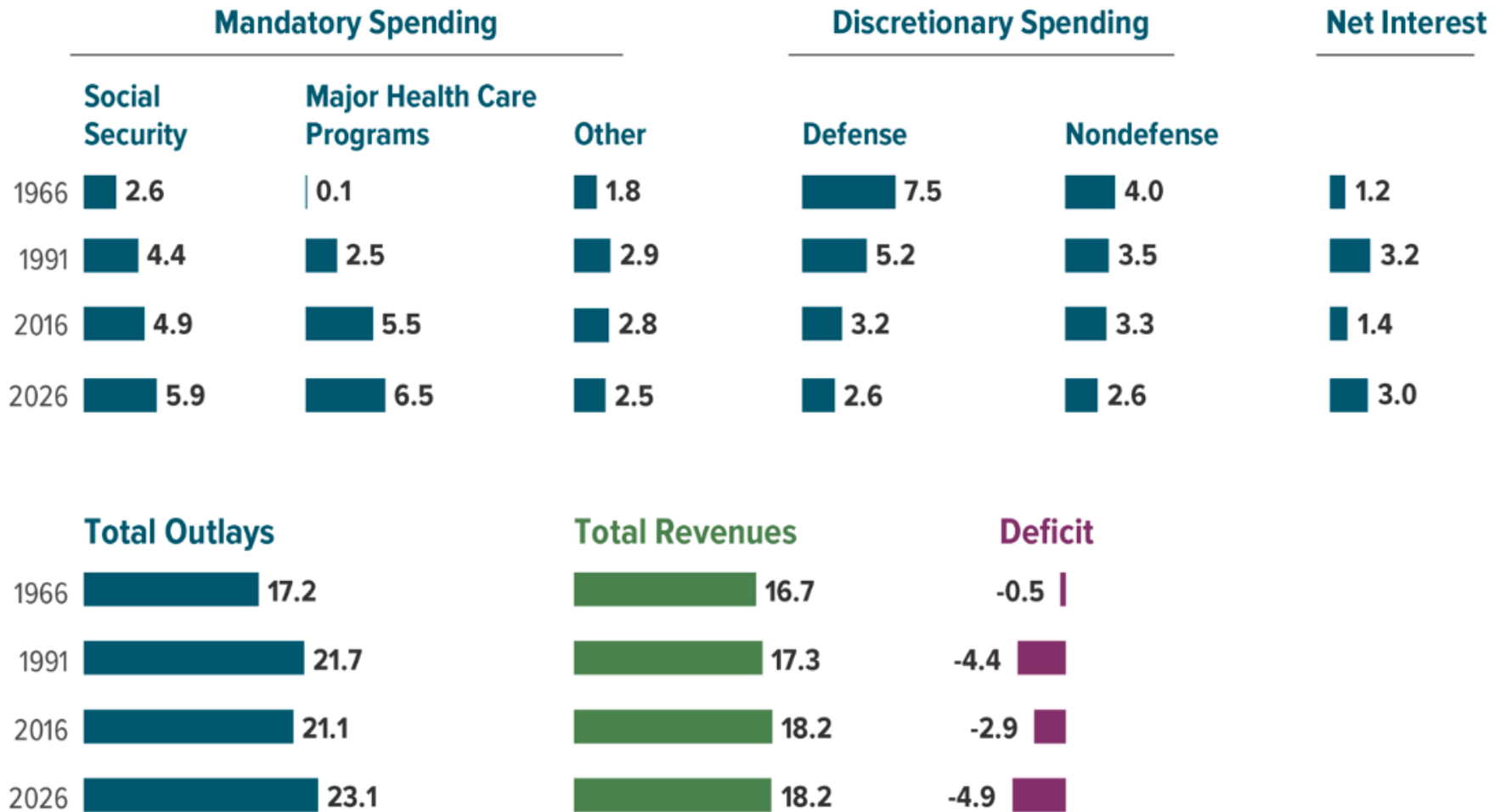
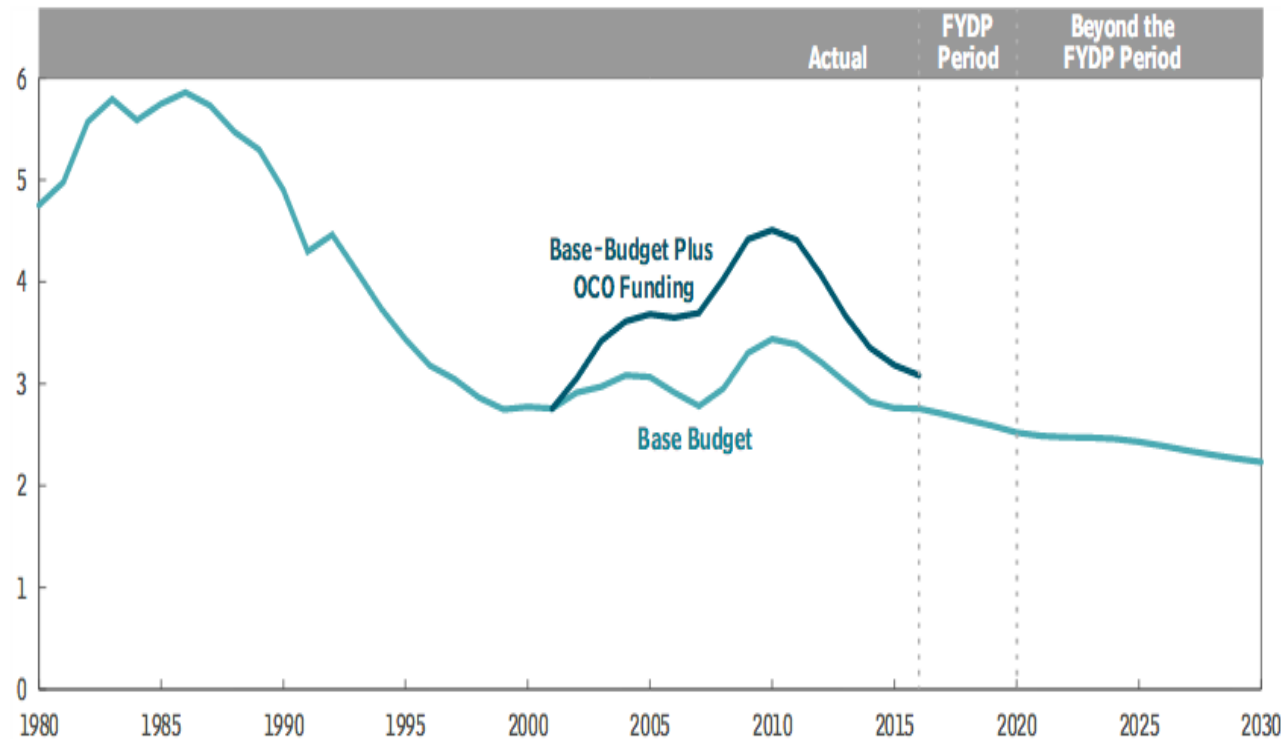


Figure 12: CBO Estimate of Defense Spending as Percent of GDP: 1980-2030

Outlays Under DoD's Plans as a Share of Economic Output

Percentage of Gross Domestic Product



Source: Congressional Budget Office.

Notes: For this figure, estimates describe outlays (as opposed to total obligational authority, which is depicted in the other figures). Base-budget data include supplemental and emergency funding before 2002. For 2002 to 2016, supplemental and emergency funding for overseas contingency operations, such as those in Afghanistan and Iraq, and for other purposes is shown separately from the base-budget data. No OCO funding is shown for 2017 and later.

DoD = Department of Defense; FYDP = Future Years Defense Program; FYDP period = 2016 through 2020, the period for which DoD's plans are fully specified; OCO = overseas contingency operations.

Source: CBO, "LONG-TERM IMPLICATIONS OF THE 2016 FUTURE YEARS DEFENSE PROGRAM," January 2016, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51050-2016_FYDP.pdf

Outlays for DoD as a share of GDP fell from an average of 5.5 percent in the 1980s to an average of 3.7 percent in the 1990s. With supplemental and emergency spending for the wars in Iraq and Afghanistan included, DoD's outlays as a share of GDP rose above 4 percent after 2007, peaking at 4.5 percent in 2010.

Outlays for the base budget also reached a high point in 2010 at 3.4 percent of GDP. By 2015, outlays for the base budget had dropped to 2.8 percent of GDP. The latter percentage is about the same as it had been in 2001, although funding for OCO accounted for an additional 0.3 percentage points of GDP in 2015.

According to the 2016 FYDP, CBO's extension of DoD's base-budget plans through 2030, and CBO's projections of growth in the economy, the outlays needed to implement DoD's plans would decline from 2.8 percent of GDP in 2016 to 2.6 percent by 2020 and 2.3 percent by 2030—quite low by historical standards.

Nevertheless, the average obligational authority needed to implement the plan, \$534 billion per year for 2016 through 2020, would be greater than DoD's obligational authority for the base budget in all but six years (1985 and 2008 through 2012)

since 1980, after adjusting for inflation. Furthermore, any future spending for overseas contingency operations would, all else being equal, increase the share of GDP spent on defense above those amounts.

Figure 13: Projected Federal Budget in \$US Billions In Budget Authority (BA): FY2015-FY2021

Function	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
050 National Defense	598.4	615.4	619.5	594.2	602.4	608.2	623.9
150 International Affairs	63.3	59.4	58.1	36.7	39.4	42.8	45.9
250 General Science, Space, and Technology	29.9	31.5	31.9	31.9	32.6	33.2	33.9
270 Energy	6.4	8.1	9.0	7.9	8.2	10.5	12.1
300 Natural Resources and Environment	35.7	41.1	42.2	43.1	43.7	44.1	44.9
350 Agriculture	16.9	33.4	25.5	21.5	20.4	22.4	24.0
370 Commerce and Housing Credit	-2.2	3.2	2.1	0.4	3.1	8.7	4.0
400 Transportation	85.4	90.4	108.8	122.1	125.7	135.4	133.2
450 Community and Regional Development	17.5	18.3	29.6	13.0	13.5	14.0	14.3
500 Education, Training, Employment, and Social Services	119.6	112.0	127.8	123.0	132.9	137.1	143.2
550 Health	496	525	568	606	644	682	706
570 Medicare	547.6	601.6	605.4	607.9	663.4	702.9	751.1
600 Income Security	515.6	525.9	550.0	557.9	576.5	589.5	604.6
650 Social Security	892.0	932.9	976.5	1,036.2	1,100.6	1,168.4	1,234.9
700 Veterans Benefits and Services	161.0	164.4	179.2	183.4	194.7	203.2	211.7
750 Administration of Justice	60.4	56.9	59.8	60.9	62.0	63.1	64.2
800 General Government	21.8	25.4	32.0	28.1	30.3	32.7	35.1
900 Net Interest	223.2	240.0	302.7	384.6	459.5	523.0	574.2
920 Allowances		7.5	15.0	18.4	20.1	13.7	21.5
950 Undistributed Offsetting Receipts	-115.8	-101.2	-108.5	-102.5	-98.5	-101.8	-104.1
Grand Total	3,772.7	3,990.9	4,234.9	4,374.2	4,674.2	4,933.1	5,178.6

From OMB Historical Table 5-1 (Budget Authority by Function and Subfunction).

