



# CENTER FOR ARMS CONTROL AND NON-PROLIFERATION

## MILITARY BUDGET AND OVERSIGHT PROGRAM

322 Fourth Street NE \* Washington, D.C. 20002 \* (202) 546-0795

Online at <http://www.armscontrolcenter.org/>

### ***Problems with Using the Supplemental Budget Process to Fund Ongoing Military Operations in Iraq and Afghanistan***

By Travis Sharp\* - March 2008

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It takes more than two years for the White House to develop, and Congress to approve, a budget for each new fiscal year. Since natural disasters and other emergencies, including the deployment of U.S. military forces abroad, are events that are impossible to forecast and budget for ahead of time, federal law provides mechanisms for funding these unanticipated requirements outside the normal budgetary process through the enactment of special “supplemental” spending packages. Supplementals play an important function by providing the U.S. government the flexibility it needs to meet the emergency needs of America’s citizens.

The use of supplemental budgeting in general has grown exponentially in the last decade. In a January 2008 report, the [Government Accountability Office](#) reported that from fiscal year 1997 through fiscal year 2006, supplementals provided approximately \$612 billion in new gross budget authority, a five-fold increase over the previous 10-year period. About 50% of total supplemental funding from 1997 to 2006 went to defense-related emergencies, whereas natural disasters received 28%, antiterrorism and other post-9/11 activities received 16%, and international humanitarian assistance received only 3%.

Since 2001, the ongoing use of supplementals by the Bush administration to finance military deployments abroad has risen to historically unprecedented levels. A June 2006 [Congressional Research Service](#) study concluded that during conflicts of the past 60 years, supplemental funding was used only initially to finance U.S. military operations. As soon as even a partial projection of costs could be made, usually within a year or two at most, ongoing military operations were funded through normal Pentagon appropriations bills. The Bush administration, however, continues to finance ongoing military operations in Iraq and Afghanistan through the supplemental process.

Using supplementals during the early years of these conflicts made sense because exact requirements were largely unknown and there was no baseline from which to derive estimates for the year ahead. Six and a half years later, however, this is no longer a legitimate justification. The Bush administration’s exploitation of war supplementals sets a dangerous precedent for the future and threatens to further weaken the already flawed federal budgeting process.

While it is impossible to overstate the importance of making good choices regarding U.S. defense strategy, bad process usually yields bad policy. Six and a half years after the United States initiated the so-called “Global War on Terror” (GWOT) by invading Afghanistan, the continued use of emergency supplemental budgeting to fund the wars in Iraq and Afghanistan is undermining America’s ability to plan responsibly for present and future threats.

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\* Travis Sharp is the Military Policy Analyst at the Center for Arms Control and Non-Proliferation. Colleen Garcia provided research assistance for this report.

## **Problems with Supplemental War Budgeting**

### **Emergency supplemental funding is exempt from ceilings that apply to discretionary spending in Congress's annual budget resolutions.**

*“Over 90% of DOD's [war] funds were provided as emergency funds in supplemental or additional appropriations; the remainder were provided in regular defense bills or in transfers from regular appropriations. Emergency funding is exempt from ceilings applying to discretionary spending in Congress's annual budget resolutions.”*

*([Congressional Research Service](#), February 2008)*

### **Because they are not subject to the same federal caps that apply to the "base" defense budget, supplementals are a tempting pot of money for services seeking to increase their annual procurement accounts.**

*“Shifting funding from the regular budget to emergency funding is attractive because DOD's emergency spending has not been subject to budget caps, allowing the services to substitute other less urgent requirements in their baseline budgets.”*

*([Congressional Research Service](#), February 2008)*

*“In October 2006, Deputy Secretary of Defense Gordon England sent the Services new guidance to use in drawing up their respective requests to the Office of the Secretary of Defense (OSD) for 2007 supplemental funding...With this guidance, the Defense Department essentially opened the floodgates in terms of what the Services could ask to have funded through GWOT supplementals...such guidance amounts to, in effect, telling the Services that they no longer need to find room in the regular annual defense budget to cover the full cost of their long-term plans.”*

