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Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress

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Committees of Congress

Summary

The current and planned size and composition of the Navy, the annual rate of Navy ship procurement, the prospective affordability of the Navy's shipbuilding plans, and the capacity of the U.S. shipbuilding industry to execute the Navy's shipbuilding plans have been oversight matters for the congressional defense committees for many years.

In December 2016, the Navy released a force-structure goal that calls for achieving and maintaining a fleet of 355 ships of certain types and numbers. The 355-ship goal was made U.S. policy by Section 1025 of the FY2018 National Defense Authorization Act (H.R. 2810/P.L. 115-91 of December 12, 2017). The 355-ship goal predates the Trump and Biden Administrations' national defense strategies and does not reflect the new fleet architecture (i.e., new mix of ships) that the Navy wants to shift toward in coming years. This new fleet architecture is to feature a smaller proportion of larger ships, a larger proportion of smaller ships, and a new third element of large unmanned vehicles (UVs). The Navy and the Department of Defense (DOD) have been working since 2019 to develop a successor for the 355-ship force-level goal that would reflect current national defense strategy and the new fleet architecture.

The Navy's FY2023 30-year (FY2023-FY2052) shipbuilding plan, released on April 20, 2022, presents the results of three studies on possibilities for the Navy's successor force-level goal. These studies call for a future Navy with 321 to 404 manned ships and 45 to 204 large UVs. A long-range Navy shipbuilding document that the Navy released on June 17, 2021, and which reflects some of these studies, outlined a future Navy that would include 321 to 372 manned ships and 77 to 140 large UVs. A congressionally mandated Battle Force Ship Assessment and Requirement (BFSAR) report that reportedly was provided to Congress in July 2022 reportedly calls for a Navy with 373 battle force ships.

The Navy's proposed FY2023 budget requests $27.9 billion in shipbuilding funding for, among other things, the procurement of eight new ships, including two Virginia (SSN-774) class attack submarines, two Arleigh Burke (DDG-51) class destroyers, one Constellation (FFG-62) class frigate, one LPD-17 Flight II class amphibious ship, one John Lewis (TAO-205) class oiler, and one Navajo (TATS-6) class towing, salvage, and rescue ship. The Navy's FY2023 budget submission shows a ninth ship—the amphibious assault ship LHA-9—as also being requested for procurement in FY2023. Consistent with both prior-year congressional authorization and appropriation action and Section 126 of the FY2021 National Defense Authorization Act (NDAA) (H.R. 6395/P.L. 116-283 of January 1, 2021), CRS reports on Navy shipbuilding programs, including this report, treat LHA-9 as a ship that Congress procured (i.e., authorized and provided procurement—not advance procurement [AP]—funding for) in FY2021. Navy officials have described the listing of LHA-9 in the Navy's FY2023 budget submission as a ship being requested for procurement in FY2023 as an oversight. The Navy's proposed FY2023 budget also proposes retiring 24 ships, including 9 relatively young Littoral Combat Ships (LCSs).

The FY2023 30-year (FY2023-FY2052) shipbuilding plan released on April 20, 2022, includes three potential 30-year shipbuilding profiles and resulting 30-year force-level projections, referred to as Alternatives 1, 2, and 3. Alternatives 1 and 2 assume no real (i.e., above-inflation) growth in shipbuilding funding beyond the level to be attained over the five-year period FY2023-FY2027, while Alternative 3 assumes some amount of real growth in shipbuilding funds after FY2027. Under Alternative 1, the Navy would reach 300 manned ships in FY2035 and grow to 316 manned ships by FY2052. Under Alternative 2, the Navy would reach 300 manned ships in FY2035 and grow to 327 manned ships by FY2052. Under Alternative 3, the Navy would reach 300 manned ships in FY2033 and grow to 367 manned ships by FY2052.

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Introduction

Issue for Congress

This report presents background information and issues for Congress concerning the Navy's force structure and shipbuilding plans. The current and planned size and composition of the Navy, the annual rate of Navy ship procurement, the prospective affordability of the Navy's shipbuilding plans, and the capacity of the U.S. shipbuilding industry to execute the Navy's shipbuilding plans have been oversight matters for the congressional defense committees for many years.

The issue for Congress is whether to approve, reject, or modify the Navy's force-level goal, its proposed FY2023 shipbuilding program, and its longer-term shipbuilding plans. Decisions that Congress makes on this issue can substantially affect Navy capabilities and funding requirements and the U.S. shipbuilding industrial base.

CRS Reports on Individual Navy Shipbuilding Programs

Detailed coverage of certain individual Navy shipbuilding programs can be found in the following CRS reports:

- CRS Report R41129, *Navy Columbia (SSBN-826) Class Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL32418, *Navy Virginia (SSN-774) Class Attack Submarine Procurement: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11826, *Navy Next-Generation Attack Submarine (SSN[X]) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11679, *Navy DDG(X) Next-Generation Destroyer Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R44972, *Navy Constellation (FFG-62) Class Frigate Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43543, *Navy LPD-17 Flight II and LHA Amphibious Ship Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R46374, *Navy Light Amphibious Warship (LAW) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11674, *Navy Next-Generation Logistics Ship (NGLS) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11838, *Navy TAGOS-25 (Previously TAGOS[X]) Ocean Surveillance Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

Background

Navy's Force-Level Goal

Navy's Existing (355-Ship) Force-Level Goal

355-Ship Goal Released in December 2016

The Navy's existing force-level goal, which the Navy released on December 15, 2016, calls for achieving and maintaining a fleet of 355 manned ships of the types and numbers shown in **Table 1**.[1]

Table 1. 355-Ship Force-Level Goal

Ship Category	Number of ships
Ballistic missile submarines (SSBNs)	12
Attack submarines (SSNs)	66
Aircraft carriers (CVNs)	12
Large surface combatants (i.e., cruisers [CGs] and destroyers [DDGs])	104
Small surface combatants (i.e., frigates [FFGs], Littoral Combat Ships, and mine warfare ships)	52
Amphibious ships	38
Combat Logistics Force (CLF) ships (i.e., at-sea resupply ships)	32
Command and support ships	39
TOTAL	**355**

Source: U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, Table A-1, p. 10.

355-Ship Fleet Is a Goal to Be Attained in the Future

The 355-ship fleet is a goal to be attained in the future. As shown in **Table G-1**, the actual size of the Navy in recent years has generally been between 270 and 300 ships. Increasing the numerical size of the Navy from 300 ships to 355 would equate to an increase of about 18%.

355-Ship Goal Made U.S. Policy by FY2018 NDAA

Congress made the 355-ship goal U.S. policy via Section 1025 of the FY2018 National Defense Authorization Act, or NDAA (H.R. 2810/P.L. 115-91 of December 12, 2017).[2]

[1] For previous Navy force-level goals, see **Appendix A**.

[2] Section 1025 of P.L. 115-91 states

> SEC. 1025. Policy of the United States on minimum number of battle force ships.
>
> (a) Policy.—It shall be the policy of the United States to have available, as soon as practicable, not fewer than 355 battle force ships, comprised of the optimal mix of platforms, with funding subject to the availability of appropriations or other funds.
>
> (b) Battle force ships defined.—In this section, the term "battle force ship" has the meaning given

355-Ship Goal Resulted from a Force Structure Assessment (FSA) Done in 2016

The 355-ship force-level goal is the result of a Force Structure Assessment (FSA) conducted by the Navy in 2016. An FSA is an analysis in which the Navy solicits inputs from U.S. regional combatant commanders (CCDRs) regarding the types and amounts of Navy capabilities that CCDRs deem necessary for implementing the Navy's portion of the national military strategy, and then translates those CCDR inputs into required numbers of ships, using current and projected Navy ship types. The analysis takes into account Navy capabilities for both warfighting and day-to-day forward-deployed presence.[3]

The Navy in the past has a new FSA or an update to the existing FSA every few years, as circumstances required, to determine its force-level goal. Previous Navy force-level goals that resulted from earlier FSA are shown in **Appendix A**.

Navy's Force-Level Goal Is Not Just a Single Number

Although the result of an FSA is often reduced for convenience to single number (e.g., 355 ships), FSAs take into account a number of factors, including types and capabilities of Navy ships, aircraft, unmanned vehicles, and weapons, as well as ship homeporting arrangements and operational cycles. Thus, although the number of ships called for by an FSA might appear to be a one-dimensional figure, it actually incorporates multiple aspects of Navy capability and capacity.

