



September 15, 2026

Honorable Brendan F. Boyle
Ranking Member
Committee on the Budget
U.S. House of Representatives

Re: Estimating the Cost of Combat Operations Against Iran

Dear Ranking Member Boyle:

You asked the Congressional Budget Office to estimate the cost of U.S. combat operations against Iran that began this past February as Operation Epic Fury.¹ Specifically, you asked CBO to focus on four categories of costs associated with the armed conflict: the Department of Defense's (DoD's) operational, logistical, and sustainment costs; DoD's opportunity costs; costs associated with increased prices as a result of economic disruption; and potential additional costs, such as those associated with diplomatic operations and foreign aid.

Summary of CBO's Findings

The estimates that CBO was asked to produce for each category of costs are the result of separate analyses that reflect disparate data, methods, time periods, and magnitudes of uncertainty. Thus, the estimates for each category are not directly comparable or summable. Moreover, CBO's estimates of costs in those various categories are *qualitatively* different. For example, estimates of the cost of expended munitions are directly tied to events that have transpired, whereas estimates of the long-term economic and budgetary impact of the conflict reflect fiscal effects that have yet to unfold.

¹ Operation Epic Fury is the name that the Department of Defense gave to the initial, intense phase of the conflict, which lasted from February 28, 2026, until a ceasefire agreement was reached on April 8, 2026. Since then, the conflict has generally become less intense. DoD continued to refer to the conflict as Operation Epic Fury after the ceasefire agreement was reached but later ceased to do so. To minimize confusion, this letter refers to the entire conflict as Operation Epic Fury.

DoD's Operational, Logistical, and Sustainment Costs. CBO estimates that as of August 1, 2026, the armed conflict with Iran has cost DoD approximately \$38 billion. That amount reflects the costs of replacing expended munitions and equipment lost in battle, increased flying hours, other operations, and increased fuel costs. It also reflects that the initial, intense phase of the conflict lasted just over a month (less intense combat operations are still ongoing) and that relatively few U.S. forces have been involved compared with the much larger and longer U.S. operations in Iraq and Afghanistan. CBO's estimate does not include costs borne by other parts of the federal government, such as the increased cost of fuel used by the Postal Service. Nor does it include costs already accounted for in the federal budget, such as the basic operating costs of the military forces involved in the conflict.

As the conflict persists, DoD's costs will continue to increase—slowly if the level of violence remains low and sporadic (as it did in May and June) and rapidly if the intensity of the conflict escalates (as it did in July). CBO estimates that if the level of violence remained as low as it was in May and June, an additional month of conflict would cost \$2 billion; if the intensity of the conflict increased to roughly the level experienced in July, the cost per month would increase to \$3 billion. Monthly costs could be higher still if the violence escalated further.

To estimate DoD's costs, CBO relied on government databases and public reports because DoD did not respond to CBO's requests for information. As a result, CBO's estimates are subject to considerable uncertainty. This past June, the Administration requested \$87.6 billion in supplemental appropriations, of which \$67.1 billion was for DoD to pay for the conflict. The portion of that request that appears to be directly related to the conflict, \$42.3 billion, is about 10 percent larger than CBO's estimate of DoD's costs.

DoD's Opportunity Costs. For DoD, the main opportunity cost of the conflict thus far has been the large expenditure of missile defense interceptors, which will leave the United States with a reduced inventory of interceptors for several years. The shortfall would become especially problematic if a conflict arose with an opponent whose arsenal included large numbers of ballistic and cruise missiles. (The People's Republic of China, PRC, maintains such an arsenal, which would probably play a major role in a military conflict involving Taiwan.)

Economic and Budgetary Effects. CBO estimates that the main economic impact of the conflict with Iran consists of inflationary pressures caused by the reduction in shipments of oil and natural gas through the Strait of Hormuz and disruptions to shipping through the Red Sea (which have intensified since CBO completed the analysis underlying this letter). That reduction has increased energy prices globally. In addition to raising crude oil prices, the conflict has disrupted global refining activities and, consequently, increased the prices of refined petroleum products such as gasoline, diesel fuel, and jet fuel. Petroleum is a component of the bundle of goods and services that all Americans purchase. Because the price of almost every product reflects shipping costs, increases in petroleum prices—a significant input in transporting goods—indirectly affect the prices of most goods and services.

