

April 10, 2002

Honorable Pete V. Domenici
Ranking Member
Committee on the Budget
United States Senate
Washington, DC 20510

Dear Senator:

In response to your request of December 21, 2001, the Congressional Budget Office (CBO) has estimated the cost of activities related to the military operations taking place in and around Afghanistan. On the basis of data provided by the Department of Defense (DoD), as well as an analysis of the costs of other recent military operations, CBO estimates that the incremental cost to DoD of prosecuting the war in Afghanistan will be about \$10 billion for fiscal year 2002. This estimate assumes that our military forces in Afghanistan will continue to conduct operations at a pace similar to that experienced during the first six months of the campaign. In addition, the estimate is consistent with DoD's view of the operational tempo expected in that region for the remainder of this fiscal year. If operational conditions change from those assumed in the estimate, however, then the costs may be higher or lower than CBO estimates.

The estimate includes only the costs that can be directly associated with military operations in Afghanistan; costs associated with humanitarian and economic assistance to Afghanistan and neighboring countries are not included. The Department of Defense often provides estimates for the cost of the "war on terrorism" that include other costs (the costs of U.S. military operations associated with homeland defense, support to federal, state, and local agencies in the United States, and counterterrorism operations in other parts of the world) in addition to the costs of the war in Afghanistan. CBO's estimate excludes all of those other costs. CBO's estimate also excludes any costs associated with the National Foreign Intelligence Program (NFIP) because the specifics of NFIP activities are highly classified.

Costs in Fiscal Year 2002

CBO's estimate of \$10 billion represents the incremental cost that DoD will incur above the budgeted cost of routine operations. Items such as basic pay for active-duty personnel are not included in those costs because they would be borne by the department regardless of the location or pace of operations. Similarly, the estimate reflects only the costs of aircraft flying hours and ship steaming days above those provided in the regular defense appropriation for fiscal year 2002.

CBO used various methodologies to develop its estimate. Whenever possible, CBO used actual data from operations in and around Afghanistan. (DoD last reported comprehensive data on those operations at the end of January.) As appropriate, CBO also used cost data from other prior and current military operations—most notably, the various operations taking place in the Balkans and over Iraq. CBO estimated costs using categories similar to those used in DoD's annual reports on the Overseas Contingency Operations Transfer Fund—personnel and personnel support, operations support, and transportation.

Costs for operations support constitute about 80 percent of CBO's estimate, or \$7.9 billion (see attached table). Operations support includes the costs associated with operating and maintaining all air, land, and sea forces and equipment. It also includes about \$2 billion in costs to replace expended munitions, lost aircraft and equipment, and the increased costs to repair and recertify equipment used in support of operations in and around Afghanistan. CBO estimates that costs for operations support will decrease from about \$4.6 billion in the first half of fiscal year 2002 to roughly \$3.3 billion in the second half of 2002. That reduction will occur primarily because one-time costs incurred during the first half of the year will not recur as operations continue. CBO also estimates lower costs during the second half of 2002—particularly for naval operations and munitions usage—because the operational tempo is likely to be lower. CBO's estimate of costs for the second half of 2002 reflects DoD's recent announcement that it plans to withdraw ships and personnel from the region as well as the assumption that the number of potential targets has been reduced during the six months of combat.

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Potential Costs in Fiscal Year 2003

Estimating the costs of the war in Afghanistan beyond fiscal year 2002 is very difficult because of the indeterminate nature of the conflict. Although DoD has included a figure of \$10 billion in its budget request for fiscal year 2003 to fund continued operations for the war on terrorism, it has not specified the operating locations or levels of operational tempo that underpin that request. Thus, CBO cannot estimate with any certainty what the costs of the war in Afghanistan might be for fiscal year 2003.

If the forces assigned to the operation and the operational tempo did not change substantially from the levels CBO assumes for the second half of 2002, the incremental cost of continued operations for fiscal year 2003 would be about \$750 million per month, CBO estimates. If the force size remained the same but air operations transitioned to more routine patrols, then the incremental cost could drop to about \$600 million per month. If either the force size or the operational tempo increased or decreased substantially in 2003 from the current levels, then the estimated monthly costs would change accordingly.

CBO has prepared a classified document that provides a more detailed discussion of the assumptions and methodologies used to develop its estimates. We will provide that document to your staff separately.

We would be pleased to provide further details on this estimate. The CBO staff contacts are Matt Schmit and David Newman.

Sincerely,

Dan L. Crippen
Director

Attachment

cc: Honorable Kent Conrad
Chairman

Identical Letter Sent to Honorable Jim Nussle, Chairman, House Committee on the Budget.

Attachment

ESTIMATED COSTS OF OPERATIONS IN AFGHANISTAN DURING FISCAL YEAR 2002 (In billions of dollars)

Cost Element	October - March	April - September	Total
Personnel/Personnel Support ^a	0.6	0.5	1.1
Operations Support ^b	4.6	3.3	7.9
Transportation ^c	<u>0.6</u>	<u>0.6</u>	<u>1.2</u>
Total	5.8	4.4	10.2

- a. Personnel includes pay for reserve personnel called to active duty as well as special payments, like hazardous duty pay, for both reserve and active-duty personnel. This category also includes subsistence items, such as food and water. CBO's estimate includes only those costs for reserve and National Guard personnel called to active duty in support of the operations in the Afghanistan theater. It does not include reservist and National Guard pay in support of Operation Noble Eagle. Personnel support includes clothing and personal items as well as medical support.
- b. Operations support includes all costs related to the operation and maintenance of all air, land, and sea forces involved in the Afghanistan theater. It includes costs associated with the incremental increase in flying hours and steaming days, such as increased fuel consumption and increased costs for repair parts. Operations support also includes the costs of equipping and maintaining ground troops and purchasing equipment as well as costs associated with command, control, communications, and intelligence. This category also covers force reconstitution, which includes the replacement of munitions stocks and repair or replacement of damaged equipment, as well as the incremental cost of increased depot maintenance for items such as aircraft and ships.
- c. Transportation includes the cost of moving personnel and equipment to the theater of operations from the continental United States and other bases around the globe. For the most part, these costs are incurred by the Air Mobility Command, which operates DoD's heavy-lift aircraft.
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