*([Steven Kosiak](#), Vice President for Budget Studies, Center for Strategic and Budgetary Assessments, February 2007)*

### **Using the supplemental process undermines budget planning and erodes congressional oversight by omitting detailed “budget justifications” documentation, making it difficult for Congress and policymakers to determine the basis of requests and consider viable funding alternatives.**

*“DoD's supplemental budget requests often do not provide enough detail to determine how the department develops its budget requests. The amount of justification material that DoD provides in its regular budget for activities besides the war and the documentation that it submits for war-related operations differ substantially...DoD's funding requests related to the war have been accompanied by relatively little backup material. For instance, the backup material for the department's original 2006 supplemental request, which totaled about \$68 billion, included only five pages on operation and maintenance costs, even though those costs constituted almost half (about \$33 billion) of the request.”*

*([Robert Sunshine](#), Assistant Director, Congressional Budget Office, January 2007)*

### **The prestigious, bipartisan Iraq Study Group recommended that costs for the war in Iraq should be included in the President's annual budget request.**

*“RECOMMENDATION 72: Costs for the war in Iraq should be included in the President's annual budget request, starting in FY 2008: the war is in its fourth year, and the normal budget process should not be circumvented. Funding requests for the war in Iraq should be presented*

*clearly to Congress and the American people. Congress must carry out its constitutional responsibility to review budget requests for the war in Iraq carefully and to conduct oversight.”*  
([Iraq Study Group](#), December 2006)

**Supplementals designated as available until expended, known as “no-year” funds, do not prompt the same rigorous oversight given to funds that are only available for a fixed period of time.**

*“Over one-third of the supplemental appropriations enacted [between 1997 and 2006] were available until expended (‘no-year’ funds). Such no-year funds provide agencies with important flexibility but do not prompt the annual or periodic Congressional oversight typical of funds that are available for a fixed amount of time.”*

([Government Accountability Office](#), January 2008)

**Admiral Michael Mullen, the current chairman of the Joint Chiefs of Staff, and other military leaders acknowledge the flaws of the continued use of supplemental funding.**

*“My view is supplementals need to be dramatically reduced and put in the baseline budget as rapidly as we can.”*

([Admiral Michael Mullen](#), Chairman of the Joint Chiefs of Staff, January 2008)

*“It’s a feeding frenzy... Using the supplemental budget, we’re now buying the military we wish we had.”*

([Anonymous Army official](#) involved in budget planning, January 2007)

*“We’re fighting a war on supplementals and it’s a hell of a way to do business. The basic budget of the U.S. Army needs to be adjusted to fight the war on terror, and I have no idea where the money is going to come from.”*

([Lieutenant General John M. Riggs USA ret.](#), expert on Army modernization, May 2005)

**Congressional leaders on military issues on both sides of the aisle acknowledge the flaws of the continued use of supplemental funding.**

*“I am disappointed that the budget request does not include a request for the full amount of estimated expenditures in Iraq and Afghanistan for next year, as required by our law. While the monetary cost is not the most important part of the debate over Iraq or Afghanistan, it does need to be part of that debate, and the citizens of our nation have a right to know what those costs are projected to be.”*

([Sen. Carl Levin D-MI](#), Chairman of Senate Armed Services Committee, February 2008)

*“I also would like to echo the concerns that Senator Levin had about the supplemental and the increasing number of programs and projects and equipment that are added to it which do not fall within what is generally believed the purpose of the supplemental, which is to fund combat activities in Iraq and Afghanistan. And it removes from our oversight responsibilities the scrutiny that these programs deserve. I think we ought to look at that very carefully as we consider the supplemental and as we move forward in the authorization process.”*

