

# CRS Report for Congress

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## The Cost of Operations in Iraq, Afghanistan, and Enhanced Security

Amy Belasco  
Specialist in National Defense  
Foreign Affairs, Defense, and Trade Division

### Summary

Since the 9/11 terrorist attacks, CRS estimates that the Department of Defense (DOD) has received about \$203 billion to cover the costs of combat operations, occupation, and support for military personnel deployed or supporting operations in Iraq and Afghanistan and for enhanced security at military installations. The total includes \$25 billion to cover some of DOD's FY2005 costs. DOD is expected to request another \$50 billion or more for these operations in early 2005. If Congress approves those funds, DOD funding for these purposes through FY2005 would exceed \$250 billion.

While the Defense Department has provided an extensive amount of data, it has not provided a full breakdown of the allocation of these funds. The estimates in this report are based on data from DOD and from other sources. Of the \$203 billion provided thus far, DOD planned to spend about \$121 billion for Iraq, \$53 billion for Afghanistan, and \$23 billion for enhanced security, with an unallocated remainder of \$6 billion transferred from its regular appropriations for the "global war on terrorism."

If funding requirements in FY2005 are similar to recent experience, DOD's cumulative costs are likely to reach about \$162 billion for Iraq, about \$59 billion for Afghanistan, and about \$27 billion for enhanced security by the end of the year. Between FY2002 and FY2004, Congress also appropriated \$20.9 billion for Iraq and \$3.7 billion for Afghanistan for reconstruction. Including reconstruction, by the end of FY2005, estimated costs in Iraq would total about \$183 billion and about \$63 billion for Afghanistan. State Department operations and embassy construction could add more.

Of the \$203 billion provided to date, not including reconstruction assistance, DOD had obligated — or contracted to spend — about \$175 billion through the end of FY2004, including about \$107 billion for Iraq, \$46 billion for Afghanistan, and \$18 billion for enhanced security. If recent trends persist, DOD will obligate about another \$60 billion for Iraq in FY2005, bringing the total to more than \$165 billion.

## Estimating Problems

Funds provided to DOD are not appropriated by military operation but rather by the type of expense, e.g. funds to pay military personnel and to buy equipment. In the mid-1990s, however, DOD developed a separate accounting system to track the cost of contingencies, in which the services estimate the incremental cost for those operations over and above normal peacetime expenses. Those costs are captured in monthly accounting reports issued by the Defense Finance and Accounting Service (DFAS).<sup>1</sup>

The Defense Department has not submitted a report that shows all spending for Iraq, Afghanistan, and enhanced security since the 9/11 attacks. CRS has relied on DFAS reports, as well as other budget and accounting documents, several DOD briefings, and congressional appropriations reports to estimate how costs are split among Iraq, Afghanistan, and enhanced security (known as Operation Noble Eagle). There often are inconsistencies, however, among these documents for reasons that are not always clear. This report explains the assumptions underlying CRS estimates. Moreover, funds for war and peacetime expenses are co-mingled in DOD accounts, making it difficult at times to segregate expenses. If the Defense Department set up separate accounts for war and occupation expenses, tracking would improve. As the United States enters its fourth year in Afghanistan and its third year in Iraq, estimating future expenses is a growing concern.

## DOD Funds for Afghanistan, Iraq, and Enhanced Security Total \$203 Billion To Date

Since September 11, 2001, the Department of Defense (DOD) has received about \$203 billion to cover the cost of combat, ongoing military operations, and occupation in Afghanistan and Iraq, as well as enhanced security in the United States for defense installations.<sup>2</sup> These funds were provided in regular DOD and supplemental appropriations measures enacted between FY2001 and FY2005 (see **Table 1** below).<sup>3</sup>

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<sup>1</sup> Although DOD financial regulations guide the services in distinguishing between peacetime and contingency costs, allocations may require judgement calls, as for example, when allocating the costs of spare parts; see Volume 12, Chapter 23, “Contingency Operations,” in *DOD Financial Management Regulation*, [<http://www.defenselink.mil/comptroller/fmr/>]. DFAS reports capture *obligations*, i.e. amounts DOD contracts to spend, rather than *outlays*, which are the actual amounts spent. Unlike other spending, DOD does not track outlays for contingencies.