355-Ship Figure Includes Only Manned Ships

The 355-ship force-level goal, like previous Navy force-level goals, is a figure for manned ships only. The Navy has operated smaller unmanned surface vehicles (USVs) and unmanned underwater vehicles (UUVs) for many years, but because these unmanned vehicles (UVs) are launched from manned ships to act essentially as extensions of the manned ships, they have not been considered ships in their own right and consequently have not been included in the top-level expression of the Navy's force-level goal or the publicly cited figure for the number of ships in the Navy.

Navy's Next Force-Level Goal May Include Large Unmanned Vehicles (UVs)

In the years since the 2016 FSA, the Navy has developed plans to acquire large USVs and UUVs. Because of their size and projected capabilities, these large UVs are to be deployed directly from pier, rather than from manned ships, to perform missions that might otherwise be assigned to manned ships and submarines.[4] In view of this, the Navy's next force-level goal may include separate numbers for manned ships and large UVs.

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the term in Secretary of the Navy Instruction 5030.8C.

The term *battle force ships* in the above provision refers to the ships that count toward the quoted size of the Navy in public policy discussions about the Navy. The battle force ships method for counting the number of ships in the Navy was established in 1981 by agreement between the Secretary of the Navy and the Secretary of Defense, and has been modified somewhat over time, in part by Section 1021 of the Carl Levin and Howard P. "Buck" McKeon National Defense Authorization Act for Fiscal Year 2015 (H.R. 3979/P.L. 113-291 of December 19, 2014).

[3] For further discussion, see U.S. Navy, *Executive Summary, 2016 Navy Force Structure Assessment (FSA)*, December 15, 2016, pp. 1-2.

[4] For further discussion of these large UVs, see CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

Navy's Next Force-Level Goal

Release of Navy's Next Force-Level Goal Delayed Since Late 2019

The 355-ship goal predates the Trump and Biden Administrations' national defense strategies and does not reflect the new fleet architecture (i.e., new mix of ships) that the Navy wants to shift toward in coming years. As discussed further in the next section, this new fleet architecture is to feature a smaller proportion of larger ships, a larger proportion of smaller ships, and a new third element of large unmanned vehicles (UVs). The Navy and the Department of Defense (DOD) have been working since 2019 to develop a successor for the 355-ship force-level goal that would reflect current national defense strategy and the new fleet architecture. The conclusion of this work and the release of its results to Congress have been delayed repeatedly since late 2019.

Next Navy Force-Level Goal Will Introduce More Distributed Fleet Architecture

Remarks from Navy and DOD officials since 2019 have indicated that the Navy's next force-level goal will introduce a once-in-a-generation change in fleet architecture, meaning basic the types of ships that make up the Navy and how these ships are used in combination with one another to perform Navy missions. This new fleet architecture is to be more distributed than the fleet architecture reflected in the 355-ship goal or previous Navy force-level goals. In particular, the new fleet architecture is expected to feature

- a smaller proportion of larger ships (such as large-deck aircraft carriers, cruisers, destroyers, large amphibious ships, and large resupply ships);
- a larger proportion of smaller ships (such as frigates, corvettes, smaller amphibious ships, smaller resupply ships, and perhaps smaller aircraft carriers); and
- a new third tier of surface vessels about as large as corvettes or large patrol craft that will be either lightly manned, optionally manned, or unmanned, as well as large UUVs.

Navy and DOD leaders believe that shifting to a more distributed fleet architecture is

- **operationally necessary**, to respond effectively to the improving maritime anti-access/area-denial (A2/AD) capabilities of other countries, particularly China;[5]

[5] See, for example, David B. Larter, "With China Gunning for Aircraft Carriers, US Navy Says It Must Change How It Fights," *Defense News*, December 6, 2019; Arthur H. Barber, "Redesign the Fleet," *U.S. Naval Institute Proceedings*, January 2019. Some observers have long urged the Navy to shift to a more distributed fleet architecture, on the grounds that the Navy's current architecture—which concentrates much of the fleet's capability into a relatively limited number of individually larger and more expensive surface ships—is increasingly vulnerable to attack by the improving A2/AD capabilities (particularly anti-ship missiles and their supporting detection and targeting systems) of potential adversaries, particularly China. Shifting to a more distributed architecture, these observers have argued, would

- complicate an adversary's targeting challenge by presenting the adversary with a larger number of Navy units to detect, identify, and track;
- reduce the loss in aggregate Navy capability that would result from the destruction of an individual Navy platform;
- give U.S. leaders the option of deploying USVs and UUVs in wartime to sea locations that would be tactically advantageous but too risky for manned ships; and
- increase the modularity and reconfigurability of the fleet for adapting to changing mission needs.

For more on China's maritime A2/AD capabilities, see CRS Report RL33153, *China Naval Modernization:*

- **technically feasible** as a result of advances in technologies for UVs and for networking widely distributed maritime forces that include significant numbers of UVs; and
- **affordable**—no more expensive, and possibly less expensive, than the current fleet architecture for a given level of overall fleet capability, so as to fit within expected future Navy budgets.

Regarding the first point above, shifting to a more distributed force architecture, Navy and Marine Corps officials have indicated, will support implementation of the Navy and Marine Corps' new overarching operational concept, called Distributed Maritime Operations (DMO), and a supporting Marine Corps operational concept called Expeditionary Advanced Base Operations (EABO).[6] A key aim of DMO and EABO is to improve the ability of the Navy and Marine Corps to counter China's improving maritime military capabilities.

Some elements of the Navy's new, more distributed fleet architecture have been reflected in the Navy's budget submissions since FY2021, including the following:

- procurement of FFG-62-class frigates;[7]
- development of a smaller amphibious warship called the Light Amphibious Warship (LAW);[8]
- development of a smaller resupply ship called the Next-Generation Medium Logistics Ship;[9]
- development of two types of larger USVs—Large USVs (LUSVs) and Medium USVs (MUSVs);[10] and
- procurement of large UUVs called Extra Large UUVs (XLUUVs).[11]

For additional background information on the effort in 2019 and 2020 to develop a new Navy force-level goal, see **Appendix H**.

Implications for U.S. Navy Capabilities—Background and Issues for Congress, by Ronald O'Rourke.

[6] For more on DMO, see, for example, Barry Rosenberg, "Distributed Maritime Operations: Making Ships, Subs, And Platforms Nodes On A Network," *Breaking Defense*, August 3, 2021; Edward Lundquist, "DMO is Navy's Operational Approach to Winning the High-End Fight at Sea," *Seapower*, February 2, 2021. For more on EABO, see CRS Report R46374, *Navy Light Amphibious Warship (LAW) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[7] For more on the FFG-62 program, see CRS Report R44972, *Navy Constellation (FFG-62) Class Frigate Program: Background and Issues for Congress*, by Ronald O'Rourke.

[8] For more on the LAW program, see CRS Report R46374, *Navy Light Amphibious Warship (LAW) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[9] For more on the next-generation Medium Logistics Ship, see, for example, Megan Eckstein, "Navy Researching New Class of Medium Amphibious Ship, New Logistics Ships," *USNI News*, February 20, 2020; Rich Abott, "FY 2021 Request Starts Work on Future Amphibs and Logistics Ships," *Defense Daily*, February 20, 2020; Justin Katz, "Navy Announces 'Next Generation Logistics Ship' Program with June 25 Industry Day," *Inside Defense*, May 14, 2020; Paul McLeary, "No Shipbuilding Plan, But Navy Works On New Ships To Counter China," *Breaking Defense*, May 18, 2020.