(Sen. John McCain R-AZ, Ranking Republican on Senate Armed Services Committee, February 2005)

*“The President has also declined to provide a full funding request for the two wars. The law requires that he submit a funding request, along with full justification materials, at the same time*

*he submits his regular budget. It is unacceptable that he has not done this. We have to know the magnitude of the administration's plans in order to make the tough decisions about funding and policy for our efforts today, particularly in Afghanistan, and ensuring that we can meet any future needs that arise. We all understand that there is a level of unpredictability with such budget estimates, but it is critical that we attempt to plan for expenses we know are coming. I have heard that the President and OMB are delaying because they are waiting for the next report from General Petraeus before putting together a full war budget plan. This explanation is astonishing. Can you imagine President Truman passing the buck on the budget to General MacArthur during the Korean conflict?"*

[\(Rep. Ike Skelton D-MO\)](#), Chairman of House Armed Services Committee, February 2008)

*"It's disappointing, however, that the Administration did not request funding to cover the full costs of the war in Fiscal Year 2009. We're confident that they will rectify this situation so Congress can provide the needed funding to support our men and women in harm's way."*

[\(Rep. Duncan Hunter R-CA\)](#), Ranking Republican on House Armed Services Committee, February 2008)

## **Bush Administration's Abuse of Supplemental War Budgeting**

The Fiscal Year (FY) 2007 Defense Authorization bill, a measure that passed in a Republican-controlled Congress under the authorship of Sens. John Warner (R-VA) and John McCain (R-AZ), contained a provision mandating that the Bush administration present its full war funding request alongside its "base" budget request at the beginning of each year. This provision was meant to give Congress as much time to scrutinize the war funding request as it had to study the "base" budget request.

The White House complied with this requirement in FY 2008, presenting its full \$142 billion war funding request in February 2007. Even though the administration eventually increased its FY 2008 war funding request to \$190 billion by September 2007, it did make a good faith effort to comply with congressional requirements during the FY 2008 budgeting cycle.

Unfortunately, the administration abandoned this good faith compliance in its FY 2009 war funding request by only submitting in February 2008 a \$70 billion placeholder figure, which included no details and would not fully fund war operations for the entire fiscal year. The White House claimed that it wanted to wait for recommendations from military commanders, including an anticipated spring report by Army General David Petraeus, before submitting any more of its request. But this rationale doesn't hold up in light of the fact that the full FY 2008 war funding request was submitted at a time when the surge was only beginning in Iraq and conditions were just as uncertain as they are today. Some analysts have suggested that refusing to submit its full FY 2009 war funding request was an attempt on the part of the administration to shield the American public from the full costs of the war, or a political maneuver that would force the next president, particularly a Democrat, to pass a war funding bill immediately after taking office in early 2009.

A February 2008 [Congressional Budget Office](#) (CBO) study found that the growth in annual war funding since 2001 is largely explained by the Pentagon's increasing reliance on using war funding supplementals to buy new equipment. According to the CBO study, procurement funding soared in 2007 and 2008, totaling about 35 percent of total war funding in those years. Operations and Maintenance (O&M) and military personnel funding, which before 2005 accounted for 60 percent and 20 percent, respectively, of war funding, fell to an average of 52 percent and 10 percent, respectively, in 2007 and 2008.

## Iraq and Afghanistan Appropriations for the Department of Defense

(in billions of dollars)

	FY01- FY02	FY03	FY04	FY05	FY06	FY07	FY08 (request)	Total to Date
O&M	25	44	46	57	70	92	91	<b>425</b>
Procurement	1	10	7	18	25	51	72	<b>184</b>
Personnel	4	16	18	19	18	18	18	<b>111</b>
RDT&E	0	3	*	1	1	2	4	<b>11</b>
Mil. Construction	0	1	1	1	*	2	2	<b>7</b>
Other DOD Appropriations	0	1	1	3	2	1	2	<b>10</b>
Transfers from DOD "Base" Appropriations	*	1	2	2	*	1	0	<b>6</b>
<b>Total DOD</b>	<b>31</b>	<b>76</b>	<b>74</b>	<b>100</b>	<b>116</b>	<b>165</b>	<b>188</b>	<b>750</b>