In CBO’s assessment, the effects of those higher energy prices will put upward pressure on consumer prices. As a result, in the first quarter of 2027, inflation (measured year over year) in the price index for personal consumption expenditures (PCE) is now estimated to be 0.5 percentage points higher than the agency projected in February 2026, and core PCE inflation is estimated to be 0.3 percentage points higher than previously projected.² (The core PCE price index excludes prices for food and energy.)

In CBO’s baseline projections, the paths of overall and core PCE inflation differ: Overall PCE inflation reflects the direct effect of increased energy prices, which, in CBO’s estimation, added 2.3 percentage points to the annualized rate of inflation in the second quarter of 2026. (PCE inflation in that quarter was 5.3 percent.) As energy prices decline, that effect diminishes in subsequent quarters in relation to CBO’s projections. The conflict has affected core PCE inflation more gradually than it has affected overall inflation. But in CBO’s estimation, core PCE inflation will remain elevated longer because higher energy prices take longer to affect prices of nonenergy goods and services than they do the price of gasoline or other energy-related products.

The agency estimates that the higher rates of inflation attributable to the conflict will boost interest rates on Treasury securities. In CBO’s assessment, interest rates on 3-month Treasury bills are nearly 0.2 percentage points higher in 2026 than the agency estimated this past

² For those February 2026 projections, see Congressional Budget Office, *The Budget and Economic Outlook: 2026 to 2036* (February 2026), www.cbo.gov/publication/61882.

February. By the first half of 2027, such rates are less than 0.1 percentage point higher than previously estimated.

Those higher rates of inflation and higher interest rates are estimated to have modest effects on CBO's projections of federal revenues and spending. Moreover, those effects would be roughly offsetting. On the one hand, higher inflation would boost revenues. On the other hand, higher interest rates and higher inflation would increase net outlays for interest and outlays for mandatory spending programs, and CBO's baseline projections of discretionary spending would increase if wages and prices in the economy were higher.

Potential Additional Costs. CBO was unable to estimate potential additional costs of the conflict associated with diplomatic operations and foreign aid, for example. Such costs would be diffuse and would depend on the outcome of the conflict.

Overview of Operation Epic Fury

The United States commenced Operation Epic Fury on February 28, 2026, with air and cruise missile strikes against Iran, along with coordinated Israeli airstrikes. According to the Administration, the goals of the operation were to “obliterate Iran’s ballistic missile arsenal and production capacity, annihilate its navy, sever its support for terrorist proxies, and ensure the world’s leading state sponsor of terrorism will never acquire a nuclear weapon.”³

The Iranian response to the operation has included volleys of ballistic missiles and drones launched against U.S. bases in the region and other countries such as Israel, the Gulf Cooperation Council states, and Jordan. Iran has also sought to restrict the flow of commercial shipping through the Strait of Hormuz by attacking ships that transit the strait. The United States has enforced a blockade of Iranian commercial shipping.

The United States and Iran agreed to a ceasefire that began on April 8, 2026. After that agreement, the intensity of the conflict lessened. On July 10, 2026, after a series of Iranian attacks on tankers transiting the Strait of Hormuz, the President declared that the ceasefire was over. The conflict has generally been less intense than it was in its first several weeks but has flared up occasionally.

³ The White House, “Operation Epic Fury: Decisive American Power to Crush Iran’s Terror Regime” (press release, March 12, 2026), <https://tinyurl.com/3pruda5t>.

Approximately 250 tactical aircraft, two carrier strike groups (providing about 90 of those tactical aircraft), and an amphibious ready group took part in the initial phase of Operation Epic Fury. Those forces were supported by many bombers, airlifters, refueling tankers, other support aircraft, additional Navy vessels, and Army air defense, aviation, and artillery units. The initial phase of Operation Epic Fury was smaller and briefer than such full-scale conflicts as Operations Desert Shield, Desert Storm, Iraqi Freedom, and subsequent operations in Iraq, but it was larger than most limited air campaigns conducted since Operation Allied Force (the 1999 campaign against Yugoslavia), which involved a greater number of U.S. aircraft.

How CBO Estimated DoD's Costs for Operation Epic Fury

To estimate the costs to DoD of Operation Epic Fury, CBO grouped costs into the following categories:

- Replacing expended munitions, particularly cruise missiles and missile defense interceptors;
- Replacing equipment lost as a result of Iranian attacks, air defenses, or other causes;
- Increased flying hours for air operations, including the air transport of forces, equipment, and weapons to the Middle East;
- Other operations costs, mainly for Navy ships and Army ground forces;
- Increased fuel costs resulting from higher fuel prices; and
- Repairing or rebuilding U.S. bases damaged by Iranian attacks.