[10] For more on the LUSV and XLUUV programs, see CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

[11] For more on the XLUUV program, see CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

December 9, 2020, Long-Range Navy Shipbuilding Document

On December 9, 2020, the Navy released a long-range Navy shipbuilding document that presented the Trump Administration's emerging successor to the 355-ship force-level goal. The document called for a Navy with a more distributed fleet architecture, including 382 to 446 manned ships and 143 to 242 large UVs.[12]

June 17, 2021, Long-Range Navy Shipbuilding Document

On June 17, 2021, the Navy released a long-range Navy shipbuilding document that presented the Biden Administration's emerging successor to the 355-ship force-level goal. The document called for a Navy with a more distributed fleet architecture, including 321 to 372 manned ships and 77 to 140 large UVs.[13] The document stated that

> As detailed in the 9 December 2020 Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels, the Department [of the Navy] previously completed significant analytic work with the Integrated Naval Force Structure Assessment (INFSA) and the Future Naval Force Study (FNFS). Analysis continues that will further define the capabilities required to maintain military advantage in peer military competition over the next several decades….
>
> The Navy, working closely with the OSD [the Office of the Secretary of Defense] Director of Cost Assessment and Program Evaluation (CAPE), continues to develop comparative assessments of naval force structure options consistent with [the Biden Administration's] Interim National Security Strategic Guidance[14] and designed to maximize the maritime contribution to the joint force. The results of these efforts and ongoing experimentation and prototyping will be reflected in the FY2023 shipbuilding plan.[15]

A September 2021 Congressional Budget Office (CBO) report estimated that the fleet envisioned in the June 17, 2021, long-range Navy shipbuilding document would cost an average of between $25.3 billion and $32.7 billion per year in constant FY2021 dollars to procure. These figures, the report stated, are 10% to 43% higher the $22.9 billion in constant FY2021 dollars that Congress has appropriated, on average, for all Navy shipbuilding activities over the preceding five years.[16]

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[12] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels*, December 2020, 23 pp.

[13] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2022*, June 2021, 16 pp.

[14] White House, *Interim National Security Strategic Guidance*, March 2021, 23 pp.

[15] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2022*, June 2021, p. 3. The document similarly states on page 5 that

> The Department [of the Navy] will submit a complete 30-year shipbuilding plan with the President's Budget for FY2023.
>
> In the interim, the Department will continue to build on ongoing analysis, experimentation, testing, prototyping, and the analytic results from force structure assessments, future fleet architectures, and intelligence updates to refine required capabilities and characterize the technical and operational risk of an objective battle force in military competition. This work will inform the content and transition pace to the future force and be reflected in the FY2023 shipbuilding plan.

[16] Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2022 Shipbuilding Plan,* September 2021, p. 6. The report was posted at the CBO website on September 16, 2021.

February 18, 2022, Reported Remarks of Chief of Naval Operations

On February 18, 2022, in remarks at a conference, the Chief of Naval Operations, Admiral Michael Gilday, reportedly stated that, based on analysis, he had concluded that the Navy needs a fleet of 362 or more manned ships and about 150 large UVs to meet the Navy's commitments under the Biden Administration's forthcoming national defense strategy.[17]

July 19, 2022, Press Report about New Navy Force-Level Goal

A July 19, press report stated

> The Navy quietly slipped a new, classified assessment on the number of ships the service needs to meet its missions around the world to Congress earlier this month. The report calls for a battle force of 373 ships—75 more than in the current fleet.
>
> Dubbed the Battle Force Ship Assessment and Requirement, the Fiscal Year 2021 defense authorization bill called for the Navy to generate the report and deliver it directly to Congress.
>
> "The Navy's Battle Force Ship Assessment and Requirement (BFSAR) report determined that a battle force of 373 ships is required to meet future campaigning and warfighting demands. The report is classified and was submitted to Congress," reads a statement from the service provided to USNI News.
>
> Outside of the fleet total, the service did not provide an unclassified summary of the force structure. In prior years, the FSA has included an unclassified summary of the required quantities for each type of battleforce ship in the fleet....
>
> The requirement in the bill was designed to have the report bypass the Office of the Secretary of Defense and go directly to Congress, several legislative sources have told USNI News....
>
> The force structure will go through more tweaks before another revision is released later this year.
>
> "The Navy is expected to complete a second BFSAR later this year, which will reflect new analytic work, changes to force design, and the impacts of the 2022 National Defense Strategy released in March on future Navy battle force structure," reads the Navy statement.[18]

July 26, 2022, Release of CNO Navigation Plan 2022

On July 26, 2022, the Navy released a document, *Chief of Naval Operations [CNO] Navigation Plan 2022*, that, similar to the above-discussed BFSAR, calls for a future fleet of 373 manned ships, as well as about 150 large unmanned surface and underwater vehicles, with the 373 manned ships to include 12 ballistic missile submarines, 66 attack submarines, 12 nuclear-powered aircraft carriers, 96 large surface combatants, 56 small surface combatants, 31 larger amphibious ships, 18 smaller Light Amphibious Warships (LAWs), and 83 combat logistics, command, and support ships.[19]

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[17] See Sam LaGrone and Mallory Shelbourne, "CNO Gilday: 'We Need a Naval Force of Over 500 Ships,'" *USNI News*, February 18, 2022; Justin Katz, "CNO Lays Out Future Fleet He Wants: 500 ships, 12 Carriers, 150 Unmanned Vessels," *Breaking Defense*, February 18, 2022; Richard R. Burgess, "CNO Is 'Sighted on a Bigger, More Capable Navy,'" *Seapower*, February 22, 2022.

[18] Sam LaGrone, "New Navy Fleet Study Calls for 373 Ship Battle Force, Details are Classified," *USNI News*, July 19, 2020.

[19] U.S. Navy, *Chief of Naval Operations Navigation Plan 2022*, undated, released July 26, 2022, p. 10.

355-Ship Goal Compared to Emerging New Force-Level Goals

Table 2 compares the 355-ship force-level goal to the emerging force-level goals discussed in the above sections.

Table 2. 355-Ship Goal Compared to Emerging New Force-Level Goals

Ship type	355-ship goal	Trump Adminis-tration December 9, 2020, document	Biden Adminis-tration June 17, 2021, document	Reported remarks of Chief of Naval Operations, February 18, 2022	BFSAR and CNO Navigation Plan July 2022
Ballistic missile submarines (SSBNs)	12	12	12	12	12
Attack submarines (SSNs)	66	72 to 78	66 to 72[a]	70	66
Aircraft carriers	12	n/a[b]	9 to 11	12	12
Large aircraft carriers (CVNs)	*12*	*8 to 11*[b]	*n/a*	*12*	*12*
Light aircraft carriers (CVLs)	*0*	*0 to 6*[c]	*n/a*[d]	*0*	*0*
Large surface combatants (cruisers and destroyers)	104	73 to 88	63 to 65	60	96
Small surface combatants (frigates and Littoral Combat Ships [LCSs])	52	60 to 67	40 to 45	50	56
Amphibious ships	38	61 to 67	48 to 63	58 or 59 (or more)	49
Large-deck (LHA/LHD)	*12*	*9 to 10*	*8 to 9*	*9*	*31*
LPD-type	*26*	*n/a*	*16 to 19*	*19 or 20*	
Light Amphibious Warships (LAWs)	*0*	*n/a*	*24 to 35*	*30 (or more)*[e]	*18*
LPD-type and LAWs combined	*26*	*52 to 57*	*40 to 44*	*49 or 50 (or more)*	*n/a*
Combat Logistics Force (CLF) ships	32	69 to 87[f]	56 to 75[g]	~100	82
Command and support ships	39	27 to 30	27 to 29		
Subtotal manned ships	***355***	***382 to 446***	***321 to 372***	***~362 or ~363 (or more)***	***373***
Unmanned and optionally manned ships	0	143 to 242	77 to 140	~150	~150
Large and medium unmanned surface vessels (LUSVs and MUSVs)	*0*	*119 to 166*	*59 to 89*	*n/a*	*n/a*
Extra-large unmanned underwater vehicles (XLUUVs)	*0*	*24 to 76*	*18 to 51*	*n/a*	*n/a*
TOTAL manned and unmanned ships	**355**	**525 to 688**	**398 to 512**	**~512 or ~513 (or more)**	**~523**

Sources: Table prepared by CRS based on U.S. Navy data and, for the final column, Sam LaGrone and Mallory Shelbourne, "CNO Gilday: 'We Need a Naval Force of Over 500 Ships,'" *USNI News*, February 18, 2022; Justin Katz, "CNO Lays Out Future Fleet He Wants: 500 ships, 12 Carriers, 150 Unmanned Vessels," *Breaking Defense*, February 18, 2022; Richard R. Burgess, "CNO Is 'Sighted on a Bigger, More Capable Navy,'" *Seapower*, February 22, 2022; Sam LaGrone, "New Navy Fleet Study Calls for 373 Ship Battle Force, Details are Classified," *USNI*

News, July 19, 2020; U.S. Navy, *Chief of Naval Operations Navigation Plan 2022*, undated, released July 26, 2022, p. 10.