**Notes:** Data from CBO, "[Analysis of the Growth in Funding for Operations in Iraq and Afghanistan](#)," February 11, 2008, pp. 2. Totals may not add due to rounding. \* = less than \$500 million. Totals exclude about \$40 billion in non-DOD war funding for diplomatic operations, foreign aid, and veterans' benefits.

CBO concludes that if Congress provides the remaining \$100 billion of the FY 2008 war funding request, annual funding levels for operations in Iraq and Afghanistan will have increased by 155% since 2004, with increases in procurement and O&M accounting for almost all of that growth and appropriations for military personnel having changed little.

CBO chronicled the policy changes within DOD that led to procurement funding consuming a larger portion of war supplementals:

Before 2005 Iraq and Afghanistan funding was largely limited to the incremental amounts needed to mobilize and deploy troops, transport equipment and supplies, and purchase additional quantities of consumables such as fuel, repair parts, and munitions...About 60 percent of appropriations provided during this period went to operation and maintenance (O&M) accounts and 20 percent went to military personnel accounts.

Beginning in 2005, as part of its request for war funding, DoD asked for appropriations to "reset" equipment, that is, to repair or replace worn or damaged equipment. Those efforts include major overhauls that restore the item to "like new" condition. At the same time, DoD often added major upgrades to repaired items, returning equipment to the field with significantly enhanced abilities; those upgrades involved much higher costs than simply repairing equipment. Most such efforts are funded through the O&M and procurement accounts. During this phase, O&M funding continued to account for roughly 60 percent of total funding.

In 2006, DoD began widening its focus from resetting equipment to "reconstituting" the force, an effort that involved purchasing new equipment as well as repairing and replacing damaged systems. Whereas the reset program had required more O&M funding, the shift to reconstitution increased the need for procurement funds.

In 2007, DoD expanded the list of expenses that could be included in the request for wartime appropriations. In addition to seeking funds to pay for the direct incremental costs of operations in Iraq and Afghanistan, the services were permitted to include costs related to the broader war on terrorism. DoD requested funds to replace damaged equipment with newer models, accelerate planned purchases of new systems, address emerging needs, and enhance the military's capability not only to continue current operations but also to be better prepared for the longer war on terrorism. Achieving the goals of that expanded reconstitution program required significantly more procurement spending.

The [Government Accountability Office](#) previously reported similar findings, concluding in November 2007 that “*Changes in DOD’s GWOT funding guidance have resulted in billions of dollars being added to GWOT funding requests, for what DOD calls the ‘longer war against terror,’ making it difficult to distinguish between incremental costs to support specific contingency operations and longer term costs typically associated with DOD’s base budget.*” The [Congressional Research Service](#) supported this assessment, reporting in a February 2008 study that “*Since the long war on terror is now part of DOD’s key missions according to the national strategy, it could be argued that these types of expenses should be included in DOD’s regular budget where they would compete with other defense needs.*”

## **Experts Agree on the Flaws of Supplemental War Budgeting**

*“I would like to say something about the use of the ‘emergency supplemental’ vehicle for funding the war. In my opinion as a budgeting professor, this is not the best way for the U.S. budget system – or any budget system – to operate. The purpose of the emergency supplemental facility is to fund a genuine emergency or unforeseen event, such as Hurricane Katrina. The late transmittal of the supplementals during the budget process leads to less congressional review and a lower standard of detailed budget justification than regular appropriations. It is difficult to understand why, five years into the war, we are still funding it largely in this manner. We are denying the budget staff of both parties, who are some of the very best staff members in the Congress – the budget committees, the authorizing committees, and the appropriations committees – the opportunity to review these numbers thoroughly. So it is not surprising, given this lack of transparency, that we have seen widespread waste and alleged corruption in payments to contractors, a lack of timely requests for vital equipment such as MRAPs, and continuing shortfalls in critical areas such as veteran’s health care.”*