Figure 14: Projected Federal Budget in \$Constant FY2009 US Billions In Budget Outlays (BA): FY2015-FY2021

Fiscal Year	Federal Unified Budget					Undistributed Offsetting Receipts	Federal Grand Total
	National Defense	Veterans, Space & International	Net Interest	Social & Economic*	Federal Sub-Total		
2000	407	102	274	1,522	2,305	-60	2,245
2001	407	97	247	1,590	2,341	-64	2,277
2002	449	111	202	1,717	2,479	-62	2,417
2003	491	115	177	1,810	2,593	-68	2,525
2004	533	124	181	1,843	2,681	-69	2,612
2005	553	141	202	1,901	2,796	-74	2,722
2006	558	131	240	1,971	2,900	-74	2,826
2007	571	130	245	1,970	2,916	-86	2,830
2008	615	141	256	2,064	3,076	-87	2,989
2009	661	161	187	2,601	3,610	-93	3,518
2010	681	181	195	2,428	3,484	-80	3,404
2011	672	195	223	2,458	3,549	-83	3,466
2012	637	190	210	2,394	3,431	-96	3,336
2013	591	199	207	2,304	3,301	-85	3,216
2014	554	206	211	2,323	3,294	-78	3,216
2015	534	215	203	2,485	3,437	-101	3,336
2016	539	226	215	2,614	3,594	-87	3,507
2017	540	233	266	2,659	3,698	-91	3,607
2018	515	228	332	2,716	3,790	-85	3,706
2019	505	232	389	2,822	3,948	-80	3,869
2020	500	233	434	2,889	4,056	-81	3,975
2021	496	234	467	2,967	4,164	-81	4,083

* Includes the following functions: General Science and Technology (excluding Space programs); Energy; Natural Resources and Environment; Agriculture, Commerce and Housing Credit; Transportation; Community and Regional Development; Education, Training, Employment and Social Services; Health; Medicare; Income Security; Social Security; Administration of Justice; and General Government.

NOTE: Data are from OMB Historical Tables 3-2 (Outlays by Function and Subfunction) and 6-1 (Composition of Outlays). FY 2009 is the constant dollar benchmark used by OMB.

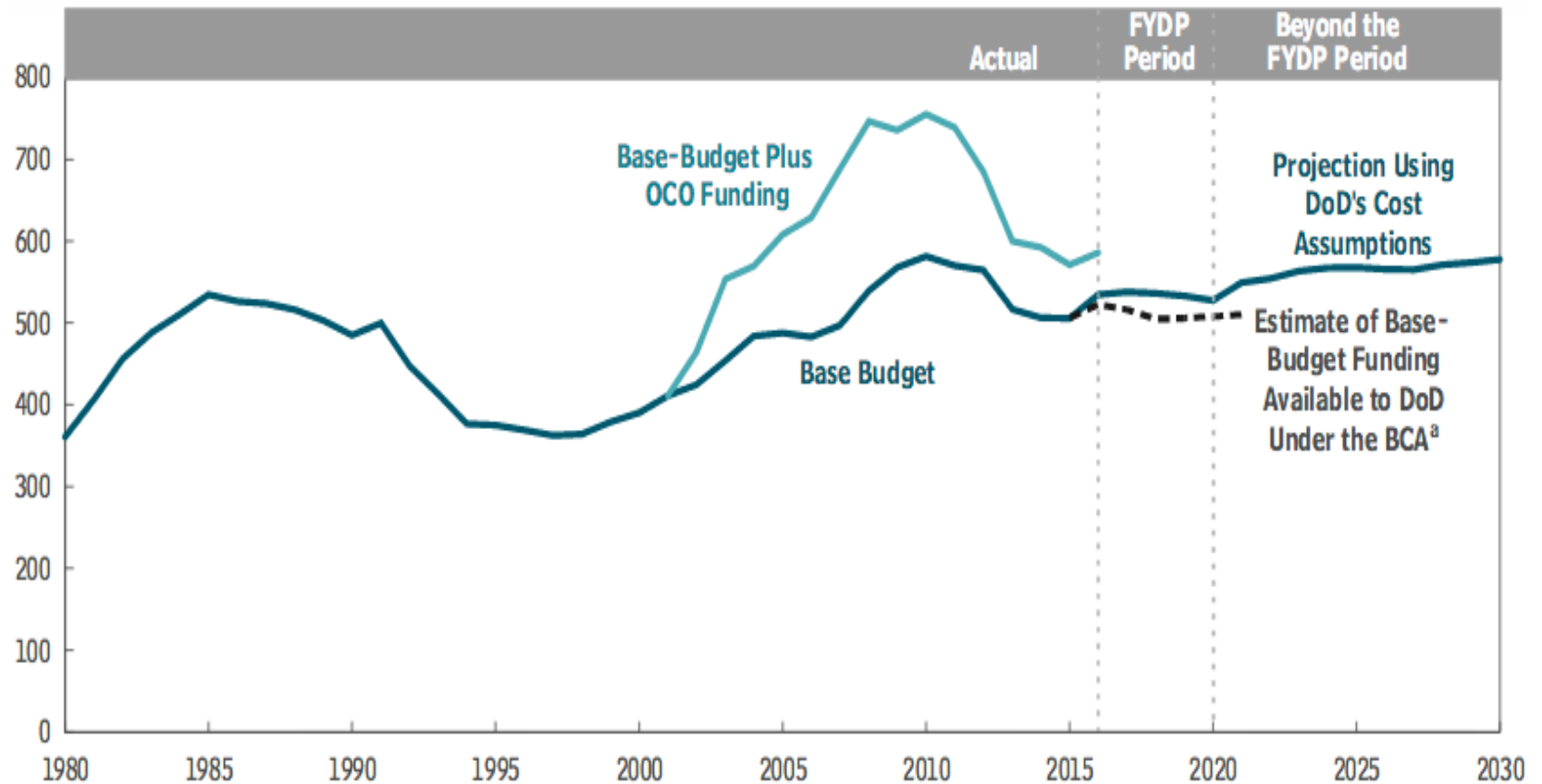
Figure 15: Projected Federal Budget in \$US Billions In Budget Outlays (B0): FY2015-FY2021

Function	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
050 National Defense	589.6	604.5	617.0	599.0	600.2	606.0	612.4
150 International Affairs	48.6	46.4	55.8	56.7	54.6	53.1	52.3
250 General Science, Space, and Technology	29.4	30.8	31.5	31.9	32.2	32.8	33.6
270 Energy	6.8	7.5	7.2	6.8	6.7	8.8	10.4
300 Natural Resources and Environment	36.0	42.6	43.5	43.8	44.6	45.5	46.1
350 Agriculture	18.5	25.6	26.2	25.7	21.2	19.8	23.5
370 Commerce and Housing Credit	-37.9	-26.7	-22.5	-21.9	-18.9	-14.4	-13.3
400 Transportation	89.5	92.4	100.2	108.1	115.6	123.6	129.8
450 Community and Regional Development	20.7	27.9	21.1	18.9	18.1	16.0	14.4
500 Education, Training, Employment, and Social Services	122.1	113.9	107.6	119.7	127.9	134.8	139.5
550 Health	482	526	568	610	650	674	706
570 Medicare	546.2	595.3	605.0	607.9	663.4	702.9	751.1
600 Income Security	508.8	528.2	535.9	545.5	567.6	580.2	592.8
650 Social Security	887.8	929.4	972.6	1,031.1	1,095.3	1,162.5	1,229.3
700 Veterans Benefits and Services	159.7	178.2	180.8	179.3	192.2	200.4	208.6
750 Administration of Justice	51.9	64.4	63.9	63.2	61.9	62.9	63.9
800 General Government	21.0	24.5	29.3	28.5	30.8	32.4	34.5
900 Net Interest	223.2	240.0	302.7	384.6	459.5	523.0	574.2
920 Allowances		1.9	10.5	16.6	20.2	17.7	19.4
950 Undistributed Offsetting Receipts	-115.8	-101.2	-108.5	-102.5	-98.5	-101.8	-104.1
Grand Total	3,688.3	3,951.3	4,147.2	4,352.2	4,644.3	4,879.8	5,124.2

From OMB Historical Table 3-2 (Outlays by Function and Subfunction).

