



## MEASURING THE COSTS OF THE WAR AGAINST TERRORISM

### Introduction

The total cost of the Pentagon's war against terrorism can be a confusing subject. The war is being funded through multiple pieces of legislation, and its specific costs are sometimes difficult to separate from ongoing Department of Defense [DOD] operations funded by regular appropriations. In addition, the total price tag depends on how "costs incurred" are defined in statute.

Nevertheless, a reasonable summary can be developed by reviewing the key components of the war's funding – as provided in the discussion below. (Note: this discussion excludes from "war costs" any non-DOD contributions to homeland security activities.)

### What Is a 'War Cost,' and How Is it Paid For?

It can be argued that DOD's regular budget forms the basis for its ability to sustain armed combat. But actual combat operations are generally funded separately, on a "pay-as-you-go" basis, by supplemental appropriations bills. Under 10 USC Section 127a, war costs in general are defined as costs "that are directly attributable to the operation and would not have been incurred but for the operation." For example, base pay for active duty personnel taking part in the operation is not included as a war cost; but special pay – such as hazardous duty pay, travel allowances, and the cost of mobilizing reserve personnel – is included.

### Projected Costs for Fiscal Years 2002 and 2003

The principal measures for financing the war against terrorism have been the following:

- **The Emergency Terrorism Response Bill (H.R. 2888, Public Law 107-38)** – This bill – passed in September, shortly after the terrorist attacks – made available \$20 billion (of a \$40-billion total) for the President to apply to war costs at his discretion. Of this amount, the President has used \$17.4 billion for the war.
- **The Fiscal Year 2002 Emergency Supplemental (H.R. 4775)** – The President has requested an additional \$14 billion in war funds through this bill, differing versions of which have been passed in the House and Senate. This bill, combined with the prior emergency measure, would bring to \$31.4 billion the amount of war funding provided through supplementals.
- **Fiscal Year 2003 Budget Request** – In the budget, DOD is requesting an additional \$20.1 billion to sustain the war against terrorism. That total includes \$10 billion "to fund continued operations for the war on terrorism" (contained in a new account, the Defense Emergency Response Fund, discussed further below), and \$10.1 billion in several broad functional categories, including Pentagon repair; command, control, communications, and intelligence; and physical security. The Department stresses that \$20.1 billion is not a precise projection of next year's cost of the war, but rather an attempt to construct a "placeholder" to aid in budgeting for reasonably anticipated needs.

### DOD's Internal Financing Mechanism

The bulk of the funds the administration has asked for in both supplementals has been requested to be appropriated into the Defense Emergency Response Fund [DERF], a new transfer account from which DOD can move funds into and out of other accounts as the need arises without seeking

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congressional approval. DOD contends it needs the flexibility of the DERF to finance the war effort. Some in Congress have expressed concern that the DERF makes tracking emergency funds difficult when they are merged with those in standard appropriations accounts. The House-passed budget resolution (H.Con.Res. 353) placed the undefined \$10-billion fiscal year 2003 request in a reserve fund (section 201). The House Armed Services Committee has accordingly opted to treat the administration's fiscal year 2003 DERF request of \$10 billion separately from the President's annual fiscal year 2003 authorization request.

### The War in Afghanistan

DOD's request for \$31.4 billion to conduct a global war against terrorism in fiscal year 2002 includes 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 all parts of the world; it does not explicitly break out an estimate of the cost of the war in Afghanistan. But according to a recent estimate prepared by the Congressional Budget Office [CBO] – using actual cost data from operations as well as DOD's experience in other operations – the cost of the war in and around Afghanistan will be about \$10.1 billion in fiscal year 2002. Costs associated with humanitarian and economic assistance to Afghanistan and neighboring countries are not included. CBO's estimate also excludes any costs associated with the National Foreign Intelligence Program [NFIP] because the specifics of NFIP activities are classified.

The table below details the estimated total war costs, broken down according to the two emergency supplementals and the President's budget request.

**Summary of Department of Defense Funding Request for the War Against Terrorism**  
(dollars in millions)

Category	Emergency Terrorism Response Supp.	Fiscal Year 2002 Emergency Supp.	Fiscal Year 2003 Budget Request
Military Operations	3,656.0	6,715.9	10,000.0
Weapons and Munitions <sup>a</sup>	1,831.0	548.0	1,695.9
Mobilization of Reservists	1,051.0	4,103.0	ns
Communications, Command, Control, and Intelligence	6,525.0	1,548.0	3,125.8
Coalition Support <sup>b</sup>	216.0	420.0	ns
Enhanced Physical Security <sup>c</sup>	1,613.0	ns	2,680.2
Initial Crisis Response <sup>d</sup>	648.0	0.0	0.0
Pentagon Repair and Renovation	1,470.0	0.0	328.0
Airport Security <sup>e</sup>	261.0	0.0	0.0
Support of New Homeland Commander <sup>f</sup>	na	[75.0]	341.0
Combat Air Patrols <sup>d</sup>	ns	300.0	1,200.0
Air Force Personnel Costs <sup>g</sup>	na	206.0	na
Nuclear Posture Review <sup>h</sup>	na	na	685.0
Other <sup>i</sup>	100.0	181.1	0.0
<b>Totals</b>	<b>17,371.0</b>	<b>14,022.0</b>	<b>20,055.9</b>

na = not applicable; ns = not specified; [ ] = included in other category.

<sup>a</sup> Includes funding to increase the industrial capacity and purchase additional smart munitions to enlarge DOD stocks, as well as unmanned aerial vehicles for surveillance.

<sup>b</sup> Funding to be distributed to unspecified allies who provide military and logistical support to U.S. Forces in the "global war on terrorism."

<sup>c</sup> Erecting additional barriers and purchasing surveillance and detection equipment to improve security at U.S. military installations; cost of those activated reservists performing guard duties at U.S. installations is not specified within "mobilization of reservists."

<sup>d</sup> DOD's support to FEMA and New York City; combat air patrols, later in military operations; total request for air patrols.

<sup>e</sup> Cost of stationing National Guard at airports, now funded by Transportation Security Agency.

<sup>f</sup> New Homeland Commander in Chief [CINC] established by DOD after the attack; cost of keeping prisoners at Guantanamo Bay.

<sup>g</sup> Cost of retaining additional Air Force personnel needed for the war against terrorism.

<sup>h</sup> Cost of carrying out DOD's proposed new nuclear policy to upgrade strategic missiles; DOD states the review was completed too late for its recommendations to be placed in a regular appropriations account.

<sup>i</sup> Unspecified costs in fiscal year 2002 request; funds potential increase in fuel prices in Emergency Terrorism Supplemental.

Source: Congressional Research Service.

Prepared by ..... **Mike Lofgren**  
**Budget Analyst for Defense**