[\(Dr. Linda J. Bilmes](#), Kennedy School of Government at Harvard University, October 2007)

*“The Defense Department has basically removed any principled distinction between what should be included in special GWOT appropriations and what should be included in the rest of the defense budget... Congress should also make clear to the administration that DoD should, except perhaps in exceptional circumstances, limit its requests in GWOT appropriations to funding for programs and activities directly related to the military operations in Iraq and Afghanistan... the inclusion of substantial amounts of funding for programs and activities unrelated to the military operations in Iraq and Afghanistan in GWOT appropriations – whether in the form of supplementals or separate accounts attached to the regular annual appropriations act – is likely to weaken DoD’s long-term planning and budgeting process, ultimately to detriment of the department.”*

[\(Steven Kosiak](#), Vice President for Budget Studies, Center for Strategic and Budgetary Assessments, February 2007)

*“Potential disadvantages [of using supplemental appropriations] include: contributing to equipment shortfalls because DOD chose to upgrade rather than do standard maintenance on equipment such as Bradley fighting vehicles and M-1/A-1 tanks; purchasing some equipment whose requirements have not been fully vetted, such as replacement of pre-positioned equipment stationed overseas; funding programs that have not been subjected to the same scrutiny as programs funded in the baseline budget; and reducing visibility on total program costs.”*

([Amy Belasco](#), Congressional Research Service, October 2007)

*“We recognize emergency funding requests are necessary to support unforeseen costs of operations and that estimating future costs are challenging. This does not, however, mean that estimates for the expected costs of ongoing operations, for longer-term transformation, and for procurements should not be provided as part of the base budget. If the administration believes that the nature of the defense challenge facing the United States has changed and that the country is involved in a long-term conflict, the cost implications of that change should be part of the annual budget debate. The use of emergency funding requests and budget amendments for ongoing operations of some duration reduces transparency, impedes the necessary examination of investment priorities, inhibits informed debate about priorities and trade-offs and, in the end, reduces credibility.”*

([Government Accountability Office](#), November 2007)

*“Without reform, emergency supplemental appropriations bills will most likely continue to be used as a way to add additional spending not contained in the budget, without the substantive scrutiny the regular order of the budget process provides. This practice, unfortunately, obscures or distorts important aspects of the fiscal impact of federal spending and, therefore, undermines the general fiscal responsibility of the federal government.”*

([Office of Management and Budget Watch](#), March 2007)

*“The serial, routine use of supplemental appropriation requests to finance the cost of the Iraq War was unprecedented, undermined budget planning and confused the process of congressional oversight. A look at the timing of the supplemental requests suggests that they were delayed so that they would not be considered during the general appropriations process... ‘The nature of the War on Terror continues to make it difficult to predict with precision future funding needs,’ declared the Office of Management and Budget’s spokesman in September 2006. But the money being requested was largely for Iraq and Afghanistan, not the broader war on terror, and by that time it was possible to apply some degree of forward planning to those conflicts that would have yielded reasonable cost estimates for use in annual appropriations requests.”*

(Dr. Robert Hormats, Vice Chairman of Goldman Sachs and former government official in the Nixon, Ford, Carter, and Reagan administrations, in *The Price of Liberty*, 2007)

*“Supplemental budgets are put together right at the top of the Pentagon without the normal service scrutiny, and once they go to Congress they are shoved through the congressional process without hearings, without any knowledge of details, and in some cases no details at all.”*

([Dr. Gordon Adams](#), fellow at the Woodrow Wilson Center and former senior official for national security budgeting under President Clinton, June 2006)