Figure 16: CBO Estimate of Defense Spending: 1980-2030

Billions of 2016 Dollars

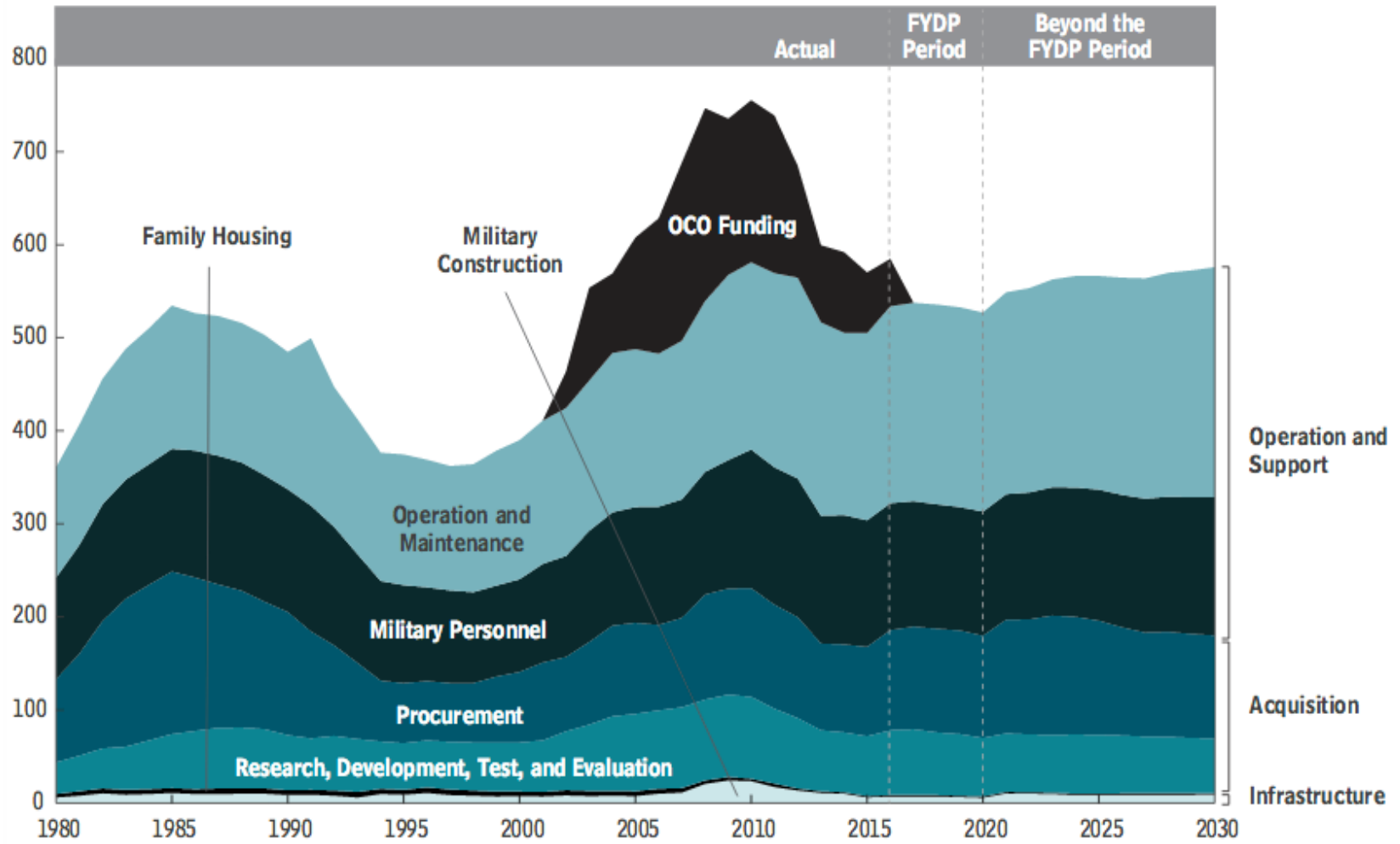


Notes: Base-budget data include supplemental and emergency funding before 2002. For 2002 to 2016, supplemental and emergency funding for overseas contingency operations, such as those in Afghanistan and Iraq, and for other purposes is shown separately from the base-budget data. No OCO funding is shown for 2017 and later. BCA = Budget Control Act of 2011; DoD = Department of Defense; FYDP = Future Years Defense Program; FYDP period = 2016 through 2020, the period for which DoD's plans are fully specified; OCO = overseas contingency operations.

a. This estimate incorporates the assumption that the funding available to DoD would be equal to the BCA's limit for national defense minus the Administration's estimates for national defense funding for agencies other than DoD (that is, funding for the Department of Energy's nuclear weapons activities, intelligence-related activities, and the national security elements of the Departments of Commerce, Justice, and Homeland Security, and several independent agencies)

Figure 17: CBO Estimate of Defense Spending by Appropriations Category: 1980-2030

Billions of 2016 Dollars



Source: CBO, "LONG-TERM IMPLICATIONS OF THE 2016 FUTURE YEARS DEFENSE PROGRAM," January 2016, https://www.cbo.gov/sites/default/files/114th-congress-2015-2016/reports/51050-2016_FYDP.pdf

**Afghanistan, Iraq, and Other
Overseas Contingency
Operations (OCO):
FY2001 to FY2015**

Turning to detailed estimates of OCO spending, it is possible to make estimates of both the total cost of OCO efforts and of individual wars.

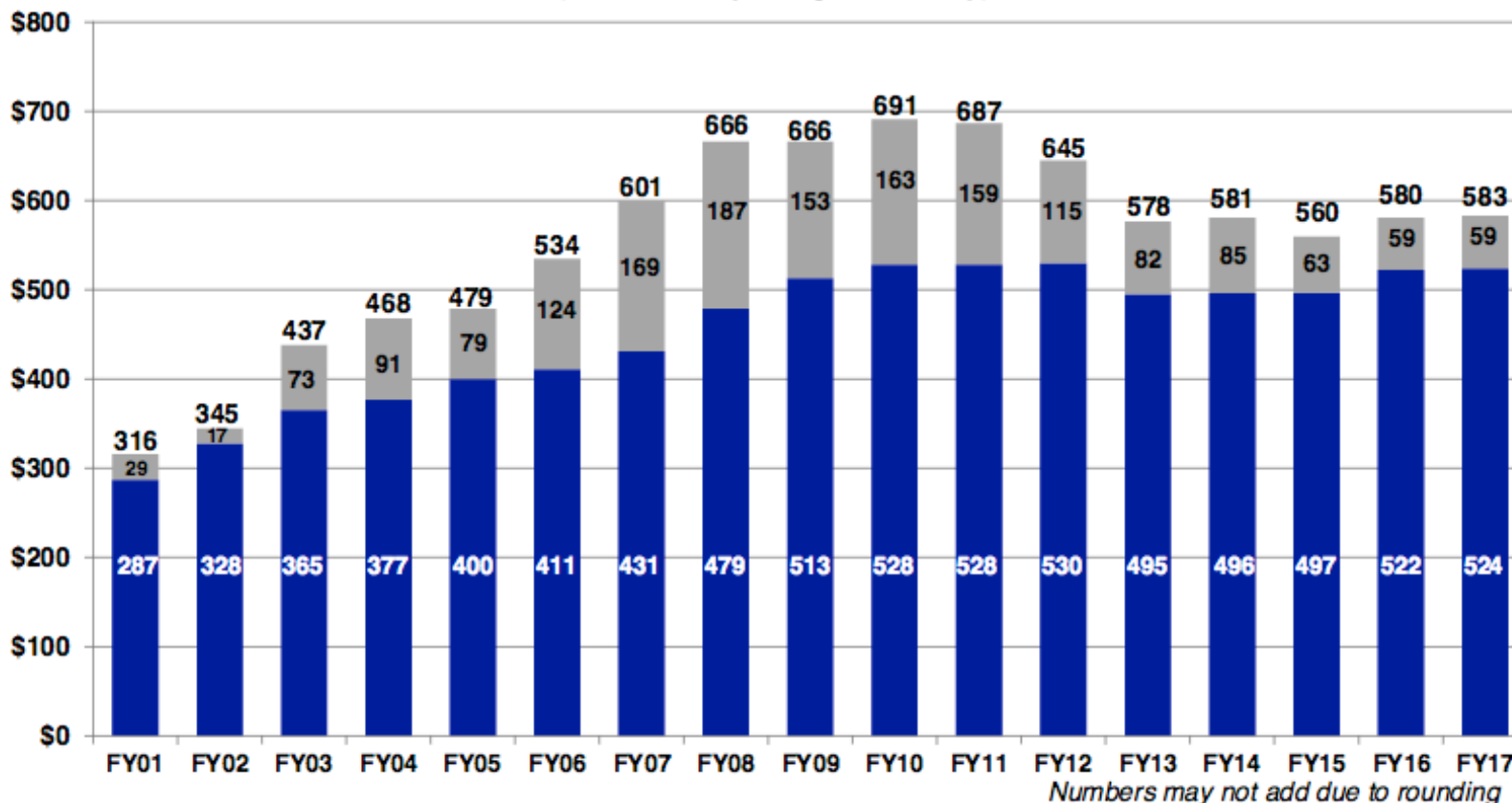
- **Figure Eighteen** compares the past and projected cost of all OCO efforts from FY2001 (which end roughly at the time of 9/11) to FY2017. It shows that OCO or equivalent spending rose from only \$29 billion in FY2011 to a peak of \$691 billion in FY2010 – when it was roughly 24% of all military spending. It has since dropped to \$59 billion in FY2016 and FY2017 – or roughly 10% of total US. Military spending.
- **Figure Nineteen** draws upon the work of Amy Belasco to analyze the constant of total OCO civil and military spending from FY2001 to FY2015. It is important to read the text and the end of this section citing the limits to such estimates.
- At the same time, Figure Nineteen is almost certainly correct in showing that concerns over spending on “nation building” have been exaggerated. State Department and USAID spending were heavily impacted by security and facility costs, but still only amount to a total of \$93 billion during the period, or 6% of the total of military spending. The military did spend some money on protecting aid workers and local aid projects, but much of it was civil spending in direct support of tactical operation and not on nation building. Given the fact that all current U.S. wars have had a major civil and counterinsurgency dimension, the U.S. has – if anything – sharply underfunded the civil effort necessary to bring security and stability.
- **Figure Twenty** covers the same time periods and shows how money was allocated by war. It indicates that the cumulative cost of the fighting in Iraq was \$815 billion as of FY2015, and the same cost for Afghanistan was \$686 billion. This totals \$1.5 trillion. The other \$27 billion for other contingencies, and \$81 billion for “other” is often included in the cost of the two wars to get a \$1.6 trillion total, but is not justified by Ms. Belasco’s analysis.
- As later Figures show, the funding of both wars also include substantially other costs that were not directly related to either war. There is no public basis for estimating how many unrelated activities and expenditures were included in the totals for each war.

- **Figure Twenty-One** shows an estimate of actual and planned U.S. force levels as of 2014. A close comparison of force levels to spending levels raises major question about how resources were being spent, questions reinforced in detail by the SIGIR and SIGAR studies of the funding patterns by other major program and activity – which reflect constant program turbulence and instability, a lack of proper oversight and effectiveness measures, and delays in creating Iraqi and Afghan forces relative to U.S. planned withdrawals.
- The President’s May 2014 plan for withdrawing U.S. forces from Afghanistan has since had to be delayed, but illustrates the degree to which U.S. plans and actions could become decoupled from real world OCO spending levels and military conditions on the ground.
- **Figure Twenty-Two** shows the broader U.S. deployments in the Gulf region from 2000 to 2014. It illustrates the fact that the U.S. scarcely withdrew from the Gulf as it withdrew from Iraq. It also, however, raise question about how many of the total U.S. forces in the region that were not directly involved in war fighting and whose main function was to deter Iran and aid U.S. allies had cost that became include in the OCO accounts.

