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War on ISIS Not Likely to Reverse Downward Military Budgets

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Related Expert: Natalya Anfilofyeva

The Obama administration's funding request for upcoming military operations against the Islamic State of Iraq and Syria is still in the works. Several billion dollars will be needed to step up airstrikes, deploy 475 additional U.S. advisors to Iraq, and support Kurdish, Iraqi and Syrian rebels on the ground.

These costs, which Capital Alpha industry analyst Byron Callan, estimates at \$6 billion for fiscal year 2015, would be added to the administration's overseas contingency operations (OCO) funding request. The 2015 OCO request was \$58.5 billion, and a supplement should be sent over to Congress probably with the 2016 budget request in February, Callan says.

Gordon Adams, a former budget official during the Clinton administration, has projected the campaign against ISIS would cost as much as \$15 billion a year.

None of these expenses will come close to what the United States has spent in Afghanistan — about \$1.3 billion a week by some estimates — unless there is a buildup of ground forces or other forms of escalation of the war, something that Obama administration officials have insisted will not happen.

This new chapter in the war on terrorism, analysts say, is unlikely to change the downward course of U.S. military spending or slow down the pace of downsizing the armed forces.

Anyone who expects the ISIS campaign to fundamentally change Washington's thinking about military spending is not being realistic, says Todd Harrison, a senior analyst at the Center for Strategic and Budgetary Assessments. "The defense budget is declining for reasons not related to defense — because Congress couldn't agree on anything and put an automatic mechanism into law and haven't figured out how to turn it off," he says. "So it is going to be hard for the budget to increase for reasons related to defense."

The political dysfunction that resulted in sequestration cuts has not changed, and the ISIS threat has not risen to the level where it would force bipartisan consensus as the 9/11 attacks did.

U.S. military operations in Iraq have cost about \$500 million since June, and are being paid with 2014 funds. The broader campaign President Obama outlined Sept. 10 will be paid with OCO funds. Since OCO funding is not subject to the budget caps established by the Budget Control Act, it remains to be seen in 2015 if Congress will change sequestration as the law now stands, Callan says.

Even the American public's more hawkish mood might not sway Congress' anti-spending stance, he notes. "It is not clear that public threat perceptions have changed to the extent that Congress discards the Budget Control Act and thereby either raises defense without non-defense discretionary spending, or raises taxes to pay for higher spending." Though OCO spending is not subjected to the budget caps, it's still paid out of the same treasury.

For the defense industry, even moderate increases in OCO spending should be a reason to cheer, says analyst Roman Schweizer, of Guggenheim Securities. "While a revised upward trajectory of defense base budget spending hinges more on the election and coming battles on larger fiscal issues, we think there will be plenty of opportunity for increased OCO spending in the coming years."

The Pentagon has said current operations against ISIS have cost \$7.5 million a day since air strikes and humanitarian operations began after ISIS militants murdered American journalist James Foley. "We think that number is fairly low because ISIS doesn't have complex air defenses and the U.S. military is using less-complex munitions such as laser-guided and GPS-guided iron bombs and Hellfire missiles from Reaper drones," says Schweizer. Operations against Syrian air and ground defenses would rapidly inflate costs and require longer range and more complex munitions.

The potential scope of the air campaign is still unknown. The president said he intends to expand the use of airstrikes beyond the current missions of humanitarian support and protection of U.S. citizens and assets in Iraq. The expanded air campaign would seek to roll back ISIS and support Iraqi and Kurdish forces as they go on offense.

Whether war costs rise over time largely depends on the possible escalation of ground forces. The administration says it has secured commitments by several countries to support the campaign, but the lion's share of the weapons and manpower will inevitably come from the United States.

Over the next week, approximately 475 additional U.S. service members will be deployed to Iraq to advise the Iraqi military, conduct intelligence, surveillance and reconnaissance flights, and coordinate the activities of the U.S. military across Iraq. Once all forces have arrived, the U.S. military will have approximately 1,600 personnel on the ground.

Stepped up assistance to moderate Syrian rebels hinges on congressional approval, though. Obama insists he has constitutional authority — under the 2001 law that green-lighted the war on al-Qaida — to expand airstrikes against ISIS. A new authorization from Congress would be needed to train and equip Syrian opposition forces that seek to overthrow the Assad regime but also want to regain the territory lost to ISIS. A White House official told reporters Sept. 10 that Saudi Arabia has committed to hosting the train-and-equip program, so no U.S. troops would be deployed inside Syria. Airstrikes against targets inside Syria also would be directed from outside the country.