To estimate costs in each category (see [Table 1](#)), CBO relied on government databases and public reports. DoD did not respond to CBO's requests for information.

CBO's analysis does not assign financial costs to U.S. military personnel killed or injured in the conflict, nor does it include longer-term costs associated with future increases in outlays for veterans' health care and disability compensation. It also does not include costs that could emerge in the future if ships, aircraft, and other equipment need repairs or additional maintenance as a result of their use in the conflict.

Replacing Expended Munitions. DoD has expended a large quantity of costly munitions during the conflict, particularly in its first few weeks. First, the campaign against Iran involved large expenditures of land-attack cruise missiles (Tomahawks and Joint Air-to-Surface Standoff Missiles).

Second, defending against Iranian ballistic missile and drone attacks consumed many costly missile defense interceptors—Patriot, Terminal High Altitude Area Defense (THAAD), Standard Missile 3 (SM-3), and Standard Missile 6 (SM-6) interceptors.

CBO estimates that the cost to replace the munitions expended through August 1, 2026, is \$21.7 billion: \$7.3 billion for the land-attack cruise missiles, \$13.1 billion for the missile defense interceptors, and \$1.2 billion for other munitions.⁴ Replacing those munitions has been the largest single component of the costs incurred by DoD during the conflict, CBO estimates. Although CBO has reliable data about the cost of each type of weapon, the agency had to rely on information from publicly available sources to estimate the quantities expended.⁵

Replacing Equipment Lost in Battle. DoD has lost equipment in battle that it probably wishes to replace—most significantly, a THAAD radar destroyed by Iran.⁶ DoD also lost aircraft that it probably wishes to replace. CBO estimates that the cost of equipment lost in battle—that DoD would have to change its plans to replace—amounts to \$1.9 billion (see [Table 2](#)).

The approach that DoD would take to replace that equipment is uncertain. Some aircraft (such as the F-15E, A-10, KC-135, or E-3) are no longer in production, but their replacements (the F-15EX, F-35A, KC-46, and E-7, respectively) are already included in DoD’s regular budget, so no supplemental appropriations would be necessary. If DoD sought supplemental appropriations for all its battle losses, however, the total cost of such losses could increase to \$3.3 billion instead of the \$1.9 billion that CBO estimates (see the alternative estimate in [Table 2](#)).

Increased Flying Hours. A limited number of fighter and attack aircraft were deployed during Operation Epic Fury, but they were supported by a large number of other aircraft. Those other aircraft included bombers not deployed to the Middle East but flying strike missions there from other locations, aerial tankers for refueling various aircraft, cargo airlifters supporting the deployment of forces and their logistical needs, and other

⁴ Numbers in the text and tables may not add up to totals because of rounding.

⁵ The most detailed publicly available information was provided by the Center for Strategic and International Studies; see Mark F. Cancian and Chris H. Park, *Last Rounds? Status of Key Munitions at the Iran War Ceasefire* (Center for Strategic and International Studies, April 2026), <https://tinyurl.com/2xf2hsk4>.

⁶ A THAAD battery has a single TPY-2 radar that costs roughly \$500 million and is essential to the battery’s functioning. DoD has eight THAAD batteries, which are in high demand to provide in-theater ballistic missile defense.

support aircraft. To estimate the monthly cost of flying hours associated with the conflict, CBO considered only flying hours that were above normal peacetime averages for each particular month.

Using standard operating factors to calculate the cost per flying hour for each type of aircraft, CBO estimates that as of August 1, 2026, the cost of increased flying hours attributable to Operation Epic Fury amounts to \$10.4 billion. Of that total, roughly \$3.4 billion was incurred by Air Force tactical aircraft, \$4.6 billion by Air Force bombers and support aircraft, and \$2.4 billion by Navy tactical aircraft operated from aircraft carriers and amphibious assault ships.

Other Operations Costs. To estimate the additional costs of Navy ships and Army ground units, CBO projected that those forces would incur monthly costs that are roughly 10 percent greater than the costs to maintain them during peacetime.⁷ The forces involved in Operation Epic Fury included Army aviation, field artillery, and air-defense brigades, as well as Navy aircraft carriers, surface combatants, and amphibious assault ships (which carry Marine Corps units). CBO's estimate of DoD's other operations costs, which is \$1.5 billion, also includes the costs of mobilizing reservists to support the operation as well as hostile fire pay, combat zone tax exclusions, family separation allowances, hardship duty pay, and other special pays that some military personnel receive.