Figure 18

DoD Funding from 9/11 Through FY 2017 Request

(Discretionary Budget Authority)



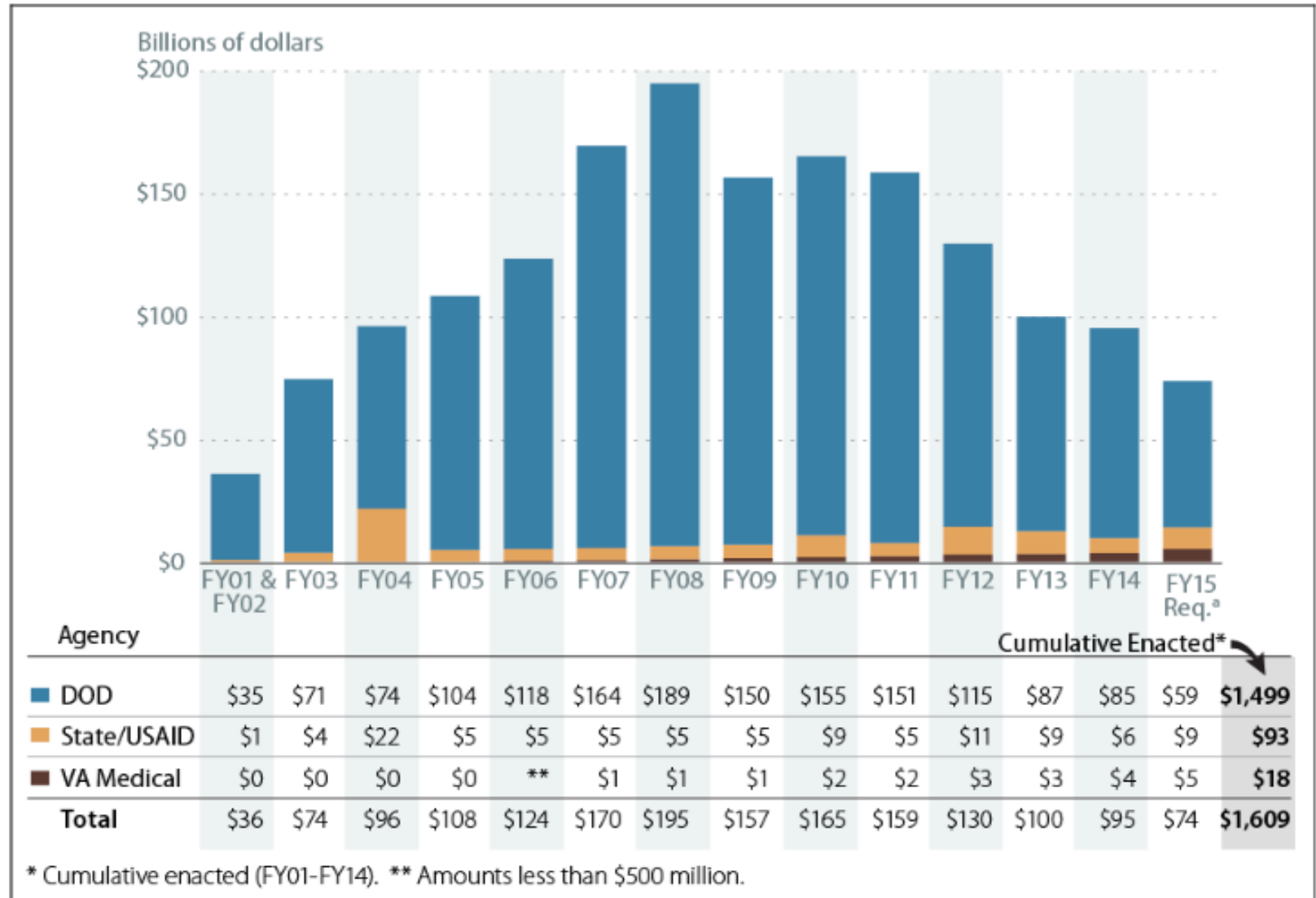
DoD Topline, FY 2001 – FY 2017

(Current Dollars in Billions)

■ Base Budget ■ OCO/Other Budget

Figure 19: CRS Estimate of Military, Civil, Health Costs: FY2001 to FY2015

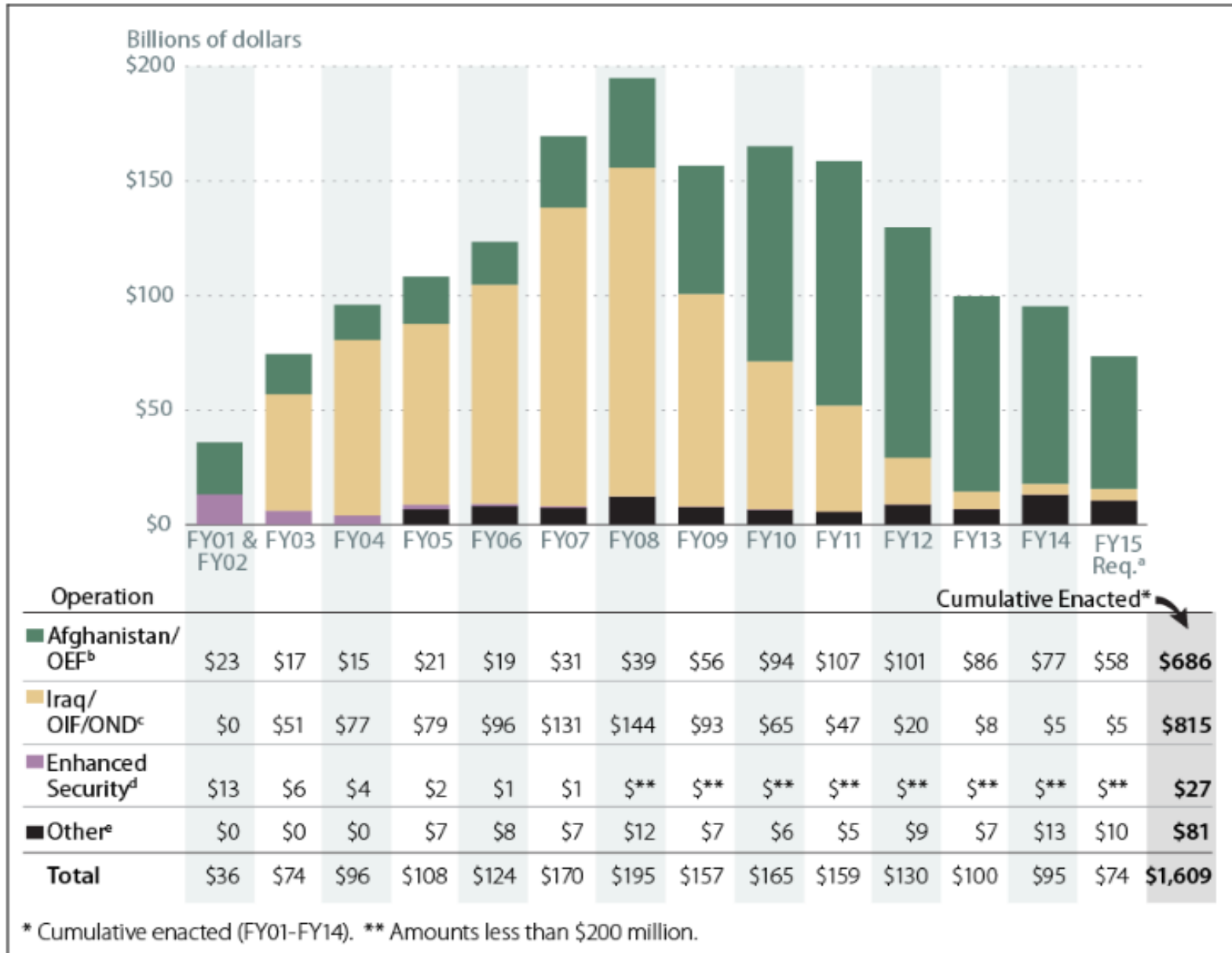
In Billions of Dollars of Budget Authority



Sources: Amy Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," CRS, December 8, 2014, <http://www.fas.org/sgp/crs/natsec/RI33110.pdf>.

Figure 20: CRS Estimate of Share by War: FY2011 to FY2015

In Billions of Dollars of Budget Authority



Key Qualifications in the CRS Estimate of the Cost of Current Wars

This CRS report defines war costs as those designated as emergency or OCO appropriations for: Operation Enduring Freedom (OEF) largely for the Afghan war; Operation Iraqi Freedom (OIF) and Operation New Dawn (OND) for Iraq; and, Enhanced Security or Operation Noble Eagle. For State Department, and USAID, CRS includes all appropriations for activities and programs in Iraq and Afghanistan. CRS includes Budget Authority (BA) for VA Medical costs for OEF/OIF veterans as identified in budget justification materials. Emergency or OCO-designated funds are exempt from budget caps.

Other observers and analysts define war costs more broadly than congressional appropriations and include estimates of the life-time costs of caring for OEF/OIF/OND veterans, imputed interest costs on the deficit, or increases in DOD's base budget deemed to be a consequence of support for the war. ¹ Such costs are difficult to compute, subject to extensive caveats, and often based on methodologies that may not be appropriate. ²

For a discussion of war funding issues for the State Department/USAID FY2015 request, see CRS Report R43569, *State, Foreign Operations, and Related Programs: FY2015 Budget and Appropriations*, by Susan B. Epstein, Alex Tiersky, and Marian L. Lawson. For a description of politico-military developments in Afghanistan and Iraq, see CRS Report RL31339, *Iraq: Post-Saddam Governance and Security*, by Kenneth Katzman, and CRS Report RL30588,

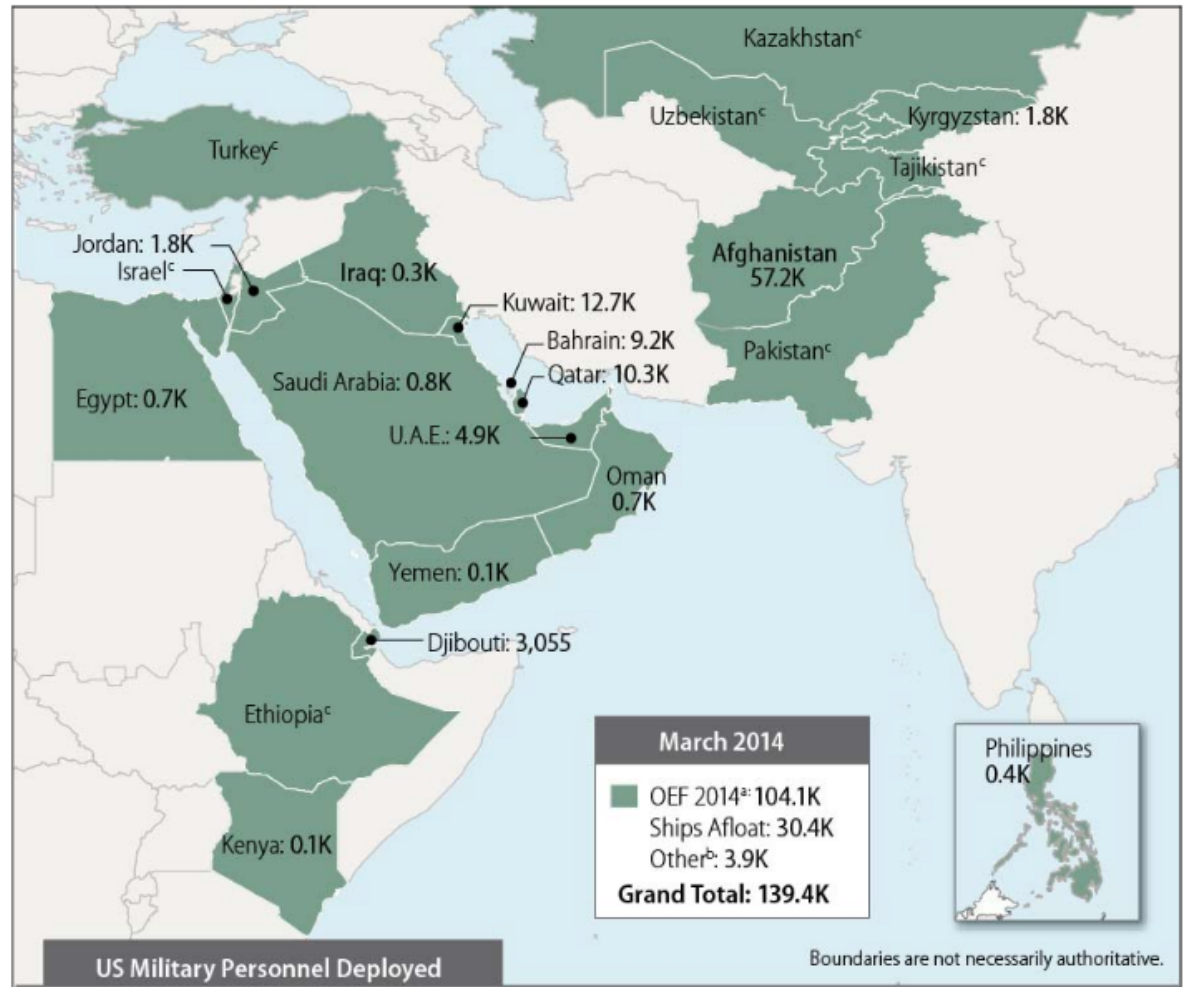
Afghanistan: Post-Taliban Governance, Security, and U.S. Policy, by Kenneth Katzman. For the Islamic State crisis, see CRS Report IF00050, *The Islamic State: Q&A (In Focus)*, by Carla E. Humud, Christopher M. Blanchard, and Kenneth Katzman and CRS Report R43612, *The "Islamic State" Crisis and U.S. Policy*, by Kenneth Katzman et al., and CRS Report R43727, *Proposed Train and Equip Authorities for Syria: In Brief*, by Christopher M. Blanchard and Amy Belasco.