<sup>2</sup> This includes not only \$196.9 billion in funds appropriated specifically for war and occupation costs but also \$5.9 billion in funds transferred from regular DOD appropriations because they were no longer needed. For information about DOD transfers, see FY04-08-IR, 8/11/04, FY04-81\_IR\_DWCF, 6/2/04, and FY04-32\_PA\_Omnibus, 8/16/04 at the following site: [<http://www.defenselink.mil/comptroller/execution/reprogramming/>].

<sup>3</sup> This total includes funds provided in DOD’s regular FY2003 appropriations act to “respond to, or protect against, acts or threatened acts of terrorism against the United States,” for both Afghanistan operations and additional force protection at home. See OMB, *Fiscal Year 2003 Budget Appendix*, p. 277; [<http://www.gpoaccess.gov/usbudget/fy04/pdf/appendix/mil.pdf>].

**Table 1. DOD's Funding for Iraq, Afghanistan, and Operation Noble Eagle, FY2001-FY2005**  
(billions of dollars)

Name of Law	Date of Enactment	Public Law Number	DOD Funding <sup>a</sup>
FY2001 Emergency Terrorism Response Supplemental Appropriations Act and the FY2002 DOD Appropriations Act	9/18/01; 1/10/02	P.L. 107-38; P.L. 107-117	\$16.5
FY2002 Emergency Supplemental	8/2/02	P.L. 107-206	\$14.0
FY2003 DOD Appropriations Act	10/23/02	P.L.107-248	\$7.1
FY2003 Consolidated Appropriations Resolution	2/20/03	P.L. 108-8	\$10.0
FY2003 Emergency Supplemental <sup>a</sup>	4/16/03	P.L. 108-11	\$62.6
FY2004 DOD Appropriations Act <sup>a</sup>	9/30/03	P.L. 108-87	-\$3.5
Transfers from FY2004 Regular Appropriations <sup>b</sup>	9/30/03	P.L.108-87	\$5.9
FY2004 Emergency Supplemental	11/6/03	P.L.108-106	\$65.2
FY2005 DOD Appropriations Act <sup>c</sup>	8/5/2004	P.L.108-287	\$25.0
<b>Total Received Thus Far</b>	—	—	<b>\$202.8</b>
<b>Expected FY2005 Supplemental</b>	—	—	<b>\$50.0</b>
<b>Total if Likely FY2005 Supplemental is Enacted</b>	—	—	<b>\$252.8</b>

**Sources:** CRS calculations based on public laws cited above. Totals may not add due to rounding.

**Notes:**

- a.. Totals reflect budgetary resources available to DOD excluding funds transferred from DOD to other agencies, contingent appropriations not approved, and rescissions, and including transfers from peacetime funds.
- b. In FY2004, DOD transferred \$5.7 billion of funds from its regular appropriations to fund operations in the “global war on terrorism,” and Congress transferred \$226 million in FY2001 funds to FY2004.
- c. Congress provided \$25 billion to DOD in Title IX of the FY2005 DOD regular appropriations act for expenses related to Afghanistan and Iraq.

## **DOD's Projected Funding For Iraq, Afghanistan, and Enhanced Security, FY2001-FY2005**

The estimates below show DOD's projections of funding for Iraq, Afghanistan, and enhanced security from appropriations received to date, including funds provided for the first part of FY2005 in DOD's regular appropriations bill (see **Table 1**). Including all DOD funding received to date, Iraq is expected to cost about \$121 billion, Afghanistan about \$53 billion, and DOD enhanced security about \$23 billion. (Through FY2004, projected funding for Iraq would total \$99.6 billion.) (See **Table 2**).