Notes: n/a = not available. BFSAR is the Battle Force Ship Assessment and Requirement reportedly provided to Congress in July 2022.

a. The document states that the range of 66 to 72 includes Large Payload Submarines—the Navy's planned next-generation successor to its four current cruise missile submarines (SSGNs).

b. The document states: "Lower [end of the CVN] range may be enabled by acquisition of cost-effective CVL."

c. The document states: "Further study of cost-effective CVL capabilities and capacity required."

d. The document states: "New capability concepts like a light aircraft carrier continue to be studied and analyzed to fully illuminate their potential to execute key mission elements in a more distributed manner and to inform the best mix of a future force."

e. As reported in the *USNI News* article of February 18, 2022. The *Breaking Defense* article of February 18, 2022, reported the figure as 20 to 30.

f. The document states: "Includes Next Generation Logistic Ships (NGLS). Logistics force size/mix subject to on-going analysis."

g. The document states: "Includes the future next generation logistics ship."

April 2022 Navy Report on FY2023 30-Year Shipbuilding Plan Presents Results of Studies on Potential New Force-Level Goals

The Navy's FY2023 30-year (FY2023-FY2052) shipbuilding plan, released on April 20, 2022,[20] presents the results of three studies on possibilities for the Navy's successor force-level goal. As shown in **Figure 1**, these studies call for a future Navy with 321 to 404 manned ships and 45 to 204 large UVs.

Navy's FY2023 Five-Year and 30-Year Shipbuilding Plans

FY2023 Five-Year Shipbuilding Program

The Navy's proposed FY2023 budget requests $27.9 billion in shipbuilding funding for, among other things, the procurement of eight new ships, including two Virginia (SSN-774) class attack submarines, two Arleigh Burke (DDG-51) class destroyers, one Constellation (FFG-62) class frigate, one LPD-17 Flight II class amphibious ship, one John Lewis (TAO-205) class oiler, and one Navajo (TATS-6) class towing, salvage, and rescue ship.

The Navy's FY2023 budget submission shows a ninth ship—the amphibious assault ship LHA-9—as also being requested for procurement in FY2023. Consistent with both prior-year congressional authorization and appropriation action and Section 126 of the FY2021 National Defense Authorization Act (NDAA) (H.R. 6395/P.L. 116-283 of January 1, 2021), CRS reports on Navy shipbuilding programs, including this report, treat LHA-9 as a ship that Congress procured (i.e., authorized and provided procurement—not advance procurement [AP]—funding for) in

[20] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2023*, April 2022 (released April 20, 2022), 28 pp.

FY2021.[21] Navy officials have described the listing of LHA-9 in the Navy's FY2023 budget submission as a ship being requested for procurement in FY2023 as an oversight.[22]

Figure 1. Navy Table Summarizing Studies on Future Navy Force-Level Goal

As shown in Navy's FY2023 30-Year Shipbuilding Plan

Table 1. Previous Analytic Efforts Completed

Platforms	2016 FSA	2020 INFSA	FNFS FFA Ranges	PB22 Jun 2021 Ranges
Time Frame	Post 2030	Post 2030	2045	2045
Aircraft Carrier	12	12	8-11[1]	9-11
CVL	0	0	0-6[2]	0
LHA/LHD	12	10	6-10	8-9
Amphibious Warfare Ships (less LHA/LHD)	26	41[3]	30-43[3]	40-54[3]
Large Surface Combatant	104	96	72-80	63-65
Small Surface Combatant	52	56	47-60	40-45
Attack Submarines / Large Payload Submarine	66	66	58-70	66-72
Ballistic Missile Submarines	12	12	12	12
Combat Logistics Force	32	45[4]	51-85[4]	56-75
Support Vessels	39	52	27-51	27-29
Unmanned Surface	0	27	81-153[5]	59-89
Unmanned Subsurface	0	18	18-50[5]	18-51
Battle Force	355	390[8]	337-404[6]	321-372[7]
Battle Force + Unmanned Surface	-	417	382-454[6]	380-461
Battle Force + Unmanned Surface + Unmanned Subsurface	-	435	440-540[6]	398-512

1. Lower range may be enabled by acquisition of cost-effective CVL.
2. Cost-effective CVL capabilities and capacity study would be required.
3. Includes future Light Amphibious Warships (LAW).
4. Includes Next Generation Logistics Ships (NGLS).
5. UxV require follow-on analysis of future objectives.
6. FNFS FFA force mix ranges are not the sum of low and high platform ranges listed above. FNFS ranges were derived from previous campaign analysis, however the ranges represented no real budget growth.
7. The PB22 shipbuilding ranges were the sum of the low and high platform ranges possible in 2045, which were derived from FNFS, and updated with analytic insights.
8. The INFSA reflects the most recent full campaign analysis and force structure assessment completed by the Department of the Navy.

Source: U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2023*, April 2022 (released April 20, 2022), p. 4.

Notes: INFSA = Integrated Naval Force Structure Assessment. FNFS = Future Naval Force Study. FFA = Future Fleet Architecture.

As shown in **Table 3**, excluding LHA-9, the Navy's proposed five-year (FY2023-FY2027) shipbuilding plan includes a total of 50 ships, or an average of 10 ships per year. Assuming a 35-year weighted average expected service life for Navy ships, an average procurement rate of 10 ships per year, if maintained over the long run (i.e., over a period of roughly 35 years), would eventually achieve and maintain a fleet of about 350 ships.

[21] For additional discussion regarding the procurement date of LHA-9 and Section 126 of the FY2021 National Defense Authorization Act (NDAA) (H.R. 6395/P.L. 116-283 of January 1, 2021), see CRS Report R43543, *Navy LPD-17 Flight II and LHA Amphibious Ship Programs: Background and Issues for Congress*, by Ronald O'Rourke. See also Justin Katz, " Navy's Shipbuilding Request May Be 'Violation of Law,' Inhofe Warns," *Breaking Defense*, March 29, 2022.

[22] Source: Navy briefing on Navy's proposed FY2023 budget for Congressional Budget Office and CRS, March 30, 2023.

Table 3. FY2023 Five-Year (FY2023-FY2027) Shipbuilding Plan

	FY23 (req.)	FY24	FY25	FY26	FY27	FY23-FY27 Total
Columbia (SSBN-826) class ballistic missile submarine		1		1	1	**3**
Virginia (SSN-774) class attack submarine	2	2	2	2	2	**10**
Gerald R. Ford (CVN-78) class aircraft carrier						**0**
Arleigh Burke (DDG-51) class destroyer	2	2	2	2	2	**10**
FFG-62 frigate	1	2	1	2	1	**7**
LHA amphibious assault ship	*					**0***
LPD-17 Fight II amphibious ship	1					**1**
Light Amphibious Warship (LAW)			1	1	2	**4**
Expeditionary Fast Transport (EPF) ship						**0**
John Lewis (TAO-205) class oiler	1	2	1	1	1	**6**
Next-Generation Logistics Ship (NGLS)				1	1	**2**
Submarine tender (AS[X])			1	1		**2**
TATS towing, salvage, and rescue ship	1					**1**
TAGOS(X) ocean surveillance ship			1	2	1	**4**
TOTAL	**8**	**9**	**9**	**13**	**11**	**50**

Source: Table prepared by CRS based on FY2023 Navy budget submission. *The Navy's FY2023 budget submission shows the amphibious assault ship LHA-9 as being requested for procurement in FY2023. Consistent with both prior-year congressional authorization and appropriation action and Section 126 of the FY2021 National Defense Authorization Act (NDAA) (H.R. 6395/P.L. 116-283 of January 1, 2021), CRS reports on Navy shipbuilding programs, including this report, treat LHA-9 as a ship that Congress procured (i.e., authorized and provided procurement—not advance procurement [AP]—funding for) in FY2021. Navy officials have described the listing of LHA-9 in the Navy's FY2023 budget submission as a ship being requested for procurement in FY2023 as an oversight.