1. The most well-known example is the book by Linda Bilmes and Joseph Stiglitz, *The Three Trillion Dollar War* (2008). Another well-known example is Eisenhower Study Group, *Costs of War* project at Brown University, "The Costs of War Since 2001: Iraq, Afghanistan, and Pakistan," Executive Summary, June 2011; see <http://costsofwar.org/article/economic-cost-summary>.

2. CBO, Director's Blog, "Comments on Bilmes and Stiglitz, *The Three Trillion Dollar War* (2008);" <http://cboblog.cbo.gov/?p=79>.

Figure 22

U.S Troops Deployed in War Zones: 2000-2014



Sources: Amy Belasco, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," CRS, December 8, 2014, <http://www.fas.org/sgp/crs/natsec/RI33110.pdf>; For 2001, Department of Defense, Active Duty Military Personnel Strengths by Regional Area and By Country (309A), September 2001; <https://www.dmdc.osd.mil/appi/dwp/reports.do?category=reports&subCat=>, milActDutReg; Defense Manpower Data Center, DRS 11280—Number of Members Deployed By Country, By Component and Month/Years, Contingency Tracking System file as of March 31, 2014.

	Sept 2000 ^a Peak of Iraq surge	April 2008 Peak of Iraq surge	May 2011 Peak of Afghan surge	March 2014 ^{b, c} (Shown on map)
Operation Enduring Freedom (OEF)	1,138	52,777	155,909	104,129
Operation Iraqi Freedom/New Dawn (OIF/OND) ^d	14,643	224,286	86,270	[24,818]
Ships Afloat	14,772	17,209	29,770	30,368
Other ^e	na	8,058	6,197	3,896
Grand Total	30,553	302,330	278,146	138,393

**The Delphic Mysteries of the
FY2017 Overseas
Contingency Operations
(OCO):
Budget Request**

The Delphic Mysteries of the FY2017 Overseas Contingency Operations (OCO): Budget Request

The various budget justifications of the request for OCO funding in FY2017 make up a significant amount of the request by the military services and the various Departments. The State Department/USAID request provides a host of small line item requests that add up to an unintelligible mess. The publically available data by the Department of Defense lacks consistency, does not really account for spending by war, and often has not practical value in explaining the rationale for the request.

These issues have been examined in detail in a separate Burke Chair study entitled *The FY2016 Defense Budget and US Strategy: Key Trends and Data Points*, which is available on the CSIS web site at http://csis.org/files/publication/150306_FY2016.pdf. Even a cursory look at the budget requirements and related data, however, raises critical questions as to whether the data made public are accurate or relevant and whether the Congress is exercising any real review of the material that the Departments of Defense and State, and OMB, are sending to it.

- **Figure Twenty-Three** provides a range of estimates of the cost of wars through FY2017 using a mix of data from the Belasco study, the Department of Defense and material provided by OMB. The only figures for FY2001-FY2017 that inspire any degree of confidence are the total OCD data for the Department of Defense. Key data are missing or contradictory for all of the other categories, and while the data by war may be in the ball park, they can be compiled from other sources to produce significantly different estimates. The fact is that there is no accurate way to cost given wars on the basis of unclassified data.
- The CBO assessments of the shifts in FY2016 OCO accounts that follow Figure Twenty-Three illustrate the fact that continuing expenditure changes have been made after the budget request is made in any given year.
- **Figure 24** provides a more detailed breakout by war and mission in the Department of Defense's FY2017 OCO budget request. It is clear from the text, however, that the total for the Afghan conflict

- is loaded with substantial spending that is not tied to the Afghan war. At the same time, some of this money almost certainly is need to pay for operations in Iraq and Syria.
- This OCO breakout also makes specific funding references to the European Reassurance Fund (\$3.4 billion), Counterterrorism Partnership Fund (\$5.0 billion, increases in counterterrorism activities in Africa (\$0.2 billion), and Base to OCO requirements (\$5.0 billion) that are not really explained or justified in the unclassified budget request data.
- **Figure 25** illustrate the fact that much of the other breakout data on OCD spending consists of largely useless data on spending by service or major category of line item input budget data like O&M, manpower procurement, etc. that is almost meaningless when applied to the entire OCO account.

**Figure 23: Total Cost Wars of U.S. FY2001-FY2017:
A “Warguesstimate”
(\$US Billions Appropriated)**

By War	Belasco-CRS Estimate FY2001-FY2015	FY2016	FY2017	Total
Afghan	686	41.7*	41.7*	769.4
Iraq-Syria	815	6.5*	7.5*	829
Total	1,609	48.2	49.2	1,598.4

Total OCO	OCO FY2001-FY2015	FY2016	FY2017	Total
Defense	1,589	59.0	59.0	1,707
State/Civil	111 -	15.0	15.0	141
Total OCO	1,700	74.0	74.0	1,848

***Authors WAG**

DoD reports total cost of Iraq-Syria Operation as \$7 billion with average daily cost is \$11.6 million for 602 days of operations between August 78, 2014 and March 31, 2016

CBO Summary of FY2016 OCO Request

Operation Freedom’s Sentinel in Afghanistan and Operation Inherent Resolve in Iraq and Syria are ongoing, and those and other operations that might arise add to the costs in DoD’s base budget.

From 2001 to 2015, DoD’s appropriations for overseas contingency operations totaled almost \$1.8 trillion (in 2016 dollars), an average of \$117 billion per year, or nearly 20 percent of the department’s total funding during that period.

Funding designated for overseas contingency operations is not constrained by the caps established in the BCA.

DoD requested \$51 billion for OCO in 2016. Of that total, \$24 billion was to pay for the operations of U.S. forces in Afghanistan and associated in-theater support missions. The remainder was to be allocated to other operations and related activities, such as repairing or replacing worn equipment, supporting coalition military forces, and conducting other counterterrorism operations.

The Consolidated Appropriations Act, 2016, provided an additional \$8 billion in OCO funding for base-budget activities.

It is unclear how much DoD will request for OCO in future years. Some overseas operations are expected to continue after 2016, but the FYDP does not include estimates of the funding that might be requested to support them in those years

Figure 24

FY 2017 Overseas Contingency Operations (OCO)

(Dollars in Billions)

- Operation FREEDOM'S SENTINEL (Afghanistan) and Theater Posture \$41.7
 - Continues responsible transition of in-country presence
 - Includes training and equipping of Afghan security forces (\$3.4 billion)
 - Includes other theater-wide support requirements and costs
 - Includes Coalition Support (\$1.4B)

- Operation INHERENT RESOLVE (Iraq and Syria) \$7.5
 - Supports slightly increased activities
 - Includes training and equipping of Iraqi security forces and vetted moderate Syrian opposition (\$0.9 billion)

- European Reassurance Initiative \$3.4

- Counterterrorism Partnerships Fund \$1.0

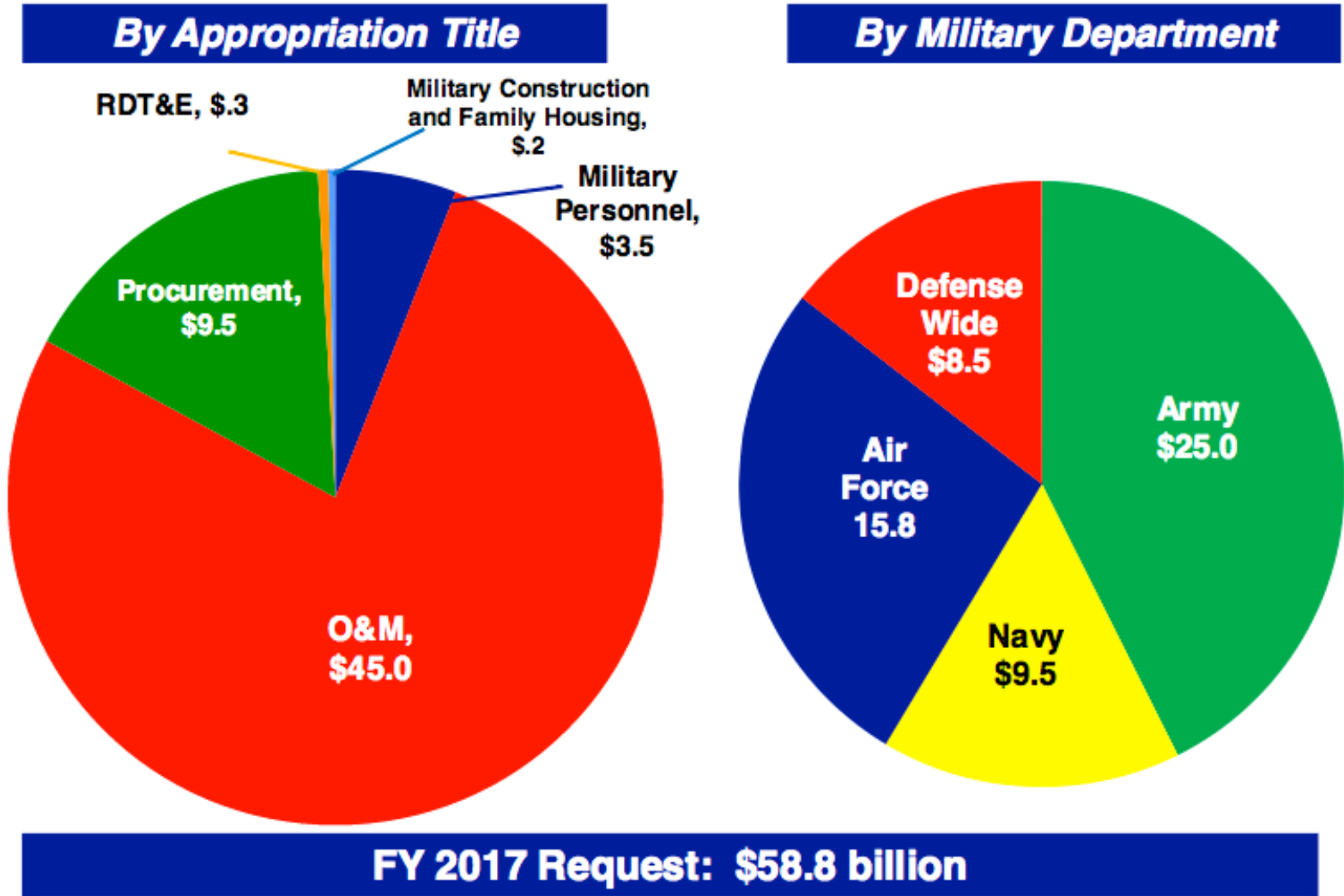
- Increases counterterrorism activities in Africa \$0.2