Costs in the "other operations" category are modest for three reasons: The number of units included in that category has been limited (compared with the number of air units), those units tend not to incur additional costs during their operations, and the initial, intense phase of the conflict was brief. The costs of Operation Epic Fury have also been limited because DoD has not mobilized a large number of reserve component personnel, which were one of the larger cost components in other conflicts, such as Operation Iraqi Freedom.

Increased Fuel Costs. Combat operations against Iran have increased fuel prices economywide. The price of crude oil has increased because shipments of oil through the Strait of Hormuz have been reduced. CBO identified two pathways through which increased fuel prices have resulted in elevated costs borne by DoD.

⁷ For the most recent estimates of costs to maintain combat units, see Congressional Budget Office, "The U.S. Military's Force Structure: Fiscal Year 2025 Update to Personnel Numbers and Costs" (May 2025), www.cbo.gov/publication/61278.

First, in response to the increase in fuel costs, the Defense Logistics Agency (DLA), which is responsible for purchasing fuel on behalf of DoD, imposed a surcharge of \$42 per barrel (in addition to the prices it was scheduled to charge DoD customers). CBO estimates that from April to June 2026, the surcharge increased energy costs throughout DoD by \$835 million. Second, in June, the Government Accountability Office reported that it expected DLA to have a loss of \$1,822 million in fiscal year 2026 on its fuel sales to customers. In other words, the \$42 surcharge per barrel would not cover DLA's costs on fuel sales through the end of September 2026. To manage the shortfall, DLA will have to draw down its cash balances, raise future prices to offset its 2026 losses, or request supplemental appropriations (or take some combination of those actions).⁸

Combining the increased costs borne by the military services (\$835 million) and DLA's loss on fuel sales (\$1,822 million), CBO estimates a cost to DoD of \$2.7 billion associated with increased fuel prices attributable to Operation Epic Fury in fiscal year 2026. The effect on fuel costs for DoD could be greater if the estimate of losses proves too low or if the conflict's effect on prices is larger or lasts longer than anticipated.

Repairing or Rebuilding U.S. Bases. CBO is unable to estimate the cost of damage to U.S. bases and facilities in the Middle East for two reasons. First, DoD has not provided CBO with information about the value of damaged or destroyed equipment and property.⁹ Second, the extent of repairs or rebuilding that DoD plans to undertake is unclear. And even if the bases were fully repaired or rebuilt, a portion of the costs of doing so could be paid by host nations.

Ongoing Costs of the Conflict for DoD

Projecting the costs that DoD would incur as the conflict continues is challenging. Costs could increase slowly if the level of violence remained low and sporadic, as it was in May 2026. Costs could increase more rapidly if operations intensified, as they did during July.

CBO estimates that if the intensity of the conflict was relatively low, each additional month of conflict would cost DoD roughly \$2 billion to \$3 billion. (The lower bound of that estimate includes costs for increased

⁸ For a description of how DLA sets and adjusts fuel prices, see Congressional Budget Office, "Alternative Ways to Provide Fuel Within the Department of Defense" (July 2023), www.cbo.gov/publication/58225.

⁹ Numerous public reports have stated potential costs associated with damaged or destroyed bases, but CBO is unable to verify or replicate those costs.

flying hours and other operations costs similar to those experienced in May 2026.) Monthly costs would be higher if DoD used expensive munitions. In June 2026, for example, the U.S. reportedly fired about 50 Tomahawk missiles in a single attack. Since those are expensive land-attack cruise missiles, a month that saw such expenditures would cost \$200 million more than a quiet month. Monthly operating costs could be even higher if the conflict intensified, as it did during July 2026, when DoD's operating costs were about \$3 billion, CBO estimates.

Comparison of CBO's Estimate With the Administration's Estimates

The Administration has, in effect, released two estimates of DoD's costs of the conflict with Iran. On June 24, 2026, the Administration requested supplemental funding of \$87.6 billion that included resources for operations in the Middle East and various other purposes, of which \$67.1 billion was intended for DoD. On July 22, 2026, in testimony about that request, Secretary of Defense Pete Hegseth stated that the cost of combat operations was \$37.5 billion.

Several factors may explain why CBO's estimate of DoD's cost for the conflict—\$38.1 billion—differs from the Administration's estimates. Some of the difference is attributable to items in the Administration's request for supplemental funding that CBO did not include in its estimate because their associated costs are not directly related to Operation Epic Fury. The rest of the difference may be attributable to diverse methods and dates used to estimate costs.