Of the total \$203 billion provided to date, the relative shares for each military operation or mission are 26% for Afghanistan, 60% for Iraq, and 11% for enhanced

security. Funding allocated by mission totaled \$76.2 billion in FY2003 and \$65.2 billion in FY2004. Comparing allocations in those two years, Afghanistan's share declines from 24% to 11% while Iraq's share grows from 63% to 78%, the share for enhanced security slips from about 12% to 11%. Unallocated funding goes from zero to 8%.

**Table 2. Funding to Date for Iraq, Afghanistan and Enhanced Security, FY2001- FY2005**  
(billions of dollars)

Military Operation or Mission	FY2001, P.L.107-38 and P.L.107-117 <sup>a</sup>	FY2002 Emerg. Supp P.L.107-206	FY2003 Omnibus, P.L.108-11 <sup>b</sup>	FY2003 Regular DOD Approps, P.L.107-248 <sup>c</sup>	FY2003 Emerg. Supp, P.L. 108-7 <sup>d</sup>	FY2004 Supp, P.L.108-106 <sup>d</sup>	FY2005 Regular DOD Approps, P.L. 108-287 <sup>e</sup>	Total
Afghanistan	11.9	12.5	10.0	3.0	5.1	7.1	3.5	53.2
Iraq	—	—	—	—	48.5	51.0	21.5	121.1
Enhanced Security and Other <sup>a</sup>	4.6	1.5	—	4.1	5.5	7.1	—	22.7
<b>Total</b>	<b>16.5</b>	<b>14.0</b>	<b>10.0</b>	<b>7.1</b>	<b>59.1</b>	<b>65.2</b>	<b>25.0</b>	<b>196.9</b>
<b>Transfers<sup>f</sup></b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>5.9</b>	<b>—</b>	<b>5.9</b>
<b>TOTAL</b>	<b>16.5</b>	<b>14.0</b>	<b>10.0</b>	<b>7.1</b>	<b>59.1</b>	<b>71.1</b>	<b>25.0</b>	<b>202.8</b>

**Sources:** CRS calculations based on data from the Department of Defense, congressional committee reports, and DOD briefings.

**Notes:** Totals may not add due to rounding.

- a. Allocation reflects DOD's estimate, including \$1.4 billion in intelligence funds allocated to Afghanistan. CRS includes funding for Pentagon reconstruction and military construction under the category "Enhanced Security and Other."
- b. See H.Rept. 108-10, p. 1498, for the mission split in the FY2003 Omnibus appropriations act. Funding for Afghanistan includes \$3.9 billion for intelligence.
- c. CRS used project descriptions in H.Rept. 107-732, the conference report on the FY2003 defense appropriations bill; Office of the Secretary of Defense, *Defense Emergency Response Fund, FY2003 Budget Estimates*, February 2002; and an appropriation account breakdown to allocate FY2003 regular funds. The CRS estimate assumes that Military Personnel and Operation and Maintenance funding were allocated to enhanced security (e.g. for physical and communications security on bases) and that procurement and Research Development, Test & Evaluation funds were allocated to Afghanistan (e.g. for munitions replacement, unmanned aerial vehicles, and classified R&D).
- d. For FY2003 and FY2004, CRS relied on DOD's forecast of obligations. CRS included \$1.7 billion in funding for intelligence in totals for Iraq in FY2004 and \$4.9B in FY2005. DOD's *FY2005 Budget Estimates, Justification for Component Contingency Operations and the Overseas Contingency Operations Transfer Fund (OCOTF)*, February 2004, included \$5.3 billion in classified funding in totals for Iraq (see footnote e below).
- e. DOD did not distribute funding requested in FY2005 among Iraq, Afghanistan, and enhanced security. Of the \$25 billion total, Congress set aside \$2.0 billion for intelligence and required that the remainder be spent only on Iraq and Afghanistan. Based on FY2004, CRS allocated 85% for Iraq and 15% for Afghanistan with the intelligence funding allocated to Iraq, as DOD did in FY2004. See Office of the Secretary of Defense, *FY2005 Budget Estimates, Justification for Component Contingency Operations and the Overseas Contingency Operations Transfer Fund (OCOTF)*, p. 34; [[http://www.defenselink.mil/comptroller/defbudget/fy2005/budget\\_justification/pdfs/overseas/FY\\_2005\\_PB\\_Contingency\\_Operations\\_Justification.pdf](http://www.defenselink.mil/comptroller/defbudget/fy2005/budget_justification/pdfs/overseas/FY_2005_PB_Contingency_Operations_Justification.pdf)].
- f. DOD transferred \$5.9 billion from its regular appropriations for unanticipated expenses of the "global war on terrorism."

