

## **An Alternative Budget Path Assuming Continued Spending for Military Operations in Iraq and Afghanistan and in Support of the Global War on Terrorism<sup>1</sup>**

CBO's current baseline omits a significant amount of spending that will occur this year—and conceivably for some time in the future—for U.S. military operations in Iraq and Afghanistan and for other efforts in the war on terrorism. The statutory rules that govern such baseline projections direct that discretionary spending should be projected by assuming that the most recent year's discretionary budget authority is provided in each future year, with adjustments to reflect projected inflation—using specified indexes—and other factors (such as the cost of annualizing adjustments to federal pay). Because the discretionary budget authority for fiscal year 2005 does not include funds for operations in Iraq and Afghanistan and the global war on terrorism, only spending from funds already appropriated for those purposes is included in the baseline projections.

To illustrate the potential effect on the deficit from continued spending for those military activities, CBO estimated the budgetary impact of one possible scenario for future military operations in Iraq and Afghanistan and the global war on terrorism. This scenario is one of many possible scenarios regarding future spending for these activities and should not be regarded as an estimate of actual war costs or a prediction of how much budget authority the Department of Defense (DoD) will need or request for those activities in the future.

This scenario assumes that military operations in Iraq and Afghanistan and other activities related to the global war on terrorism continue at their current levels during 2005 and 2006, but decline after that. Under such assumptions, discretionary outlays over the 2005-2015 period would total \$448 billion more than the baseline figures presented in CBO's January 2005 *Budget and Economic Outlook*. (See table below.) Interest costs on the additional debt resulting from that spending would amount to \$173 billion over that period.

In estimating the spending for this scenario, CBO assumed that slightly more than 200,000 active duty and reserve personnel would be deployed to Iraq, Afghanistan, and other overseas locations in 2005 and 2006, and that the number of troops deployed in support of the global war on terrorism would decline to about 50,000 by 2010 and remain steady at that level for the remainder of the period. While the assumptions about deployed troops for 2005 and 2006 are based on current force levels and known DoD plans, the assumptions for subsequent years are hypothetical in nature. CBO assumed that, throughout the 10-year period, some troops would be deployed overseas in operations supporting the global war on terrorism, but not necessarily in Iraq and Afghanistan.

For 2005 and 2006, CBO assumed that in addition to reserve military personnel serving overseas, about 60,000 reservists would be serving on active duty in the United States

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1. Shown in Table 1-3 of CBO's *Budget and Economic Outlook*, January 2005.

performing domestic military operations for homeland security or performing the stateside duties of some of the active-duty personnel who are deployed overseas. CBO assumed that the number of such reservists would decline to about 24,000 by 2010 and remain steady at that level through 2015. Finally, CBO assumed that the personnel levels for the armed services would remain above levels provided for in the Department of Defense Appropriations Act, 2005. The costs associated with maintaining these “over-endstrength” levels—about 30,000 active-duty personnel for 2005 declining to zero by 2010—are included in CBO’s projections of spending for this alternative path.

CBO based the projection of the costs for this alternative path on obligations reported by DoD for the global war on terrorism in fiscal year 2004—\$71.3 billion over the 12-month period from October 2003 to September 2004. In constructing the alternative path’s budget authority, CBO adjusted those obligation data to account for inflation and the changes in personnel levels assumed to occur in the alternative scenario through 2015. The budget authority figures include almost \$70 billion to procure additional equipment, as well as to repair and replace equipment that has been worn out, damaged, or destroyed. CBO estimated costs for repair and replacement using a methodology that accounts for the potential effects of operational tempo on equipment wear (to be described in a forthcoming CBO publication).

According to DoD’s reports, \$23 billion of the budget authority provided for the global war on terrorism in title IX of the Department of Defense Appropriations Act, 2005 remained available for obligation at the beginning of fiscal year 2005. The alternative path would require an additional \$65 billion in budget authority in 2005 and a total of \$458 billion in budget authority over the 2005-2015 period.

ADDITIONAL INFORMATION ABOUT THE POLICY ALTERNATIVE FOR CONTINUED SPENDING IN SUPPORT OF THE GLOBAL WAR ON TERRORISM IN CBO'S JANUARY 2005 BUDGET AND ECONOMIC OUTLOOK <sup>a</sup>

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total 2005-2015
<b>Possible Spending Path (Billions of Dollars)</b>												
Budget Authority	65	85	65	50	35	25	25	26	27	27	28	458
Outlays	30	70	75	65	45	30	25	26	27	27	28	448
<b>Assumed Troop Levels</b>												
Deployed Personnel <sup>b,c</sup>	206,000	201,000	158,000	119,000	83,000	50,000	50,000	50,000	50,000	50,000	50,000	
Reserve Backfill <sup>d</sup>	63,000	64,000	53,000	42,000	33,000	24,000	24,000	24,000	24,000	24,000	24,000	
Over Endstrength <sup>e</sup>	33,000	34,000	30,000	20,000	10,000	0	0	0	0	0	0	

SOURCE: Congressional Budget Office.

- a. This alternative assumes an eventual slowdown of U.S. military activities in Iraq and Afghanistan but continued spending for the global war on terrorism throughout the projection period. It also includes funding for replacing damaged, destroyed, or worn-out equipment, and domestic military operations for homeland security.
- b. Assumes 170,000 to 180,000 troops deployed in and around Iraq and 29,000 troops deployed in and around Afghanistan in 2005 and 2006.
- c. During the 2010-2015 period, includes approximately 40,000 (roughly four brigades) Army and Marine Corps personnel and 10,000 personnel from the Air Force and Navy.
- d. Reserve backfill includes reservists activated to replace deployed active-duty personnel, as well as reservists activated as part of Operation Noble Eagle.
- e. Personnel on active duty in excess of Army endstrength (482,400) and Air Force endstrength (359,700) funded in the Department of Defense Appropriations Act, 2005 (P.L. 108-287).