Request for Supplemental Funding. This past June, the Administration requested \$87.6 billion in supplemental funding for Operation Epic Fury and some other purposes.¹⁰ The Administration provided the following breakdown of costs for a request of \$67.1 billion for DoD:

- \$1.7 billion for readiness,
- \$17.3 billion for operational costs,
- \$0.8 billion for National Guard support,
- \$1.5 billion for fuel costs,
- \$1.2 billion for Administration priorities,
- \$21 billion for munitions,
- \$5.1 billion for cybersecurity and autonomy,

¹⁰ Russell T. Vought, Director of the Office of Management and Budget, letter to the Honorable Mike Johnson, Speaker of the House of Representatives, concerning supplemental funding (June 24, 2026), <https://tinyurl.com/5n7msmcz>.

- \$2.4 billion for drones,
- \$4 billion for Airborne Moving Target Indicator and Space Data Network Backbone, and
- \$12.1 billion for other classified programs.

The remaining \$20.5 billion of the request for supplemental funding was for other departments and purposes with varying degrees of connection to Operation Epic Fury.¹¹ (The largest portion of that remaining amount is \$11.1 billion for the Department of Agriculture.)

The main difference between CBO's estimate of DoD's costs for Operation Epic Fury and the Administration's request for supplemental funding is that the Administration sought funding for DoD activities that do not appear to be direct results of the conflict (although those activities may be related to operational needs or deficiencies identified during the conflict). The Administration also requested classified funding that CBO has not analyzed. Requests to provide supplemental funding for previous conflicts, such as the military operations in Afghanistan and Iraq, have not included such a large proportion of classified funding.

In the Administration's request for supplemental funding, the amount of funding in categories that appear to be directly related to the conflict totals \$42.3 billion (see [Table 3](#)). Comparing CBO's estimate (\$38.1 billion) with the Administration's request for supplemental funding is complicated by a lack of information in the latter; however, the estimate and the request are broadly similar in their costs for replacing expended munitions and for fuel.

The difference between CBO's estimate and the Administration's request for funding that appears to be directly related to the conflict results almost entirely from the latter's inclusion of \$17.3 billion for "operational costs." The name of that category of funding implies that it includes costs that are similar to those that CBO estimated for replacing equipment lost in battle, increased flying hours, and other operations costs, which total \$13.7 billion in CBO's estimate. Whether the Administration's requested funding for operational costs includes the costs of repairing or rebuilding facilities (which CBO could not estimate) is unclear.

¹¹ For example, the \$10 billion (of the \$11.1 billion) requested for the Department of Agriculture to provide temporary economic assistance for row and specialty crops is mainly intended to offset the higher prices for fuel and fertilizer attributable to the closure of the Strait of Hormuz to commercial shipping and is thus connected to the decision to initiate hostilities. The \$1 billion requested for the Department of Transportation to assist in the design and construction of Penn Station is not connected to the decision to initiate hostilities.

More-detailed information is needed to understand the difference between the supplemental funding requested for DoD's operational costs (of \$17.3 billion) and CBO's estimate (of \$13.7 billion). CBO's estimate is based on standard cost factors for flying hours and the agency's past work on the cost to operate and maintain forces. Those factors do not result in an estimate for Operation Epic Fury that is as large as the supplemental funding the Administration requested for DoD.

DoD's Estimate on July 22, 2026. On July 22, 2026, Secretary of Defense Pete Hegseth testified before the Senate Armed Services Committee that the costs of operations against Iran through September 2026 would be \$37.5 billion. DoD later provided the committee's staff with the following information about the components of those costs:

- \$1.3 billion for the Department of the Army,
- \$1.5 billion for the Department of the Navy,
- \$4.7 billion for the Department of the Air Force,
- \$0.5 billion for Special Operations Command,
- \$0.1 billion for other DoD organizations,
- \$25 billion for expended munitions, and
- \$4.3 billion for replacing equipment lost in battle.

Two weeks later, DoD updated the committee's staff with information in the same format that showed similar costs, except for the cost of expended munitions, which the department cited as \$27.7 billion.

Those cost components appear to be roughly consistent with CBO's estimates of costs in each category, except for higher costs reported for expended munitions in the information provided to the committee's staff. It is possible that those higher reported costs reflect the ongoing expenditure of munitions.