To some degree, these cost estimates reflect the pace of operations anticipated in each theater. Most of the funding provided in FY2001 was obligated in FY2002 because it was appropriated at the very end of the fiscal year. Combining FY2001 and FY2002 funding, the total for Afghanistan is \$24.8 billion. In FY2003 after combat operations and

the first year of occupation were completed, DOD projected that the cost of Afghanistan would be \$18.4 billion, a drop of about one-quarter. By FY2004, DOD figures project that costs would fall to \$7.1 billion. DOD apparently assumed that funding for Afghanistan would drop sharply between FY2002 and FY2004.

In the case of Iraq, DOD's projections are not easy to explain. Funding for Iraq was projected to increase from \$48.5 billion in FY2003 to \$51.0 billion in FY2004 despite the end of major combat operations and the fact that DOD planned to cut troop levels by about one-third.<sup>4</sup> If current trends continue, DOD's cost for Iraq would be over \$60 billion in FY2005, reflecting higher troops levels and more intense operations.<sup>5</sup>

DOD's estimates of the cost of enhanced security are also difficult to explain. As estimated by DOD, costs were expected to increase from \$6.1 billion for FY2001 and FY2002 in the year immediately after the September 11 attacks (when the push to improve security at base installations was high and DOD was providing extensive combat air patrol) to \$9.6 billion in FY2003. In FY2004, DOD forecast that funding would drop to \$7.1 billion, \$1 billion above the first year after the attacks. In its FY2004 Emergency Supplemental, however, DOD estimated enhanced security would cost \$2.2 billion.<sup>6</sup>

## Trends in Obligations Reflect Unanticipated Changes

DOD obligations — funds contracted to be spent — are generally a better indicator of trends than are DOD's estimates of costs because they reflect changes made in response to the situation on the ground. For example, estimates in DOD's justification material for the FY2004 Emergency Supplemental assumed that DOD would cut force levels in Iraq from about 147,000 troops to about 99,000 troops by the end of the year.<sup>7</sup> Instead, the United States kept about 145,000 troops in Iraq for most of the year and increased troop levels further this summer by about 10,000. More recently, 3,000 troops were added in Afghanistan, bringing the total to about 18,000.<sup>8</sup>

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<sup>4</sup> The total for Iraq in FY2004 includes all intelligence funding. According to Office of the Secretary of Defense, *FY2005 Budget Estimates, Justification for Component Contingency Operations and the Overseas Contingency Operations Transfer Fund (OCOTF)*, p. 34, DOD allocated \$5.3 billion in intelligence funding to Iraq and zero to Afghanistan, see p. 34 and p. 37; [[http://www.defenselink.mil/comptroller/defbudget/fy2005/budget\\_justification/pdfs/overseas/FY\\_2005\\_PB\\_Contingency\\_Operations\\_Justification.pdf](http://www.defenselink.mil/comptroller/defbudget/fy2005/budget_justification/pdfs/overseas/FY_2005_PB_Contingency_Operations_Justification.pdf)]. In FY2003, \$3.9 billion in intelligence funding was allocated to Afghanistan and \$1.8 billion to Iraq.

<sup>5</sup> The average monthly cost for Iraq in FY2004 was \$5.2 billion including intelligence funding.