- Base-to-OCO requirements \$5.0
 - Consistent with enacted BBA OCO level of \$58.8B
 - Supports other readiness and readiness support requirements
 - Includes preferred munitions

OCO funding crucial to trans-regional counterterrorism efforts

Figure 25

FY 2017 OCO Funding



Meaningless Projections of Overseas Contingency Operations (OCO) Spending

Meaningless Projections of Overseas Contingency Operations (OCO) Spending

The Department of Defense has effectively stopped providing meaningful public program budget, Future Year Defense Program, and Net Assessment data. Its budget projections seem dictated largely by exploring the limits of Congressional tolerance in raising the levels in the Budget Control Act.

While the Department of Defense does outline a wide range of strategic issues and options in its budget requests, these almost never provide any specifics as to how they will be implemented and funded. Like the Quadrennial Defense Review, strategy is all concept and no substance.

- **Figure 26** quotes a Department of Defense explanation of total and OCO spending from FY2018 onwards that makes this all too clear.
- **Figure 27** provides an OMB projection of future defense spending that shows no OCO estimate or plan beyond FY2017 other than “placeholder” guesstimates, while providing yet another set of figures for non-defense OCO spending in FY2017.
- **Figure 28** provides a Department of Defense “Greenbook” estimate that shows OCO data for FY2018 through FY2021, but again notes these are largely meaningless “placeholder” figures – this time with both BA and BO totals that do not seem to track with each other.
- **Figure 29** reinforces the extent to which planning seems to be dictated by the Budget Control Act and not by U.S. national security requirements.

Figure 26: CBO Projection of OCO and Total Trends: FY2018-FY2026

For 2018, the President proposes appropriations that are \$4 billion lower than those proposed for 2017—the net result of a reduction in OCO funding and an increase in other discretionary funding that would be accomplished by raising the caps higher than they are under current law:

- Funding for OCO would fall by \$63 billion, to \$11 billion (about one-sixth of the amount requested for 2017);
- Funding for defense programs other than OCO would increase by \$33 billion (or 5.9 percent); and
- Funding for nondefense programs other than OCO would increase by \$26 billion (or 4.9 percent).

After 2018, appropriations would increase by an average of 1.8 percent per year—from \$1.15 trillion in 2018 to \$1.32 trillion in 2026. Broad funding policies would include the following:

- Increasing the caps on budget authority through 2021 above the levels under current law;
- Extending the caps through 2026; and
- Maintaining funding for OCO at \$11 billion per year through 2021 and eliminating it thereafter.

Outlays for discretionary programs under the President’s proposals would be \$2 billion higher than in CBO’s baseline in 2018, but lower than in the baseline in every year thereafter. By 2026, such outlays would be \$68 billion (or 4.7 percent) below the amount projected in the baseline; excluding OCO funding, they would be \$19 billion (or 1.4 percent) more than the amount projected in the baseline.

Figure 27: OMB Estimate of Future Federal OCO Spending in BA and BO: FY2015-FY2021 (In US Millions)

Function and Subfunction	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	Total	
											FY17-FY21	FY17-FY26
National Defense Base Funding												
051 - Department of Defense	523,902	556,713	564,831	570,373	585,232	597,207	609,442	621,933	634,694	647,723	2,801,051	5,912,050
053 - Atomic Energy Defense Activities	19,343	18,463	19,089	19,491	20,006	20,404	20,813	21,231	21,654	22,086	96,392	202,580
054 - Defense-Related Activities	7,814	9,293	8,695	8,809	9,023	6,389	5,745	4,836	4,652	4,191	43,634	69,447
050 - Total National Defense	551,059	584,469	592,615	598,673	614,261	624,000	636,000	648,000	661,000	674,000	2,941,077	6,184,077
Nat'l Defense Overseas Contingency Ops												
051 - Department of Defense	58,800										58,800	58,800
050 - Total National Defense	58,800										58,800	58,800
Non-Defense Overseas Contingency Ops												
151 - International Development and Humanitarian Assistance	4,798										4,798	4,798
152 - International Security Assistance	4,986										4,986	4,986
153 - Conduct of Foreign Affairs	5,110										5,110	5,110
150 - Total International Affairs	14,894										14,894	14,894
Non-Specified Outyear OCO Placeholder		10,988	10,987	10,987	10,987						43,949	43,949

From OMB Analytical Perspectives Table 28-1 (Policy Budget Authority and Outlays by Function, Category, and Program), and Table 29-1 (Federal Budget by Agency and Account).

Figure 28: DoD Estimates of Future Total and OCO Spending in BA and BO: FY2015-FY2021 (In US Millions)

Function and Subfunction	FY 2015 ¹	FY 2016		FY 2017			FY 2018	FY 2019	FY 2020	FY 2021	
	Total	Base	OCO	Total	Base	OCO	Total	Total	Total	Total	
Budget Authority											
051 - Total DoD Discretionary (DoD Record)	560,436	521,662	58,638	580,300	523,904	58,798	582,702	556,713	564,831	570,373	585,232
Scoring and Rounding ²	6			-3							
051 - Total DoD Discretionary (OMB Record) ³ ...	560,442			580,297			582,702	556,713	564,831	570,373	585,232
051 - Total DoD Mandatory (OMB Record) ³	10,419			6,794			7,876	7,977	8,031	7,830	7,898
050 - National Defense Discretionary	583,272			595,394			607,641	589,293	590,767	596,605	603,041
050 - National Defense Mandatory	6,292			9,058			9,340	9,672	9,454	9,346	9,399
050 - Total National Defense	589,564			604,452			616,981	598,965	600,221	605,951	612,440
OMB Outyear OCO Placeholder ⁴								6,520	9,820	10,567	10,788

Budget Outlays

051 - Total Dept of Defense (DoD Record)	562,501	542,346	33,983	576,329	553,029	33,807	586,836	551,987	564,863	573,498	581,182
FY 2017 OCO Request Outyear Placeholder ...								16,616	5,028	1,760	850
Scoring and Rounding	-2						-1	-2	-4	-2	-6
051 - Total Dept of Defense (OMB Record) ⁴	562,499			576,329			586,835	568,601	569,887	575,256	582,026
050 - National Defense Mandatory	12,523			8,515			9,607	9,693	9,740	9,534	9,599
050 - Total National Defense	598,409			615,396			619,466	594,162	602,355	608,207	623,860
OMB Outyear OCO Placeholder ³								10,988	10,987	10,987	10,987

1. Consists of base plus war and supplemental funding.
2. Base outlays for FY 2016 and FY 2017 include outlays for previous years' base, war and supplemental funding.
3. OCO outlay data reflect estimated outlays from that year's funding only.
4. From OMB Analytical Perspectives Table 28-1 (Policy Budget Authority and Outlays by Function, Category, and Program).

Figure 29: Total OCO vs. All Discretionary Spending in the FY2017 Budget Request

Discretionary Budget Authority Proposed by the President for 2016 and 2017, Compared With 2015 Appropriations

Billions of Dollars

	Actual, 2015	President's Proposals, 2016 ^a	President's Budget, 2017 ^b	Percentage Change	
				2015–2016	2016–2017
Defense					
Funding constrained by caps	521	548	552	5.1	0.7
Overseas contingency operations ^c	64	59	59	-8.7	**
Other adjustments to the caps	*	0	0	-100.0	n.a.
Subtotal	586	607	610	3.6	0.6
Nondefense					
Funding constrained by caps	507	537	538	5.9	0.3
Overseas contingency operations ^c	9	15	15	60.9	**
Other adjustments to the caps	13	11	11	-17.3	-4.5
Subtotal	530	563	564	6.2	0.2
Total	1,116	1,170	1,174	4.8	0.4

Source: Congressional Budget Office.

Source: Congressional Budget Office. Estimates do not include obligation limitations for certain transportation programs. They also do not include enacted and proposed changes to certain mandatory programs through the appropriation process. In keeping with long-standing procedures, those changes are credited against discretionary spending for purposes of budget enforcement.

n.a. = not applicable; * = between zero and \$500 million; ** = between -0.05 percent and zero.

a. The President's proposed changes to enacted appropriations for 2016 consist of a supplemental request for funding of \$1.8 billion to prepare for and respond to the spread of the Zika virus. That request contains \$0.2 billion in mandatory spending that is not included in this table.

b. Excludes proposed reductions of \$2.1 billion in budget authority for certain mandatory programs through the appropriation process.

c. Overseas contingency operations consist of military operations and related activities in Afghanistan and elsewhere

OCO Mystery Money With Too Few Forces to Win?

OCO “Mystery Money” With Too Few Forces to Win?

These problems would be less important if it was clear that the budget funded military efforts capable of winning. The history of U.S. military efforts in Iraq and Syria since early 2012, however, has been a process of grindingly slow incremental increases in military effort that have consistently fallen short of the requirements revealed by the progress in the course of the fighting.

The situation in Afghanistan has been far worse. The President’s decision in 2014 that U.S. forces should leave the country has now had to be repeatedly slipped without any clear indication that the combination of the U.S. train and assist mission, use of Special Forces, and use of U.S. airpower is capable of winning.