FY2023 30-Year (FY2023-FY2052) Shipbuilding Plan

As shown in **Figure 2**, the FY2023 30-year (FY2023-FY2052) shipbuilding plan, released by the Navy on April 20, 2022, includes three potential 30-year shipbuilding profiles, referred to as Alternatives 1, 2, and 3, that diverge from one another after FY2027. Alternatives 1 and 2 assume no real (i.e., above-inflation) growth in shipbuilding funding beyond the level to be attained over the five-year period FY2023-FY2027, while Alternative 3 assumes some amount of real growth in shipbuilding funds after FY2027. Since **Figure 2** presents a table taken from a Navy document, it reflects the amphibious assault ship LHA-9 as being requested for procurement in FY2023. As discussed earlier, consistent with both prior-year congressional authorization and appropriation action and Section 126 of the FY2021 National Defense Authorization Act (NDAA) (H.R. 6395/P.L. 116-283 of January 1, 2021), CRS reports on Navy shipbuilding programs, including this report, treat LHA-9 as a ship that Congress procured (i.e., authorized and provided procurement—not advance procurement [AP]—funding for) in FY2021. Navy officials have described the listing of LHA-9 in the Navy's FY2023 budget submission as a ship being requested for procurement in FY2023 as an oversight.

Figure 2. Alternative Shipbuilding Profiles in 30-Year Shipbuilding Plan

As shown in Navy's FY2023 30-Year Shipbuilding Plan

Table A1-2. Long-Range Procurement Profile[1, 2]

Transition / *Future Force Design*

FYDP

ALTERNATIVE 1	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52
Aircraft Carrier	1					1					1					1					1				
Large Surface Combatant	1	2	2	2	1	2	1	2	2	2	2	2	2	2	1	2	2	1	2	1	2	2	2	2	2
Small Surface Combatant	2	1	1	1	1	2	1	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Attack Submarines	2	2	1	1	2	1	2	1	2	2	2	2	2	1	2	2	2	2	1	2	2	2	2	2	2
Ballistic Missile Submarines	1	1	1	1	1	1	1	1																	
Cruise Missile Submarines														1				1			1			1	
Amphibious Warfare Ships	2	2	2	3	2	2	2	3	2	2	1			1		1	1	2	2	2	3	2	3	3	2
Combat Logistics Force	2	2	2	2	2	2	2	1	1					1	1		2	2	3	3	3	1	1	1	1
Support Vessels	1	1																							
Total New Construction	12	11	9	10	9	11	9	10	9	8	8	6	6	8	7	7	9	11	10	10	13	9	10	11	9

Fiscal Year	23	24	25	26	27
Aircraft Carrier					
Large Surface Combatant	2	2	2	2	2
Small Surface Combatant	1	2	1	2	1
Attack Submarines	2	2	2	2	2
Ballistic Missile Submarines		1		1	1
Cruise Missile Submarines					
Amphibious Warfare Ships	2		1	1	2
Combat Logistics Force	1	2	1	2	2
Support Vessels	1		2	3	1
Total New Construction	9	9	9	13	11

ALTERNATIVE 2	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52
Aircraft Carrier	1					1					1					1					1				
Large Surface Combatant	1	1	1	1	2	1	1	1	2	1	2	2	2	1	2	1	2	2	1	2	1	2	1	2	2
Small Surface Combatant	2	2	1	1	1	1	1	2	2	3	2	3	2	3	2	2	2	2	2	2	2	2	2	2	2
Attack Submarines	2	2	2	2	2	1	2	2	3	2	3	2	2	3	3	2	2	3	2	2	3	2	2	3	2
Ballistic Missile Submarines	1	1	1	1	1	1	1	1																	
Cruise Missile Submarines									1				1			1			1			1			1
Amphibious Warfare Ships	1	2	1	2	2	2	1	2	1	1	1			2		2	1	1	3	2	3	2	3	3	3
Combat Logistics Force	2	2	3	2	2	3	3	2	2					1	1		1	2	3	3	3	1	1	1	2
Support Vessels	1	1																							
Total New Construction	11	11	9	9	10	10	9	10	10	8	9	7	7	10	8	9	8	10	12	11	13	10	9	11	12

ALTERNATIVE 3	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52
Aircraft Carrier	1				1				1				1				1				1				1
Large Surface Combatant	2	2	2	2	2	2	2	2	3	2	3	2	3	2	3	2	2	2	2	2	2	2	2	2	2
Small Surface Combatant	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Attack Submarines	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2	2
Ballistic Missile Submarines	1	1	1	1	1	1	1	1																	
Cruise Missile Submarines										1				1				1					1		
Amphibious Warfare Ships	3	2	3	2	2	2	3	2	2	3	3	3	3	2	2	1	1	2	2	3	2	3	2	3	2
Combat Logistics Force	2	2	2	2	2	3	3	2						1	1		2	2	3	3	3	1	1	1	1
Support Vessels	1	2	2	2	2	1			1	1		1	1	1							1	1	1	1	1
Total New Construction	14	13	14	13	14	13	13	11	13	10	11	10	12	10	11	7	10	10	12	12	13	11	11	11	11

[1] A decision on CVN 82/83 two-ship buy is required no later than FY25 and will be evaluated during upcoming force structure and industrial base studies. The Department is reviewing Large and Small Surface Combatant and Attack Submarine procurement quantities in FY2028-2032.

[2] The ability of the industrial base to support Alternative 3 has not been independently assessed.

Source: U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2023*, April 2022 (released April 20, 2022), p. 15. Since this figure presents a table taken from a Navy document, it reflects the amphibious assault ship LHA-9 as being requested for procurement in FY2023. Consistent with both prior-year congressional authorization and appropriation action and Section 126 of the FY2021 National Defense Authorization Act (NDAA) (H.R. 6395/P.L. 116-283 of January 1, 2021), CRS reports on Navy shipbuilding programs, including this report, treat LHA-9 as a ship that Congress procured (i.e., authorized and provided procurement—not advance procurement [AP]—funding for) in FY2021. Navy officials have described the listing of LHA-9 in the Navy's FY2023 budget submission as a ship being requested for procurement in FY2023 as an oversight.

Projected Force Levels Under FY2023 30-Year Shipbuilding Plan

As shown in **Figure 3**, under all three alternatives presented in the FY2023 30-year shipbuilding plan, the number of battle force ships in the Navy would decline from 294 at the end of FY2021 to 280 by the end of FY2027. This is in part because of the relatively large number of ships that the Navy's FY2023 budget submission proposes for retiring in FY2023-FY2027. As discussed later in this report, this includes the proposed retirement of 24 ships in FY2023, including 9 relatively young Littoral Combat Ships (LCSs).

As shown in **Figure 3**, under Alternative 1, the Navy would reach 300 manned ships in FY2035 and grow to 316 manned ships by FY2052. Under Alternative 2, the Navy would reach 300 manned ships in FY2035 and grow to 327 manned ships by FY2052. Under Alternative 3, the Navy would reach 300 manned ships in FY2033 and grow to 367 manned ships by FY2052.

