

Senate Democratic Policy Committee Hearing

“Is the Bush Administration Being Vigilant in Safeguarding American Taxpayer Dollars in Iraq?”

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Mr. Chairman and Members of the Committee, I very much appreciate your invitation to appear before you today to support your study of Department of Defense spending on the war in Iraq and the Global War on Terror.

I am a Senior Advisor to the non-profit Center for Defense Information, a division of the World Security Institute, a Washington, D.C.-based national security study center. To help insure our independence, the World Security Institute and the Center for Defense information do not accept any funding from the Federal government, nor from any defense contractors.

In 2005 and 2006, I served on the nine-member Defense Base Realignment and Closure Commission, appointed by President George W. Bush and nominated by House Democratic Leader Nancy Pelosi.

Beginning in late 2004, I served on Governor Arnold Schwarzenegger's Base Support and Retention Council, from which I resigned to serve on the President's Commission.

From 1994 to 2001, I served in the Pentagon as Assistant Secretary of Defense and Director, Operational Test and Evaluation. In this capacity, I was principal advisor to the Secretary of Defense and the Undersecretary of Defense for Acquisition, Technology and Logistics on test and evaluation in the DOD. I had OSD OT&E responsibility for over 200 major defense acquisition systems.

From 1959 to 1979, and again from 1981 to 1993, I worked at the Lawrence Livermore National Laboratory. Over those 33 years I worked on a variety of high-technology programs, and retired from the Laboratory in 1993 as Laboratory Associate Director and deputy to the Director.

In my current capacity at the Center for Defense Information, I am called upon to provide independent analysis on various defense matters. I have over 30 years of experience involving U.S. and worldwide military research, development and testing, on operational military matters, and on national security policy and defense spending.

The Current Situation

Just as the U.S. Congress tries to track the costs of the Global War on Terror and the costs of the wars in Iraq and Afghanistan, so also Non-Governmental Organizations, such as the Center for Defense Information, the media, and American citizens try to track the costs of those wars.

The information put out by the Department of Defense is at best confusing, and sometimes misleading and incomplete. The result is that it is very difficult for anyone to know what the wars in Iraq, Afghanistan or the overall Global War on Terror actually cost.

As noted by the Congressional Research Service:

“Until the FY2007 Supplemental and FY2008 War Cost request, DOD submitted very little information to buttress its requests. Both the Iraq Study Group and CBO have criticized DOD’s presentation of cost data for Iraq and the global war on terror. The Iraq Study Group called the Administration’s requests “confusing making it difficult for both the general public and members of Congress,” to know something that “should be a simple question” such as the amount requested for Iraq operations. CBO pointed out that DOD’s justification materials have been sparse — for example, DOD provided five pages to justify \$33 billion in operation and maintenance spending, about half of the FY2006 supplemental request.”

As a result, it is very difficult to understand how much money American taxpayers are spending for the wars in Iraq and Afghanistan.

A review of newspaper articles shows that the press does not know what the Global War on Terror is costing either, as different numbers are reported which are nearly impossible to reconcile.

The latest reports say that the War on Terror costs about \$12 billion per month, of which about \$10 billion per month is for Iraq. A year ago the cost of the war in Iraq was reported at about half that, \$5 billion per month. Clearly war costs are going up, but the large increases cannot be explained by the surge alone.

There’s an old saying that you can’t manage what you can’t measure, and the Congress is in the position of trying to manage the authorizations and appropriations for the Global War on Terror without being able to rely on the DOD to measure how much we are spending, and where those expenditures are going, let alone whether those expenditures are being spent effectively.

The Congressional Research Service puts out periodic assessments of the costs for the wars in Iraq and Afghanistan, and they note that it is sometimes not possible to reconcile costs reported by the DOD.

In short, often the numbers just don't add up. For example, CRS reports that "DOD does not count about \$7 billion from its FY2003 regular appropriations act that was intended for GWOT but that it cannot track."

To take another example reported by CRS, DOD "reports originally showed \$38 billion in obligations for Iraq in FY2003, later revised to \$42.4 billion. Most recently, DOD reports show \$48 billion for Iraq in FY2003, which include not only obligations in later years but also \$2 billion from an unknown source." All told this amounts to a \$10 billion difference in the costs for Iraq in 2003 as reported by the DOD.

Given such examples, the Comptroller General testified to Congress that these problems "make it difficult to reliably know what the war is costing, to determine how appropriated funds are being spent, and to use historical data to predict future trends."

In particular, DOD does not track war cost outlays, so it is difficult for Congress to know how funds authorized and appropriated are being spent and at what rate. As CRS explains, "DOD does not track outlays for its war costs because war-related appropriations are co-mingled with regular or baseline funds in the same accounts making it difficult to segregate the two."

This puts the U.S. Congress in the position of not being able to maintain adequate oversight. The Congress does not have enough information to really know how much is enough, and whether the money is being properly spent and accounted for. The Congress also does not have adequate information to evaluate whether some of these funds might be better spent to achieve other specific purposes or goals.

What Are the Costs?