These issues are explored in more depth in *Costs of Major U.S. Wars*, is dated June 10, 2010, which is available on the web at *The FY2016 Defense Budget and US Strategy: Key Trends and Data Points*, which is available on the CSIS web site at http://csis.org/files/publication/150306_FY2016.pdf .

- **Figure 30**, however, highlights some of the issues involved. First, it is unclear how this breakout of OCO spending can track with the breakout in **Figure 24**.
- Second, the levels for the train and equip funds and ASFF seem too low for the level of combat in Afghanistan, Iraq, and Syria, and do not reflect the growing financial pressures on either Afghanistan or Iraq.
- **Figure 31** compares the trend in spending with the trend in OCO troop levels. It again highlights the rapid cuts in the manpower for train and assist efforts, although the President seems to have now authorized higher levels, and the levels shown disguise the fact that military personnel on limit tours of duty and physically stationed outside the country where fighting is occurring do not seem to be counted. The “fun with numbers” may disguise the number of “boots on the ground” but makes it difficult to determine what level of resources are really being provided, and no unclassified breakout by function is available.

- **Figure 32** provides more detail on recent and projected force levels, but raises two key issues. The totals for in theater support and in CONUS total some 71,678 military personnel for FY2017. The military in country total 9,767. This is a tooth to tail ratio of rough 8:1 in favor of outside support. It also does not seem to track with either **Figure 30** or **Figure 31**.
- **Figure 33** and **Figure 34** provide SIGAR data on the size of the U.S. aid efforts in Afghanistan. These spending data do not seem to track with the data in the OCO budget accounts wither in terms of numbers of major function. They are yet another level of uncertainty to the OCO estimates.

Figure 30: OCO Functional Mission Category Break Out

(Dollars in Billions)

OCO Budget	FY 2016 Enacted	FY 2017 Request
Operations/Force Protection	8.8	8.7
In-Theater Support	14.8	17.0
Joint Improvised-Threat Defeat Fund	0.4	0.3
Afghanistan Security Forces Fund (ASFF)	3.6	3.4
Support for Coalition Forces	1.4	1.4
Iraq Train and Equip Fund (ITEF)	0.7	0.6
Syria Train and Equip Fund (STEF) ¹	--	0.3
Equipment Reset and Readiness	10.1	9.4
Classified Programs	8.1	8.1
Counterterrorism Partnerships Fund (CTPF) ¹	1.1	1.0
European Reassurance Initiative (ERI)	0.8	3.4
National Guard and Reserve Equipment/Military Readiness	1.5	--
Subtotal	51.3	53.6
Prior-Year Cancellation	-0.4	--
Bipartisan Budget Act (BBA) of 2015 Compliance	7.7	5.2
Total	58.6	58.8

¹ In FY 2016, Congress did not establish the STEF account, but did authorized the Syria Train and Equip (ST&E) mission. The Department is likely to leverage CTPF funding for the ST&E mission in FY 2016. Numbers may not add due to rounding

Figure 31: Trends in Total OCO Effort

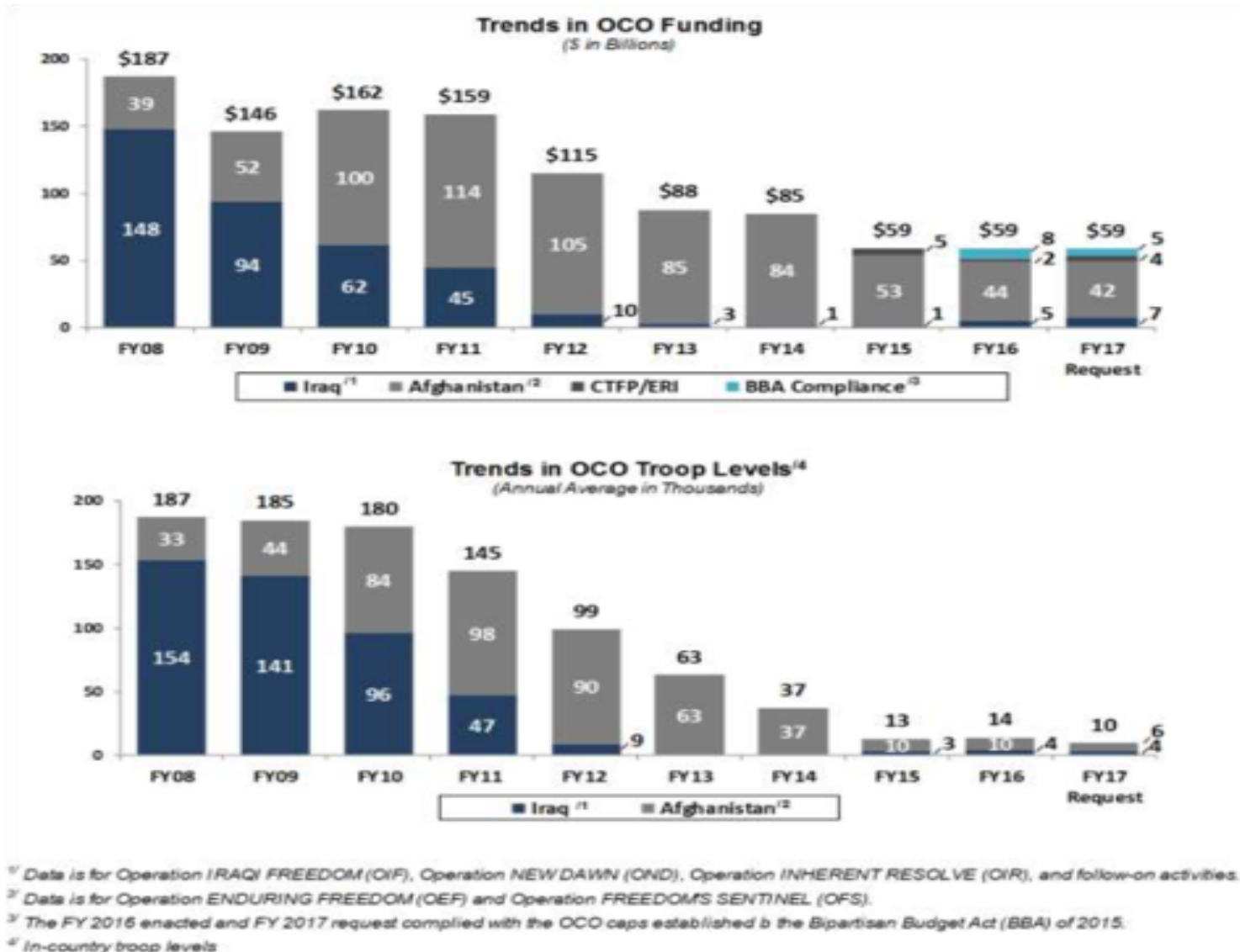


Figure 32: U.S. Force Level Assumptions

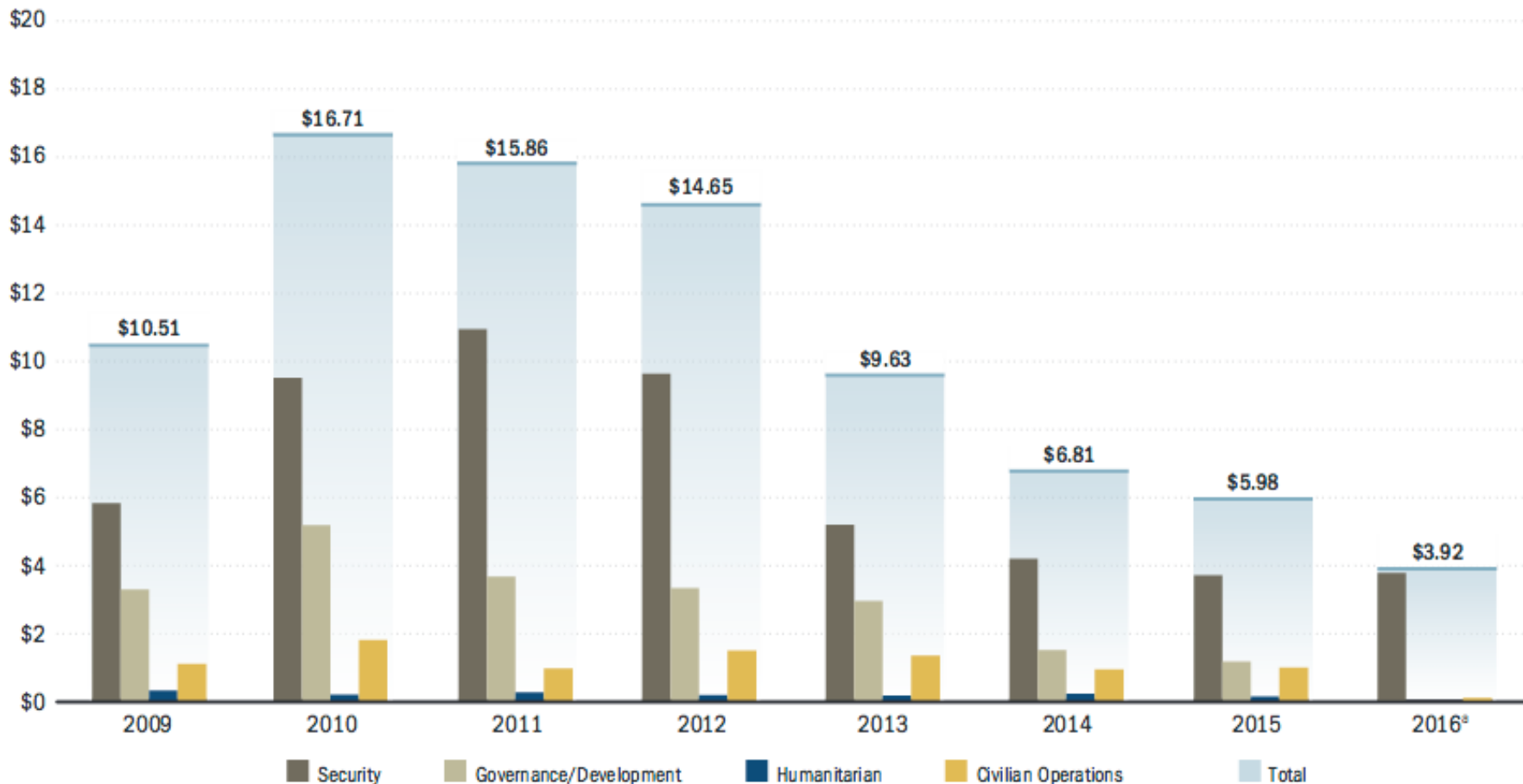
(Average Annual Troop Strength)

Force	FY 2015 Actuals	FY 2016 Enacted	FY 2017 Request
Afghanistan (OFS)	10,012	9,737	6,217
Iraq (OIR)	3,180	3,550	3,550
In-Theater Support ¹	55,958	55,831	58,593
In CONUS ² /Other Mobilization	16,020	15,991	13,085
Total Force Levels	85,170	85,108	81,445