Figure 3. Projected Force Levels Under Alternative Shipbuilding Profiles

As shown in Navy's FY2023 30-Year Shipbuilding Plan

Table A1-5. Battle Force Inventory and Trade Space

Transition / *Future Force Design*

FYDP

Fiscal Year	23	24	25	26	27
Aircraft Carrier	11	12	11	11	10
Large Surface Combatant	88	87	87	86	86
Small Surface Combatant	27	29	25	26	23
Attack Submarines	49	49	49	48	48
Ballistic Missile Submarines	14	14	14	14	13
Cruise Missile Submarines	4	4	4	2	1
Amphibious Warfare Ships	28	24	25	24	25
Combat Logistics Force	30	31	32	30	30
Support Vessels	34	37	40	43	44
Total Naval Force Inventory	285	287	287	284	280

ALTERNATIVE 1	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52
Aircraft Carrier	11	11	11	11	11	11	11	11	11	11	11	11	10	10	10	10	10	10	9	10	9	9	9	9	10
Large Surface Combatant	88	86	83	80	80	78	77	78	80	81	82	84	83	81	80	79	77	75	75	75	75	73	73	73	73
Small Surface Combatant	25	26	28	30	31	33	34	35	36	37	39	40	42	44	44	43	44	44	44	42	41	39	41	43	45
Attack Submarines	46	49	47	48	50	49	50	53	57	57	53	54	53	52	53	53	54	55	56	57	58	58	58	58	60
Ballistic Missile Submarines	13	12	11	11	11	12	12	12	12	12	12	12	13	13	12	12	12	12	12	12	12	12	12	12	12
Cruise Missile Submarines																						1	1	1	2
Amphibious Warfare Ships	26	29	31	32	33	34	36	37	39	40	43	45	47	47	48	48	48	47	47	46	46	44	44	46	44
Combat Logistics Force	32	33	34	36	37	38	38	39	40	41	42	44	44	44	44	44	44	46	45	45	45	44	44	44	44
Support Vessels	44	45	46	45	45	43	41	40	38	37	36	34	32	32	31	30	29	29	28	27	27	27	27	27	26
Total Naval Force Inventory	285	291	291	293	298	298	299	305	313	316	318	324	324	323	322	319	318	318	316	314	313	307	309	313	316

ALTERNATIVE 2	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52
Aircraft Carrier	11	11	11	11	11	11	11	11	11	11	11	11	10	10	10	10	10	10	9	10	9	9	9	9	10
Large Surface Combatant	88	86	83	80	81	78	76	76	77	79	80	82	80	78	76	75	73	70	70	69	69	67	67	67	67
Small Surface Combatant	25	26	28	30	31	33	35	37	38	39	40	42	44	47	47	47	48	49	49	47	46	44	46	48	50
Attack Submarines	46	49	47	48	50	49	50	55	57	58	55	56	55	54	56	57	58	60	61	62	64	66	66	66	69
Ballistic Missile Submarines	13	12	11	11	11	12	12	12	12	12	12	12	13	13	12	12	12	12	12	12	12	12	12	12	12
Cruise Missile Submarines																	1	1	1	2	2	3	3	3	
Amphibious Warfare Ships	26	29	30	31	31	31	33	35	37	37	38	39	41	41	41	41	41	40	42	41	40	39	40	43	42
Combat Logistics Force	32	33	34	36	37	39	39	41	43	44	46	49	49	49	49	49	49	51	50	49	49	48	48	48	48
Support Vessels	44	45	46	45	45	43	41	40	38	37	36	34	32	32	31	30	29	29	28	27	27	27	27	27	26
Total Naval Force Inventory	285	291	290	292	297	296	297	307	313	317	318	325	324	324	322	321	321	322	322	319	318	314	318	323	327

ALTERNATIVE 3	28	29	30	31	32	33	34	35	36	37	38	39	40	41	42	43	44	45	46	47	48	49	50	51	52
Aircraft Carrier	11	11	11	11	11	11	11	11	11	11	11	11	10	11	10	10	10	11	10	10	9	10	10	10	10
Large Surface Combatant	88	86	83	80	80	80	78	79	80	83	84	86	86	84	83	83	81	80	80	81	81	81	81	81	82
Small Surface Combatant	25	26	28	30	31	33	35	37	39	41	43	45	47	49	49	48	49	49	49	46	46	44	46	48	50
Attack Submarines	46	49	47	48	50	49	50	53	57	58	55	56	56	55	57	57	58	59	60	61	62	63	63	63	65
Ballistic Missile Submarines	13	12	11	11	11	12	12	12	12	12	12	12	13	13	12	12	12	12	12	12	12	12	12	12	12
Cruise Missile Submarines																		1	1	1	1	2	2	2	2
Amphibious Warfare Ships	26	29	31	32	33	34	36	38	40	42	44	46	48	50	52	55	57	59	60	59	59	58	58	60	58
Combat Logistics Force	32	33	34	36	37	38	38	40	42	43	45	48	48	48	48	48	48	50	49	49	49	48	48	48	48
Support Vessels	44	45	46	45	46	46	46	47	45	44	44	43	42	42	42	42	42	42	41	40	40	40	40	41	40
Total Naval Force Inventory	285	291	291	293	299	303	306	317	326	334	338	347	350	352	353	355	357	363	362	359	359	358	360	365	367

Source: U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2023*, April 2022 (released April 20, 2022), p. 16.

Issues for Congress

Potential issues for Congress concerning Navy shipbuilding relating to the Navy's proposed FY2023 budget include but are not necessarily limited to those discussed below.

Force-Level Goal to Replace 355-Ship Goal of 2016

One issue for Congress concerns the new ship force-level goal that is to replace the 355-ship goal of 2016. As noted earlier, the 355-ship goal of 2016 predates the Trump and Biden Administrations' national defense strategies and does not reflect the new fleet architecture (i.e., new mix of ships) that the Navy wants to shift toward in coming years. Potential oversight questions for Congress include the following:

- When does the Navy or the Office of the Secretary of Defense (OSD) intend to release an updated and clearly defined new force-level goal to definitively replace the 355-ship goal?
- Why have the Navy and OSD apparently been unable or unwilling since 2019 to identify and release an updated and clearly defined new force-level goal to definitively replace the 355-ship goal? Within DOD, who is responsible for resolving in a timely manner a disagreement between OSD and the Navy regarding the Navy's force level goal? Does DOD have a clearly defined process for resolving such a dispute in a timely manner?

- In the absence of an updated, clearly defined, and definitive new force-level goal reflecting the Biden Administration's national defense strategy and the Navy's desire to shift to a more distributed fleet architecture, how well can Congress
  - understand the Biden Administration's goals concerning the future size and composition of the Navy, and
  - assess the Navy's proposed FY2023 shipbuilding budget, five-year (FY2023-FY2027) shipbuilding plan, and 30-year (FY2023-FY2052) shipbuilding plan?
- Is the continued absence of an updated, clearly defined, and definitive new force-level goal permitting the Administration to avoid stating its specific plans for the Navy's future and budgeting the funds needed to achieve and maintain a future fleet of a specific size and composition?
- If the Navy and OSD do not identify and release an updated, clearly defined, and definitive new force-level goal to replace the 355-ship goal, should Congress consider the option of legislating a replacement force-level goal of its own devising (including both a total number of ships and, within that total number, required numbers for each ship category), and require DOD to budget the funding needed to achieve such a fleet in a timely manner and maintain it thereafter?
- How many Navy ships of what types and numbers will be needed to adequately perform the Navy's projected missions in coming years, particularly in light of great power competition with China and Russia?

In connection with the final question above, an April 26, 2022, press report stated

> While the U.S. Navy's new long-term shipbuilding plan lays out three options, service leaders believe only one of those even comes close to building a fleet that can compete with China, a Navy official said during a Senate hearing Tuesday [April 26]....
>
> Sen. Josh Hawley, R-Missouri, asked point-blank whether the Navy is confident that each of the three options provided "would allow it to meet the operational requirements for deterring a Chinese fait accompli vis-à-vis Taiwan?"
>
> In response, Vice Adm. Scott Conn, the deputy chief of naval operations for warfighting requirements and capabilities, told Hawley that the Navy has "the most confidence in alternative three," and less confidence in the other two.
>
> Conn added later that the third option gets the Navy closer to where it wants to be with the fleet.[23]

Also in connection with the final question above, a May 12, 2022, press report stated

> Should Russia and China launch competing world conflicts, the Navy is unprepared to fight two wars in separate regions without additional ships, the service's top officer told senators on Thursday [May 12].
>
> The current fleet of about 298 ships "is not sized to handle two simultaneous conflicts," Adm. Mike Gilday, the chief of naval operations, said during a hearing of the Senate Armed Services Committee. "It's sized to fight one and keep a second adversary in check, but in terms of two all-out conflicts, we are not sized for that."...

[23] Caitlin M. Kenney, "Navy: Just One Shipbuilding Option Gets Closer To Desired Fleet," *Defense One*, April 26, 2022.

