



HOUSE BUDGET COMMITTEE

Democratic Caucus

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

B-71 Cannon HOB # Washington, DC 20515 # 202-226-7200 # www.house.gov/budget_democrats

May 11, 2004

House Budget Committee Democratic Staff Analysis: Administration's \$25 Billion Request for Iraq and Afghanistan Operations will Cover Only a Fraction of Fiscal Year 2005 Costs

The Administration's request of \$25 billion for fiscal year 2005 to finance military operations in Iraq and Afghanistan is below what is required by \$40 to \$55 billion. The size of this request will require the Administration to submit another supplemental request before March of next year. Furthermore, the request does nothing to address the shortfall expected by the end of this fiscal year.

Just a few weeks ago, General Richard Myers, Chairman of the Joint Chiefs of Staff, told the House Armed Services Committee that the Defense Department could face a shortfall totaling \$4 billion by the end of September.¹ But the Administration's request is not expected to include additional funds for this fiscal year, and the Department of Defense currently has limited flexibility within its budget to transfer amounts of this scale into the accounts that will need to be replenished. As a result, it is unclear how the Defense Department is going to make up the expected shortfall without reducing funds for programs that directly affect current operations or the readiness of our non-deployed forces.

Analysis of 2005 Shortfall

For fiscal year 2005, the cost of these operations will range from \$65 billion to \$80 billion. According to these calculations, the \$25 billion request will be \$40 billion to \$55 billion less than what is needed.

The fiscal year 2005 cost calculations are primarily based on Defense Department cost reports for the three operations the Administration categorizes as the Global War on Terrorism (GWOT) — Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF – Afghanistan), and Operation

¹ House Armed Service Committee Hearing on Iraq's Transition to Sovereignty, April 21, 2004.

Noble Eagle (ONE – enhanced security at home).² The calculations use the data currently available, which run through February 2004. The data indicate that — excluding classified and intelligence programs — the Defense Department would spend from \$5.1 billion to \$6.1 billion per month (\$61 billion to \$73 billion for the year) if operations continued at the reported level. These estimates may understate the likely costs because the available data do not reflect recent increases in the level of military operations or recent reports that the Defense Department will begin rotating more heavy equipment to the theater of operations.

The total estimates for fiscal year 2005 also include costs associated with classified and intelligence programs (about \$5 billion per year based on past, publicly available data) and unbudgeted costs of the startup of the U.S. embassy in Baghdad (between \$500 million and \$1 billion).³

The table below provides low and high estimates for the cost of operations on a monthly and annual basis.

Projected FY 2005 Costs in Billions of Dollars

	Low Est. Monthly Obligation <u>Rate</u>	Low Est. Annual Proj. <u>Cost</u>	High Est. Monthly Obligation <u>Rate</u>	High Est. Annual Proj. <u>Cost</u>
OIF	4.0	48.0	4.7	56.4
OEF	0.7	8.4	0.9	10.8
ONE	0.4	4.8	0.5	6.0
Classified & Intelligence	n/a	5.0	n/a	5.0
Embassy	n/a	<u>0.5</u>	n/a	<u>1.0</u>
Total		66.7		79.2

Summary of Cumulative Cost of Iraq Operations and Reconstruction

When the two previous supplemental appropriations are added to this one, the total cost of the war in Iraq is approaching \$150 billion.

The following summarizes the previous two supplemental appropriations plus the current request:

! Current request – \$25 billion

² See “Consolidated Department of Defense (DoD) Terrorist Response Cost Reports,” compiled by the Defense Finance and Accounting Service.

³ Cost range for Embassy start-up and operations are based on statements made by Marc I. Grossman, Under Secretary of State for Political Affairs, during House Armed Service Committee Hearing on April 21, 2004.

- ! FY 2004 Supplemental Appropriation – \$71 billion for Iraq operations and reconstruction, out of a total supplemental of \$87 billion:
 - ▶ \$51.5 billion for Iraq military operations,
 - ▶ \$19.5 billion for Iraq reconstruction and other efforts,
 - ▶ \$16 billion for Afghanistan and other GWOT efforts

- ! FY 2003 Supplemental Appropriation – \$56.4 billion for Iraq operations and reconstruction, out of a total supplemental of \$75.5 billion:
 - ▶ \$49.8 for Iraq military operations;⁴
 - ▶ \$6.6 billion for Iraq reconstruction and other efforts;
 - ▶ \$19.1 billion for Afghanistan and other GWOT efforts

⁴ Amounts for the FY 2003 Supplemental Appropriation take into account the \$3.5 billion rescission resulting from the FY 2004 Omnibus Appropriations Act.