<sup>6</sup> CRS used the \$7.1 billion included in DOD's February 2003 forecast of obligations from the FY2004 Emergency Supplemental rather than the \$2.2 billion in its request, see Department of Defense, *FY 2004 Supplemental Request for Operation Iraqi Freedom (OIF), Operation Enduring Freedom (OEF), and Operation Noble Eagle (ONE)*, September 21, 2003; see [[http://www.defenselink.mil/comptroller/defbudget/FY\\_2004\\_Supplemental.pdf](http://www.defenselink.mil/comptroller/defbudget/FY_2004_Supplemental.pdf)].

<sup>7</sup> Office of the Secretary of Defense, Comptroller, *Contingency Operations, Estimating - Funding - Execution*, February 2004, p. 23.

<sup>8</sup> *USA Today*, "Army Begins Sending More Troops to Afghanistan," September 23, 2004. In its (continued...)

While obligations data provides a better picture of cost trends over time, obligations do not necessarily reflect the full costs of ongoing military operations and occupation because contracts for investment items — to buy replacement equipment and munitions — typically take a couple of years for contracts to be negotiated, and hence reporting of those funds lag. As of the beginning of FY2005, for example, about \$8 billion to \$10 billion in funds provided in earlier years remains to be obligated.<sup>9</sup> At the same time, obligations in one year may tap funds provided in previous years.<sup>10</sup> To get a sense of cost trends, **Table 3** shows obligations for Iraq, Afghanistan and enhanced security by the year when funds are obligated.

According to these obligations data, by FY2004 Iraq consumed about \$107 billion, some \$7 billion above the \$100 billion anticipated in DOD plans (see **Table 3**). For Afghanistan, obligations data suggest that costs declined less than DOD expected. Between FY2002 and FY2004, obligations for Afghanistan declined by about half from \$20 billion to \$10 billion, rather than from \$24 billion to \$7 billion as DOD anticipated. Obligations for enhanced security, on the other hand, declined more than expected, dropping to \$4.1 billion in FY2004, \$3 billion below the amount anticipated.<sup>11</sup>

**Table 3. Obligations of Funds to Date for Iraq, Afghanistan and Enhanced Security, FY2001-FY2004**  
(billions of dollars)

Military Operation or Mission	FY2001	FY2002	FY2003	FY2004	Cumulative Obligations	Percent of Total	
						F2004	Cumulative Obligations
Afghanistan	0.4	19.5	16.2	9.6	45.7	13%	27%
Iraq	0.0	0.0	44.2	62.6	106.8	82%	63%
Enhanced Security and Other	0.1	7.5	6.3	4.1	17.9	5%	3%
<b>Total</b>	<b>0.5</b>	<b>27.0</b>	<b>66.7</b>	<b>76.2</b>	<b>170.4</b>	<b>100%</b>	<b>100%</b>

**Sources:** CRS calculations based on data from the Department of Defense, Defense Finance Accounting Service reports, DOD accounting reports, Congressional reports, and DOD briefings.

**Notes:** Totals may not add due to rounding.

<sup>8</sup> (...continued)

cost estimate of Iraq of June 25, 2004, CBO estimated that about 256,000 military personnel (active-duty and activated reservists) plus an additional 38,000 above authorized end strength were dedicated to the global war on terrorism; see [[http://www.cbo.gov/ftpdocs/55xx/doc5587/Cost\\_of\\_Iraq.pdf](http://www.cbo.gov/ftpdocs/55xx/doc5587/Cost_of_Iraq.pdf)].

<sup>9</sup> CRS estimate is based on comparing obligations data to budgetary resources available.

<sup>10</sup> As of July 31, 2004, for example, obligations included \$4.2 billion in FY2003 funds and \$55.3 billion in FY2004 funds. Defense Finance and Accounting Service - Denver, *Consolidated Department of Defense (DoD) Terrorist Response Cost Report, FY2003 Supplemental Appropriation as of July 31, 2004*, p.24, and *Consolidated Department of Defense (DoD) Terrorist Response Cost Report FY 2004 Supplemental Appropriation as of July 31, 2004*, p.52.

<sup>11</sup> The \$4 billion figure is above the \$2.2 billion level in DOD's FY2004 Emergency Supplemental request.