> "What would the impact be on the Navy's ability to meet its operational requirements in [Europe] if we had to withhold Navy forces from Europe in order to deter Chinese aggression in [the Pacific]?" [Sen. Josh] Hawley said at the hearing.
>
> Gilday said the Navy would be "challenged" to meet both needs.
>
> "You'd have to take a look at how you squeeze the most out of the joint force that you have and use it the best possible way," he said.[24]

A July 24, 2022, press report stated

> The Navy of the future needs 316 ships. Actually, make that 327. No, more like 367. You know what? Let's make it 373, or maybe even 500.
>
> At different points this year, the Pentagon and Navy leaders have floated all five numbers as the desired size of the Navy, the result of a high-stakes—and still raging—internal battle among top Navy, Marine Corps and Pentagon leaders.
>
> And the discord at the top has real-world consequences for America's sea service, denying lawmakers a number to shoot for as they figure out how many ships to buy in the fiscal year that starts in October, and beyond.
>
> At issue, according to six people with knowledge of internal discussions, is the desired number of amphibious warships, which carry Marines and can launch warplanes and landing craft.
>
> On one end is Deputy Defense Secretary Kathleen Hicks, who is spearheading an effort to cut the number of traditional, large-deck amphibs and invest in uncrewed ships and other lighter vessels, the people said. But Hicks' vision is at odds with plans put forth by Navy and Marine Corps leaders, who want to keep dozens of the ships they say are a key component to moving Marines and aircraft around the Indo-Pacific as the U.S. seeks to deter an aggressive China.
>
> The debate comes at a fraught time for the Navy as it struggles to grow the size of its fleet amid a series of shipbuilding failures that have drained congressional confidence in the service's ability to both put new ships in the water and maintain the ships they have....
>
> Some critics see the large ships as easy prey for Chinese long-range missiles, while being too big to get close to the small island chains of the Pacific to safely put Marines ashore and resupply them. Instead, the idea is for the Navy to get smaller, faster and develop more uncrewed systems.
>
> But Navy Secretary Carlos Del Toro, a Biden appointee and retired naval officer, has been a proponent of keeping the number of amphibs around its current strength of 31, a vision shared by Marine Corps Commandant Gen. David Berger who won support in Congress this year to block Pentagon plans to have the fleet shrink to 25 ships in the coming years.
>
> Yet Marine and Navy leaders are at odds with each other over another issue: Berger also wants to add 35 new light amphibious warships to allow his Marines to move through island chains more quickly while presenting less of a target. That's a vision Navy leadership has never fully supported.
>
> Differing opinions at the top of the Pentagon and Navy leadership chains is nothing new. Given the huge costs involved in designing and building new ships, the overall size and shape of the fleet has always been a politically fraught issue. And the constantly shifting global security dynamic often leads to clashes between the admirals and civilians at the Pentagon and Capitol Hill.

[24] Caitlin Doornbos, "The Navy Is Unprepared to Fight in Two Conflicts at Once with Current Fleet Size, the Service's Top Officer Tells Senators," *Stars and Stripes*, May 12, 2022.

But what is new is the lack of a united front in public when numbers are supplied to Congress....

During the Trump administration, national security adviser Robert O'Brien and Defense Secretary Mark Esper seized on the 355 figure—as Trump did in his presidential campaign—but then oversaw successive budgets that actually cut shipbuilding funding by billions of dollars. At one point in early 2020, Esper rejected the Navy's annual shipbuilding plan, taking control over the process and holding up its release for almost a year, only to release it in December 2020—a month before Joe Biden moved into the White House, all but ensuring they would be scrapped immediately by the new team.

The plan was also likely impossible to implement, calling for a fleet of over 500 ships by 2045, a dramatic increase from the 298 ships in service today. To get there, it proposed building 82 new ships by 2026, doubling the Navy's previous plan to manufacture 44 new ships by 2025, a pace of building that would likely be unachievable for the U.S. shipbuilding industry.

While that plan didn't survive the transition between administrations, Chief of Naval Operations Adm. Mike Gilday has continued to defend it well into the new administration, saying as recently as February that it remains "the one that I've based my best advice on," even as he was proposing a new budget along with another new shipbuilding plan, which incorporated nothing from Esper's wishlist.

And through it all, Congress and the defense industry have grown tired of the Navy's shifting numbers. Putting forward a new shipbuilding plan every year makes it impossible to maintain a stable supply line and keep ships rolling out of the shipyards, and the constantly moving target confuses both lawmakers and contractors.

In April of this year, the Navy released its latest 30-year shipbuilding plan that contained three options: 316 ships, 327 ships, and 367 ships, all with different assumptions over budget and what kinds of ships were purchased. Then in June, the Navy sent Congress a classified report saying its plans called for 373 ships, USNI News reported. But a Navy official told POLITICO that the new report focused only on operational needs, and ignored budgets and shipyard capacity, giving it no real connection to the realities of budgets or the industrial base. The Navy plans to send an update of that report to the Hill this year.

Through it all, Gilday continues to insist that, given the Chinese threat, the Navy needs more than 500 ships in the fleet.

"The mismatch on where the Biden Pentagon team and the Navy-Marine Corps [stand], that's the source of that tension," said one person with knowledge of the internal discussions, who, like others, asked for anonymity to speak candidly about the debate. "[Hicks'] thesis and where she thinks the department needs to go does not necessarily involve a Navy with larger numbers."

There is friction not just between the Navy and Pentagon leadership, but within the service as well. The Marine Corps' plan for the light amphibious warship was pushed out of the Navy shipbuilding budget two years in a row. The fiscal 2023 budget request shows the new ship being funded in fiscal 2025—after Berger is slated to retire.

The move also throws cold water on Berger's plan to give units of 75 Marines the flexibility to carry a wide range of weapons with them at sea, including anti-ship missiles, drones and supplies to rearm friendly forces.

That ship, however, is the cornerstone of the Marine Corps' modernization priorities. The Marine Corps envisions using the light amphibious warship to ferry Marines from beach to beach while hiding in plain sight, as the new vessel is the size of other commercial ships.

The plan also has implications for the shipbuilding industrial base. Since the size of these vessels is smaller compared to traditional amphibs, that opens the door for more

> prospective builders, including companies that are not equipped to build large military vessels, to bid on the contract....
>
> Complicating matters is the fact that the Biden administration has yet to put forth a nominee for the top Navy acquisition job, which is currently held on a temporary basis by Tommy Ross. Del Toro recently moved Ross, his former chief of staff, out of his front office because the two do not see eye-to-eye on the future of Navy shipbuilding, two former DoD officials said.
>
> Instead, Ross was relocated to the acquisition job where he does not have authority to sign off on major deals, the two people said.
>
> Ross is more aligned with Hicks' vision for the fleet, the people said.
>
> "There is tension between Carlos and Tommy Ross and by extension between Del Toro and Kath Hicks," said one former Pentagon official familiar with the discussions. "Del Toro wants to go a different direction and he feels like he's being constrained by Kath Hicks."
>
> Still, in his temporary role Ross does not have acquisition authority and is overseeing the Navy's $140 billion portfolio by name only, according to two internal memos announcing the changes.
>
> "I reserve the right to exercise any and all of the authorities temporarily assigned to you," Del Toro wrote in a May memo announcing Ross's new title.
>
> Instead that authority rests with Ross' deputy, Jay Stefany, a 37-year career Navy civil servant who entered the senior executive service in 2012. He is cleared to award contracts over $100 million to a single vendor and approve contracts in the $100 million to $500 million range that bypass the traditional acquisition process using what's known as other transaction authority.
>
> The differing views inside the Pentagon on the future of Navy shipbuilding is not a bad thing, but leadership must come to a consensus, according to one of the people. What they decide will set the tone for the industrial base, the person added.
>
> But what is concerning, once a path is chosen, is that the Navy lacks a Senate-confirmed acquisition executive to engage with industry to carry out the plan, the person said.
>
> In the end, Congress will have the final say over how large the Navy budget is and how many ships it can afford. While the Hill looks to pump tens of billions into President Joe Biden's latest defense budget, the Navy is hardly in their good graces given massive cost overruns and schedule slippages on new ship programs over the past 20 years.[25]

An August 1, 2022, press report stated

> In little more than five months, the shape of America's future Navy fleet changed. Between February and July, U.S. Navy leadership went from advocating for a modest fleet of 60 cruisers and destroyers to supporting a more robust vision of 96 large surface combatants by 2045.
>
> Nobody really knows what, exactly, pushed the Navy to favoring large combatants—a rating traditionally comprised of high-value cruisers and destroyers. Neither the U.S. Department of Defense, the Secretary of the Navy, nor America's Chief of Naval Operations, Admiral Mike Gilday, has offered taxpayers any real detail on what spurred the Navy, after years of fretting over the relevance of large surface combatants, to redirect at least $70 billion in future funding towards building bigger ships.