Comparison of CBO's Estimate of DoD's Costs With Other Organizations' Estimates

Several nongovernmental organizations have published estimates of DoD's costs for Operation Epic Fury that tend to be larger than CBO's estimate. Those other estimates may be larger than CBO's for several reasons:

- They may include costs that CBO did not estimate, such as imputed costs from economic disruptions, higher debt-service costs attributable to increased outlays, greater costs for veterans' health

care, or other factors. (Some of those costs are discussed below as economic effects of the conflict.)

- They may extrapolate spending rates gleaned from DoD or press reports early in the conflict. Because DoD incurred especially high munitions costs in the early days of Operation Epic Fury, such extrapolations would result in much higher costs than CBO estimates.
- They may rely on different methods than the ones CBO used. For example, CBO focused on the incremental costs of the conflict for DoD. Thus, the agency's estimate includes costs for incremental flying hours rather than total flying hours.¹² And when estimating the cost of equipment lost in battle, CBO did not include the cost of equipment that was already slated for replacement.¹³

DoD's Opportunity Costs

So far, the main opportunity cost of Operation Epic Fury for DoD has been the high expenditures of missile defense interceptors. To thwart the large number of ballistic missiles fired at U.S. and allied targets, DoD used a significant portion of its inventory of Patriot, THAAD, SM-3, and SM-6 interceptors. Significant quantities of some of those munitions were used to defend Israel against Iranian ballistic missile attacks during the Twelve-Day War in June 2025; Operation Epic Fury has reduced those inventories further.

Missile defense interceptors are expensive, ranging from roughly \$4 million for Patriot and SM-6 interceptors to \$12 million for THAAD interceptors and \$28 million for the most sophisticated SM-3 interceptors. Moreover, missile defense interceptors are in short supply because they have been produced at relatively low rates; thus, DoD's inventory of such missiles was limited before Operation Epic Fury and the Twelve-Day War that preceded it. Both of those operations have demonstrated that the United States can rapidly expend large quantities of missile defense interceptors in

¹² Thus, CBO estimated the number of flying hours above the average number that occurred for the previous three years during March, April, May, June, and July—the same months of Operation Epic Fury that CBO's estimate covers. If all flying hours during those months were attributed to the conflict with Iran, the estimated cost of flying hours would be much greater. CBO used a similar approach for ships and ground forces.

¹³ For example, the Air Force lost four F-15E fighter jets during Operation Epic Fury, but CBO attributed no financial cost to those losses because the F-15E is slated to be replaced by the F-15EX in upcoming years. The battle losses simply changed the order in which specific F-15Es would be retired.

a conflict with an opponent that relies heavily on ballistic missile attacks. Although DoD does not reveal the number of munitions it has on hand, a comparison of the reported expenditures of missile defense interceptors with the total numbers that DoD has purchased to date indicates that the United States has probably used between one-half and two-thirds of its inventory of those munitions since June 2025.

That reduction in the inventory of missile defense interceptors would be relevant in a conflict with the PRC. The PRC has many more ballistic and cruise missiles than Iran had at the onset of Operation Epic Fury. The PRC also has a significantly larger economic base than Iran and can produce such missiles more rapidly. An armed conflict with the PRC could therefore place greater stress on U.S. missile defense capabilities. Having used a large portion of its missile defense inventory in combat operations against Iran, DoD now has fewer interceptors on hand to use in a potential conflict with the PRC.

Given the number of missile defense interceptors that DoD has recently used, their currently low production rates, and the historical difficulty of scaling up their production, rebuilding DoD's inventory of interceptors would probably take at least five years—even if production was increased. Boosting missile production has historically been a slow process with lags of three to five years between the placement and delivery of new orders. After production was increased, several more years would be required to replace the missiles that have been used in the conflict with Iran.

Operation Epic Fury also saw high expenditures of DoD's land-attack cruise missiles, which are also expensive and produced at relatively low rates. DoD had comparatively larger stocks of those missiles on hand before the conflict with Iran and thus is proportionately less limited in its ability to use them in the future. However, if DoD continues to expend land-attack cruise missiles during the conflict, such expenditures could lead to a reduction in stocks that could limit their future use.

Economic and Budgetary Effects

In CBO's assessment, the conflict with Iran will affect a variety of economic factors that will, in turn, affect the federal budget.

Effects on Prices and Inflation. In CBO's estimation, the conflict with Iran affects the U.S. economy mainly through its impact on prices. The price of crude oil has increased because shipments of oil through the Strait of Hormuz have been reduced and not fully replaced by other shipments. Brent crude prices rose from \$64 a barrel in the fourth quarter of 2025

(before the conflict) to a peak of \$103 a barrel in the second quarter of 2026.