¹ *IN-Theater support includes support for Afghanistan/Iraq, Combined Joint Task Force (CJTF) HOA / NW Africa CT, and ERI (including approximately 10,500 afloat forces).*

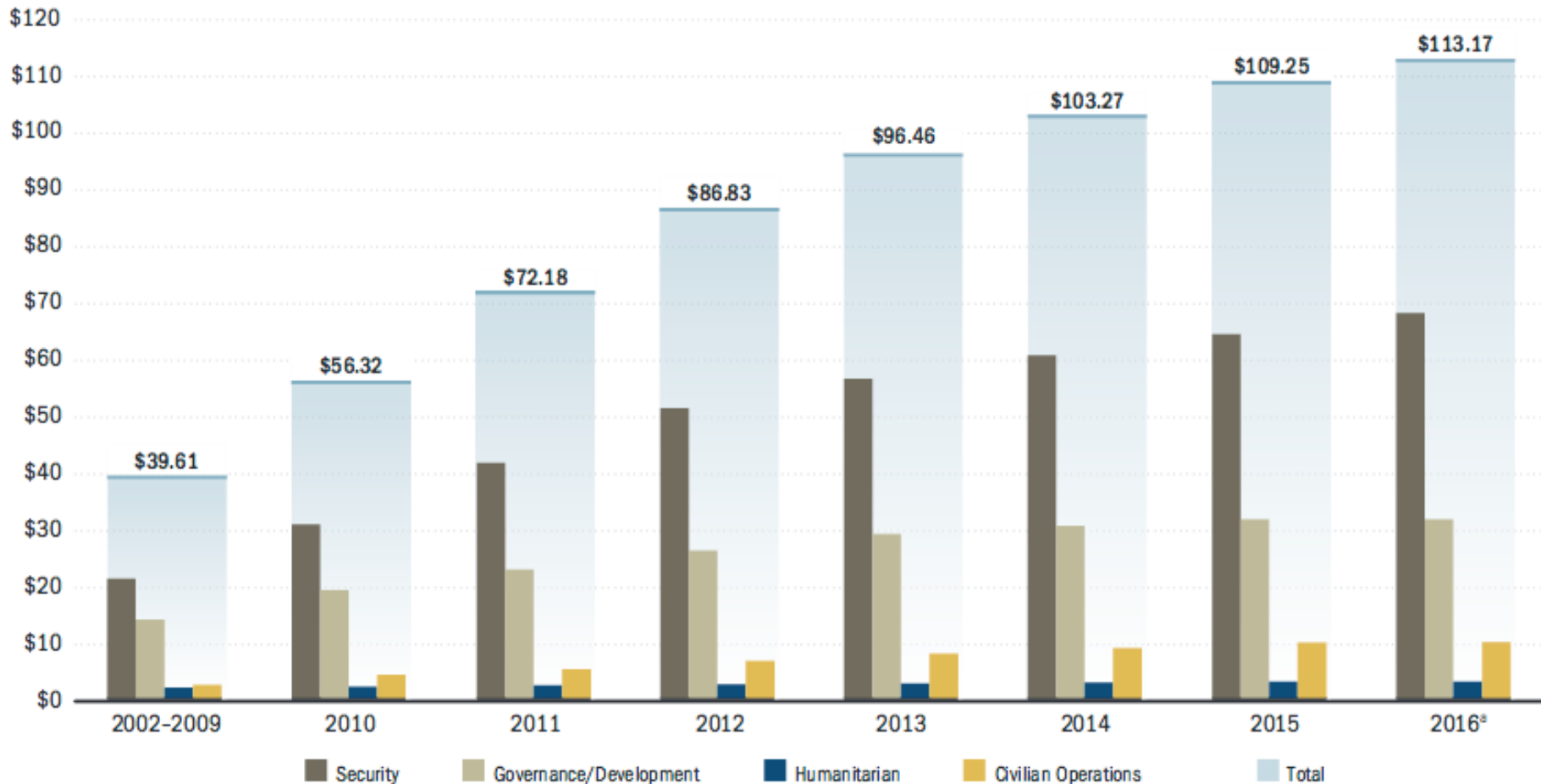
² *In-CONUS = In the Continental United States*

Figure 33: SIGAR Estimates of Annual Aid Cost of Afghan War: FY2009-FY2016 (In Appropriated \$US Billions)



SIGAR, Quarterly Report, <https://www.sigar.mil/pdf/quarterlyreports/2016-04-30qr.pdf>, April 2016, p. 74

Figure 34: SIGAR Estimates of Cumulative Cost Aid of Afghan War: FY2002-FY2017 (In Appropriated \$US Billions)



SIGAR, *Quarterly Report*, <https://www.sigar.mil/pdf/quarterlyreports/2016-04-30qr.pdf>, April 2016, p. 76

The Other “War”: Homeland Defense

The Other “War”: Homeland Defense

Finally, **Figure 35**, **Figure 36**, and **Figure 37** show that there is another form of “war” that consumes major assets: The “war” against terrorism that is part of Homeland defense.

None of the previous OCO costs include the full range of costs in the “war on terrorism,” which would have to include total cost of at least the federal portion of Homeland Security. **Figure 35** and **Figure 36** shows that these costs now exceed the total cost of U.S. wars overseas. An analysis by OMB shows that they totaled or are planned to total \$71.8 billion in FY2015, \$71.7 billion in FY2016, and \$70.5 billion in FY2017.

The OMB analysis in **Figure 36** indicates that many of these Homeland Defense costs are totally unrelated to Homeland defense and consist largely of efforts to fund unrelated programs under the guise of the “war” on terrorism. **Figure 37** shows that the portion that OMB estimates is being spent on “preventing and disrupting terrorist attacks” is only \$41.5 billion in FY2015, \$36.6 billion in FY2016, and \$36.6 billion in FY2017.

If the total Homeland Defense budget is added to the total OCO budget, however, the cost of U.S. wars rises to \$144.8 billion in FY2015, \$145.7 billion in FY2016, and \$144.5 billion in FY2017.

Figure 35: OCO and FY2017 Defense Budget Request

Adheres to the Bipartisan Budget Act of 2015 (Dollars in Billions)

– Base budget request \$523.9 billion.

– **Overseas Contingency Operations (OCO) budget request \$58.8 billion (10% of Total, 11% of Base)**

– Total budget request \$582.7 billion

Compares with OMB Estimate of Homeland Defense Costs of \$71.8 billion in FY2015 (\$72.9 billion with supplemental, \$71.7 billion in FY2016, and \$70.5 billion in FY2017.

---Homeland Security got \$36.6 billion in FY2015 (\$36.7 billion with supplemental, \$37.7 billion in FY2016, and \$36.8 billion in FY2017.

---DoD got \$12.4 billion in FY2015 (\$12.5 billion with supplemental, \$13.7 billion in FY2016, and \$13.5 billion in FY2017.

--State Department got 3.6 billion in FY2015, \$4.3 billion in FY2016,, and \$4.5 billion in FY2017.

Total DOD Share in FY2017 is \$72.3 billion. Cost of “War on Terror” is over \$129.3 billion

**Figure 36 : OMB Estimate of Federal OCO Spending in BA on Homeland Security
(In US Millions) by Agency**

	FY2015 Actual	FY2015 Supplemental	FY2016 Enacted	FY2017 Request
Department of Agriculture	452.2	0.0	577.4	544.6
Department of Commerce*	5,389.4	9.8	1,373.9	579.8
Department of Defense—Military Programs**	12,363.0	181.8	13,708.3	13,541.9
Department of Health and Human Services	4,753.2	804.3	5,327.8	5,064.7
Department of the Interior	54.2	0.0	58.1	57.8
Department of Justice	4,080.8	0.0	4,148.5	4,340.4
Department of Labor	29.1	0.0	28.9	29.1
Department of State	3,641.8	0.0	4,344.7	4,503.4
Department of the Treasury	121.8	0.0	122.3	168.3
Social Security Administration	231.1	0.0	256.4	274.2
Department of Education	35.8	0.0	51.5	59.4
Department of Energy	1,930.9	0.0	2,047.5	2,157.0
Environmental Protection Agency	90.7	0.0	90.7	89.5
Department of Transportation	307.6	0.0	342.5	356.4
General Services Administration	370.5	0.0	320.8	371.5
Department of Homeland Security	36,634.5	92.2	37,601.0	36,837.5
Department of Housing and Urban Development	1.1	0.0	1.3	1.3
National Aeronautics and Space Administration	230.8	0.0	251.1	226.2
Department of Veterans Affairs	367.8	0.0	334.8	534.5
Executive Office of the President	9.1	0.0	9.5	13.2
Corps of Engineers—Civil Works	11.3	0.0	11.0	12.0
District of Columbia	13.0	0.0	13.0	15.0
Federal Communications Commission	2.0	0.0	2.0	2.0
National Archives and Records Administration	26.3	0.0	25.2	25.1
National Science Foundation	431.3	0.0	438.9	457.1
Nuclear Regulatory Commission	60.5	0.0	64.3	65.1
Securities and Exchange Commission	7.0	0.0	9.0	9.0
Smithsonian Institution	101.9	0.0	107.1	120.5
United States Holocaust Memorial Museum	11.0	0.0	12.0	12.0
Total, Homeland Security Budget Authority	71,759.8	1,088.1	71,679.3	70,468.3
Less Department of Defense	-12,363.0	-181.8	-13,708.3	-13,541.9
Non-Defense Homeland Security BA	59,396.8	906.3	57,971.1	56,926.5
Less Discretionary Fee-Funded Homeland Security Programs	-7,764.5	-9.8	-8,605.2	-5,209.1
Less Mandatory Homeland Security Programs	-8,087.4	0.0	-4,152.8	-1,325.2
Net Non-Defense Discretionary Homeland Security BA	43,544.9	896.5	45,213.1	50,392.1

* Funding decreases in the Department of Commerce from FY 2015 to FY 2017 reflect the non-recurrence of authority to build a nationwide interoperable public safety broadband network for first responders and related programs.

** DOD homeland security funding for all years prior to 2017 reflects a revised calculation methodology (see Data Collection Methodology and Adjustments, Including the Department of Defense).

Figure 37: OMB Estimate of Federal OCO Spending in BA on Homeland Security (In US Millions) by Major Function

	FY2015 Actual	FY2015 Supplemental	FY2016 Enacted	FY2017 Request
Total, Prevent and Disrupt Terrorist Attacks	35,387.6	6.1	36,639.7	36,590.0
Total, Protect the American People, Our Critical Infrastructure, and Key Resources	25,377.4	672.7	27,821.4	27,715.4
Total, Respond and Recover from Incidents	10,994.8	409.3	7,218.2	6,162.9