In their November 9, 2007, report, "The Cost of Iraq, Afghanistan, and Other Global War on Terror Operations Since 9/11," CRS estimates the total cost to be about \$626 billion through fiscal year 2007, including about \$16.8 billion for new Mine Resistant Ambush Protected Vehicles.

However, the administration has requested another \$195 billion in FY 2008 for the Global War on Terror, which if appropriated by the Congress would bring the total to about \$821 billion. At the current rate of spending the Global War on Terror will soon top one trillion dollars since 9/11.

In October 2007, the Congressional Budget Office estimated that over the next ten years war costs might add an additional \$570 billion if troop levels fell to 30,000 by 2010, or \$1.1 trillion if troop levels fell to 75,000 by about 2013. Including the costs through Fiscal Year 2007, the cost for Iraq, Afghanistan and the GWOT could run from about \$1.2 trillion to \$1.7 trillion over the period from FY 2001 to FY 2017.

Other reports have estimated the total cost could grow to twice the highest CBO

number, about \$3.5 trillion.

Regular Defense Appropriations

However, these numbers do not include the regular appropriations for National Defense broadly, and specific appropriations for the DOD, which are also difficult to track.

In FY 2007, these regular appropriations totaled about \$459 billion, including about \$436 billion for the DOD. This is sometimes called the “peacetime” defense budget.

In FY 2008, the President’s request for regular National Defense appropriations totals about \$505 billion, of which about \$480 billion is for the DOD. Some of this money, but no one seems to know how much, is being applied to the Global War on Terror, as well as to the war in Iraq, and - as I noted earlier - is sometimes commingled with those funds, so that the DOD itself has a difficult time accounting for what is being spent where.

Looked at another way, the supplemental of \$50 billion that the President is pushing for now is only 10% of the roughly \$505 billion requested by the President for the regular National Defense budget functions in FY 2008. With each new administration, every new Defense Secretary worth his salt seems to call upon the DOD to cut its budget by 10%, so the current Secretary may well have some flexibility to fund some of the urgent needs for the war in Iraq out of available funds. Since funds are already being commingled from war accounts and “peacetime” accounts, at least the Secretary should be able to show American taxpayers where their money is going and for what. This should at least involve more clearly connecting expenditures with the purposes for which they are being used, as well as the establishment of milestones and reporting-related accomplishments. This also might require canceling or delaying some “peacetime” programs, but as we used to say during World War II, “Don’t you know? There’s a war on!”

Counting the emergency supplementals enacted in FY 2007, the President was responsible for National Defense Appropriations that totaled over \$622 billion, and if you count other National Security budget functions such as Homeland Security, the total reached \$762 billion in FY 2007.

If the emergency supplementals requested for FY 2008 were enacted by the Congress, the President would have \$700 billion in National Defense Appropriations and about \$850 billion including other National Security budget functions, such as Homeland Security.

New Definition of War Costs

To make the situation even more confusing, the DOD has changed its definition for which costs are counted in the Global War on Terror and which are not. Just a year ago,

on October 25, 2006, Deputy Secretary of Defense Gordon England changed the definition so that the Military Departments now are to include costs for the “longer war on terror” rather than those strictly required for war operations in Iraq.

For the entire previous decade, the Services had only reported those war costs “that would not have been incurred had the contingency operation not been supported” and “only if the expenditures were necessary to support a contingency operation.”

Since the budgetary needs of the “longer war” are not known, it is difficult to tell what costs might be included under the new counting rules instituted a year ago.

Sustaining Defense Outlays

In recent months, some DOD and Service officials have called for sustaining the current rate of spending even if there is no war in Iraq. For example, the Chairman of the Joint Chiefs of Staff, Admiral Michael Mullen, recently told the press that the nation needs to increase US defense spending from 3.3 percent of the national Gross Domestic Product to 4.0 percent. At first, this doesn’t sound like much, but if enacted by Congress, it would add roughly \$100 billion to the baseline DOD budget. Obviously, the Congress would need a better understanding of the need for such large outlays before enacting them into law.

Conclusions

In my view, the Congress is in a very difficult situation. It does not know exactly what is being spent on the war in Iraq or the Global War on Terror, or where the line is being drawn between those two endeavors. The numbers are so huge and changing so rapidly that they are difficult to track. Such large expenditures invite opportunism, waste, fraud, and abuse, as we have heard earlier in this hearing.

The Congress wants to support our troops, as we all do, but Members of Congress do not have enough information to know whether the money being spent is actually supporting our troops, or making life more dangerous for them.

The DOD should be required to show American taxpayers where their money is going and for what. This should at least involve more clearly connecting expenditures with the purposes for which they are being used. The GAO, the CBO, and the CRS have all made good, common sense recommendations which could serve as a starting point.

Finally, if as the administration claims, time is of the essence in providing urgent funding for the troops, every effort should be made to be sure that the best use is being made of the ongoing “peacetime” budget of the DOD to support the troops also.

Mr. Chairman, this concludes my prepared remarks. Thank you very much for your attention. I would be pleased to take any questions you might have.