In CBO's updated projections of crude oil prices (which reflect information through August 17, 2026), the price of Brent crude falls to \$84 a barrel by the end of 2026 and \$76 a barrel by the end of 2027. The price of Brent crude is now expected to be 41 percent higher this year than the agency estimated in its February 2026 economic forecast, with that gap shrinking to 16 percent by the end of 2027. In addition, the costs of refining petroleum have increased, further boosting prices of gasoline, diesel fuel, and jet fuel. Although the conflict has led to higher natural gas prices for many U.S. trading partners, prices in the United States have not increased significantly, because of domestic production.

Higher oil prices contribute to inflation directly, by increasing gasoline and other fuel prices, and indirectly, by increasing the cost of producing and transporting other goods and services in the economy. CBO estimates that by the first quarter of 2027, the conflict with Iran will increase the level of the PCE price index by 0.6 percent and the level of the core PCE price index by 0.3 percent, in relation to the agency's February 2026 economic forecast. As a result, in the first quarter of 2027, the year-over-year inflation rate for the PCE price index will be 0.5 percentage points higher, and the year-over-year rate for the core PCE price index will be 0.3 percentage points higher, than previously projected.

The conflict elevated energy prices in the first quarter of 2026, which affects the year-over-year inflation rate in the first quarter of 2027. But those elevated prices do not affect the total change in the level of the PCE price index in that first quarter of 2027 in relation to CBO's February 2026 baseline projections—which explains the small difference between the estimated effect on the PCE price index and the estimated year-over-year increase in PCE inflation in that quarter.

The timing of price increases resulting from the conflict differs for various categories of products. For example, prices of gasoline, jet fuel, and diesel fuel changed quickly in response to the supply disruptions caused by the conflict. In CBO's assessment, the conflict's effect on those consumer energy prices peaked in the second quarter of 2026 and will weaken over time, consistent with the agency's updated projections of crude oil prices. For other products, such as durable goods, price pressures are expected to build more gradually as higher energy costs work their way through supply chains. And those price effects are also more persistent. In the agency's estimates, by early 2027, roughly 40 percent of the total change in the PCE

price index attributable to the conflict with Iran is driven by changes in the price of gasoline and other fuels, whereas the remainder comes from indirect increases in the prices of goods and services, excluding energy.

Effects on Interest Rates. In CBO's estimation, the conflict with Iran boosts short-term and long-term interest rates. Short-term interest rates, which largely reflect the anticipated short-run path of monetary policy, are expected to be higher because of the higher rates of inflation. Short-term rates increased quickly and by the second quarter of 2026 were roughly 0.2 percentage points higher than CBO projected this past February; such rates are now expected to remain higher for several quarters. As the rate of inflation returns to the rate that CBO projected in February, short-term interest rates follow suit. Long-term interest rates, which reflect the anticipated path of short-term rates and other factors, are expected to be somewhat higher as well.

Effects on Output. The net effect of the Iranian conflict on U.S. economic output is unclear at this time. Higher prices erode the purchasing power of U.S. households and businesses, dampening consumption and investment growth. Conversely, supply disruptions increase demand for U.S. energy exports, spurring additional domestic energy production.

Budgetary Effects. In CBO's assessment, the increases in inflation and interest rates resulting from the conflict would boost both revenues and spending. Those effects would be modest relative to the size of the U.S. economy and essentially offsetting in their impact on the agency's projections of deficits over the fiscal year 2026–2036 period:

- Higher prices and the resulting increase in nominal income, such as higher salaries and wages, would increase federal revenues;
- Higher interest rates would increase net outlays for interest by increasing the government's borrowing costs;
- Higher inflation rates would increase federal outlays for mandatory programs, chiefly because the costs of many of those programs are indexed to inflation; and
- Higher inflation would increase CBO's baseline projections of discretionary spending because such projections are required by law to incorporate adjustments for inflation.

Actions taken by lawmakers to provide additional funding for the conflict would increase spending relative to CBO's baseline projections. Actual spending for discretionary programs—programs whose spending is controlled by appropriation acts—is determined by lawmakers.

That assessment of budgetary effects does not incorporate any effects that the conflict might have on real gross domestic product (that is, the nation's economic output adjusted to remove the effects of changes in prices), such as the effects of higher interest rates or higher inflation on employment or real consumer spending.

I hope this information is useful to you. Please contact me if you have further questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip L. Swagel", with a long, sweeping horizontal line extending to the right.

