



HOUSE BUDGET COMMITTEE

Democratic Caucus

The Honorable John M. Spratt Jr. ■ Ranking Democratic Member

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DoD Tapped FY 2005 War Reserve Early

Dear Democratic Colleague:

Reuters reported on September 21 that the Department of Defense (DoD) already had obligated \$2 billion of the \$25 billion war reserve that was passed in the 2005 defense appropriations bill to mitigate funding shortfalls. This is despite the Administration's repeated claims that it had sufficient funds to finance its war requirements through the end of fiscal year 2004 without the new money. Although many of us knew that early use of the \$25 billion – funds originally planned as a down payment on fiscal year 2005 war costs – was probable, if not inevitable, it is still troubling because it once again underscores that the Administration has repeatedly denied and underestimated the costs of the wars in Iraq and Afghanistan. The lack of a full accounting for these costs has skewed the budget process by artificially lowering deficit projections, and has impeded Congress's ability to perform its oversight function effectively.

With regard to war costs, the Administration has set a worrisome pattern; it has

- underestimated the estimates or just declined to provide them,
- failed to include any funding in its regular budget requests, and
- relied on funding these operations through supplemental appropriations.

Here is a chronology spanning the last year and a half that documents the Administration's underestimations, denials, inconsistent positions, and omissions with respect to estimating and funding war and reconstruction costs:

February 2003 – Dismissed any notion that a war in Iraq would be very costly.

The Administration rejected any estimate of a significant cost of the war, even those made within the Administration. The President's chief economic adviser, Lawrence Lindsey, estimated an Iraq war could cost between \$100 billion and \$200 billion. The Army Chief of Staff, General Eric Shinseki, stated that we would need hundreds of thousands of troops on the ground following initial combat operations. In testimony before the House Budget Committee only one month before the invasion of Iraq, Deputy Secretary of Defense Paul Wolfowitz said that such high-end estimates were "...wildly off the mark."

March 2003 – Submitted a \$75 billion supplemental request to finance 2003 operations in Iraq and Afghanistan, and enhanced security. Of the \$75 billion, more than \$50 billion was for Iraq. This amount already reached the \$50 billion to \$60 billion estimate that OMB Director Mitchell Daniels had advertised in January, only two months earlier.

September 2003 – Submitted an \$87 billion supplemental request to finance 2004 military and reconstruction operations before the start of fiscal year 2004. White House Press Secretary Scott McClellan stated in a September 17, 2003 press briefing, “...it’s important to move forward quickly on the request, because this is about providing all the necessary resources that our military needs to achieve their objectives.” Although the Administration argued it was necessary to request all of the necessary resources to finance 2004 costs before the start of the fiscal year, it argued against an early request for funding for the next fiscal year. It requested no funds for Iraq and Afghanistan in its fiscal year 2005 budget request. Instead, it planned to wait until January 2005 to make a supplemental funding request – four months after the start of the fiscal year.

January 2004 – Promised to include war costs in the 2005 budget request. The President stated in his State of the Union address, “I will send you a budget that funds the war...”

February 2004 – Submitted 2005 budget request without any funding for Iraq, Afghanistan, or enhanced security operations here at home. The President broke his promise just two weeks after he made it in his State of the Union Address. The reason the Administration gave for omitting the costs from the budget request was that it was impossible to predict them accurately, despite assessments by virtually everyone that \$50 billion would be a conservative estimate. Instead, the Administration planned to submit a supplemental request in January 2005, well after the end of the 108th Congress, to finance fiscal year 2005 costs. This plan would force the military to borrow from its regular accounts to finance six months of war operations until a supplemental funding bill could be passed. In testimony before the Senate Armed Services Committee, Army Chief of Staff Peter Schoomaker said that this plan concerned him because of the strain that bridging the funding gap would place on the Army.

April 2004 – Insisted available funds were adequate to get through fiscal year 2004, despite evidence to the contrary. The DoD Comptroller downplayed the need for additional resources in 2004 saying that “...we are going to make it through just fine until September 30 and therefore we still remain where we were in terms of needing a supplemental in 2005.” One week later, General Richard Myers, Chairman of the Joint Chiefs of Staff, stated in a House Armed Services Committee hearing that a \$4 billion shortfall was likely in 2004.

May 2004 – Submitted \$25 billion supplemental funding request for 2005, half the amount that most considered to be a conservative estimate. After much congressional pressure, the Administration finally requested a reserve fund for 2005, albeit an insufficient amount, to help bridge the funding gap between the end of fiscal year 2004 and approval of a 2005 supplemental appropriation. It still insisted that no additional funds were needed in fiscal year 2004 and that it planned to use the reserve fund solely for fiscal year 2005 costs.

July 2004 – Insisted no additional funds were necessary despite GAO finding that DoD would be short of funds by the end of fiscal year 2004. GAO found that the Department of Defense was likely to have a \$12 billion shortfall in its operating and personnel accounts by the end of fiscal year 2004, making it very likely that it would need additional resources. The Administration continued to deny any additional resources were necessary.

August 2004 – Denied it would use the \$25 billion made available in the 2005 defense appropriations act for 2004 war costs. The House and the Senate Appropriations Committees included language in the 2005 defense appropriations bill that made the \$25 billion war reserve fund available immediately upon enactment in response to clear indications that DoD would run out of funds to finance Iraq operations before the end of fiscal year 2004.

September 2004 – Obligated \$2 billion of the \$25 billion war reserve early, despite repeated assertions that it would not. Spending these funds early will result in the Administration having to request even more funds during the course of fiscal year 2005 to ensure DoD has adequate resources.

Much is at stake in Iraq and Afghanistan. Congress needs the Administration to provide its most realistic cost projections to ensure that our troops in the field have all that they need to perform their missions successfully. Additionally, it also needs budget requests that include an accounting for all known costs so that appropriate trade-offs can be made in the budget. Unfortunately, up to this point, the Administration has done neither.

Sincerely,

/s

John M. Spratt, Jr.

Ranking Democratic Member