Phillip L. Swagel
Director

cc: Honorable Jeffrey A. Merkley, Honorable Elizabeth Warren,
Honorable Charles E. Schumer, Honorable Richard J. Durbin,
Honorable Tammy Duckworth, Honorable Chris Van Hollen,
Honorable Richard Blumenthal, Honorable Kirsten Gillibrand,
Honorable Peter Welch, Honorable Angela D. Alsobrooks,
Honorable Michael F. Bennet, Honorable Edward J. Markey,
Honorable Cory A. Booker, Honorable Ron Wyden,
Honorable Mark Kelly, Honorable Christopher S. Murphy,
Honorable Alex Padilla, Honorable Tim Kaine,
Honorable Jon Ossoff, and Honorable Andy Kim

Table 1.

[\[Return to Text\]](#)

CBO's Estimate of DoD's Costs for Operation Epic Fury Through August 1, 2026, by Category

Category	Cost (billions of 2026 dollars)
Replacing expended munitions	21.7
Replacing equipment lost in battle	1.9
Increased flying hours	10.4
Other operations costs	1.5
Increased fuel costs	2.7
Repairing or rebuilding bases	N.A.
Total	38.1

Data source: Congressional Budget Office, using data from the Department of Defense.

Numbers may not add up to the total because of rounding.

N.A. = not available. (CBO was unable to estimate the cost of repairing or rebuilding damaged U.S. bases.)

Table 2.

[\[Return to Text\]](#)

Estimated U.S. Battle Losses Through August 1, 2026

Equipment	Quantity	Unit cost (millions of 2026 dollars)	CBO's estimate (millions of 2026 dollars) ^a	Alternative estimate (millions of 2026 dollars) ^b	Notes about alternative estimate
A-10 aircraft	1	120	0	120	If replaced with F-35A
AH-64 helicopter	1	40	40	40	
E-3 aircraft	1	500	0	500	If replaced with E-7
F-15E aircraft	4	100	0	400	If replaced with F-15EX
F-35A aircraft	1	120	50	120	Replace/repair
HH-60W helicopter	1	50	50	50	
KC-135 aircraft	2	170	0	340	If replaced with KC-46
MC-130J aircraft	2	150	300	300	
MH-6 helicopter	4	18	72	72	
MQ-9 UAS	24	30	720	720	Production for FMS
MQ-4C UAS	1	150	150	150	Production for FMS
THAAD AN/TPY-2 radar	1	500	500	500	
Total	n.a.	n.a.	1,882	3,312	

Data source: Congressional Budget Office.

Numbers may not add up to totals because of rounding.

FMS = Foreign Military Sales program; THAAD = Terminal High Altitude Area Defense; UAS = unmanned aircraft system;
n.a. = not applicable.

a. Estimated cost of equipment lost in battle that the Department of Defense (DoD) would have to change its plans to replace.

b. Estimated cost of equipment lost in battle (not just the equipment that DoD would have to change its plans to replace).

Table 3.

[\[Return to Text\]](#)

Comparison of CBO's Estimate of DoD's Costs for Operation Epic Fury With the Administration's Request for Supplemental Funding

Overall cost category	Cost category in CBO's estimate	Estimated cost (billions of 2026 dollars)	Cost category in the Administration's request	Estimated cost (billions of 2026 dollars)
DoD's costs directly related to Operation Epic Fury				
	Replacing expended munitions	21.7	Munitions	21.0
	Replacing equipment lost in battle	1.9		n.a.
	Increased flying hours	10.4		n.a.
	Other operations costs	1.5		n.a.
		n.a.	Operational costs	17.3
		n.a.	Readiness	1.7
		n.a.	National Guard support	0.8
	Increased fuel costs	2.7	Fuel costs	1.5
Total, direct DoD costs		38.1		42.3
Other DoD costs				
			Administration priorities	1.2
			Cybersecurity and autonomy	5.1
			Drones	2.4
			Airborne Moving Target Indicator and Space Data Network Backbone	4.0
			Other, classified	12.1
Total, other DoD costs		n.a.		24.8
Other departments				
			Department of Agriculture	11.1
			Department of Homeland Security	2.0
			Department of State	3.4
			Other departments	4.0
Total, other departments		n.a.		20.5
Total estimated cost		38.1		87.6

Data source: Congressional Budget Office.

Numbers may not add up to totals because of rounding.

DoD = Department of Defense; n.a. = not applicable.