[25] Lara Seligman, Lee Hudson, and Paul McLeary, "Inside the Pentagon Slugfest Over the Future of the Fleet, No One Can Agree on How Many Ships the Navy Needs, and Congress Isn't Pleased," *Politico*, July 24 2022.

> The shift was abrupt. In February, at the annual WEST 2022 conference in San Diego, Gilday sketched out a future fleet of 60 large and 50 small combatants, breaking from the traditional 355-ship fleet goal of maintaining a 2:1 ratio of large combatants (cruisers and destroyers) to small vessels (frigates and Littoral Combat Ships). Last month, Gilday changed his tune, releasing a "2022 Navigation Plan," aiming for a fleet of 96 large combatants by 2045.
>
> Both targets are out of step with the 30-year shipbuilding plan detailed in April's "Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2023," which suggested to Congress that the Navy was intent upon fielding a fleet of between 70 to 80 large surface combatants by 2045....
>
> Given the public reporting to date, it is tough to tell what, exactly, is driving the Navy's sudden interest in large surface combatants. Industry press has been less than dogged in its efforts to understand the dramatic—if not unprecedented—oscillation in the U.S. Navy's demand for large surface combatants.
>
> That failure is unfortunate, as America's public and policymaker communities need clarity more than ever....
>
> While the Navy's growing appetite for large surface combatants—whatever they might turn out to be—is welcome news for the large surface combatant industrial base, the Navy's inability to fix on a consistent plan is a public relations and strategic disaster....
>
> With no viable strategic or tactical justification forthcoming from Navy leadership, the Navy's free-form approach to the future of the surface fleet does little more than bemuse rivals and irk everybody else. The Navy has little room to make sudden whipsaw changes. After repeated operational fiascoes, the U.S. Navy has little credibility right now, and an unexplained strategic change leaves pro-Navy advocates confused, and an already impatient Congress frustrated....
>
> The embrace of big ships in Gilday's new force structure turns distributed lethality on its head. Rather than working to grow the small-surface combatant fleet and using those vessels to smear sensors and shooters all over the sea, the surface Navy is, with DDG(X), re-inventing the battleship and, apparently, returning to the traditional World War II-era battle group, leaving distributed lethality for crew-less things.
>
> That's fine. But, as originally articulated, the Distributed Maritime Operations concept was set to push the fleet towards a 2:1 ratio of smaller crewed ships to bigger crewed surface combatants. If the mechanics behind Distributed Maritime Operations are shifting to feed the Navy's craving for larger vessels, that shift—particularly if it is sacrificing smaller crewed vessels for robots— is worth a bit of public discussion.[26]

FY2023 30-Year Shipbuilding Plan

Another issue for Congress concerns the three 30-year shipbuilding profiles and resulting force-level projections presented in the FY2023 30-year (FY2023-FY2052) shipbuilding plan. Potential oversight issues for Congress include the following:

- Alternatives 1 and 2 both assume no real growth in shipbuilding funds after FY2027, but they would procure somewhat different mixes of ships and produce fleets that are somewhat different in size and composition. What factors drove the differences between Alternatives 1 and 2?

[26] Craig Hooper, "Battleships Are Back! Navy Abruptly Boosts DDG/CG Building Targets For 2045," *Forbes*, August 1, 2022.

- How much real growth in shipbuilding funding after FY2027 is assumed for Alternative 3?
- In the absence of an updated, clearly defined, and definitive new force-level goal to replace the 355-ship goal, and the presentation of multiple 30-year shipbuilding profiles rather than a single profile, how well can Congress assess the adequacy of the Navy's shipbuilding plans, including the Navy's proposed FY2023 shipbuilding budget and five-year (FY2023-FY2027) shipbuilding plan?[27]

Budgetary Path for Achieving and Sustaining a Larger Navy

Overview

Another issue for Congress concerns the budgetary path for supporting a substantial increase in the size of the Navy. Increasing the size of the Navy from the current figure of roughly 300 ships to about 350 manned ships (plus additional large UVs) would likely require a substantial increase in the size of the Navy's total budget. Increasing the size of the Navy's shipbuilding budget would form one component of the needed increase in the Navy's total budget—additional increases to other parts of the Navy's budget would be needed to pay other costs associated with achieving and sustaining a larger fleet, including costs for additional ship crews; ship-embarked aircraft; ship-launched weapons; ship fuel and supplies, ship maintenance and repair; and shore support. An August 26, 2022, press report quoted the Chief of Naval Operations, Admiral Mike Gilday, as stating on August 25, 2022, that the Navy would need an additional $9 billion to $10 billion per year to build and maintain a fleet of 355 manned ships and 150 unmanned ships.[28]

Some observers who advocate substantially increasing the size of the Navy have argued that doing so can or should be resourced by increasing the Navy's share of the DOD budget, perhaps by reducing the Army's share (on the grounds that countering China's military in the Pacific region is DOD's top defense-planning priority and the Pacific for the United States is primary an aerospace and maritime theater rather than a land-forces-intensive theater). Whether reducing the Army's budget enough to finance a substantial increase in the size of the Navy would be feasible from a strategic standpoint—particularly following Russia's invasion of Ukraine and the focus that this development has placed on NATO's ability for deterring potential Russian aggression in Europe—is not clear. Another option for financing a substantial increase in the size of the Navy—one that some observers have raised following Russia's invasion of Ukraine—would be to maintain the Navy's share of the DOD budget about where it currently is, and instead increase the size of DOD's budget as a whole. Potential oversight questions for Congress include the following:

- Has a clear budgetary path been identified for financing a substantial increase in the size of the Navy?
- Does the Biden Administration support increasing the size of the Navy's total budget to the level needed to increase the size of the Navy to figures like those shown in **Table 2** or **Figure 1**?

[27] For press reports discussing this question, see, for example, Caitlin M. Kenney and Bradley Peniston, "The Navy's New Long-Range Shipbuilding Plan Is More Like a Menu," *Defense One*, April 20, 2022; and Diana Stancy Correll, "Navy's 30-Year Shipbuilding Plan Offers Three Options to Increase the Size of the Fleet," *Navy Times*, April 21, 2022.

[28] "The Big News," Politico Pro Morning Defense, August 26, 2022.

- In light of great power competition with China and Russia, how should funding requirements for the Navy be balanced against funding requirements for other parts of DOD?

Discussion

The prospective affordability of the Navy's force-level goal and associated 30-year shipbuilding plan has been a matter of oversight focus for several years. Observers have been especially concerned about the prospective affordability of Navy shipbuilding plans during the decade or so from the mid-2020s through the mid-2030s, when the Navy wants to procure Columbia-class ballistic missile submarines as well as replacements for large numbers of retiring attack submarines, cruisers, and destroyers.[29]

As noted earlier, in the Navy's FY2023 30-year (FY2023-FY2052) shipbuilding plan, Alternatives 1 and 2 assume no real (i.e., above-inflation) growth in shipbuilding funding beyond the level to be attained over the five-year period FY2023-FY2027, while Alternative 3 assumes some amount of real growth in shipbuilding funds after FY2027. Under Alternative 1, the Navy would reach 300 manned ships in FY2035 and grow to 316 manned ships by FY2052. Under Alternative 2, the Navy would reach 300 manned ships in FY2035 and grow to 327 manned ships by FY2052. Under Alternative 3, the Navy would reach 300 manned ships in FY2033 and grow to 367 manned ships by FY2052.

As also noted earlier, on July 26, 2022, the Navy released a document, *Chief of Naval Operations [CNO] Navigation Plan 2022*, that calls for a future fleet of 373 manned ships, as well as about 150 large unmanned surface and underwater vehicles. Regarding the funding levels needed to achieve this fleet, the document states (emphasis as in the original):

> Our central challenge is balancing our investments in the future fleet while sustaining a forward posture that keeps America safe and prosperous. Manpower, operations, and maintenance costs continue to grow above the rate of inflation. Meanwhile, we face the simultaneous task of recapitalizing our strategic nuclear deterrent, our century-old dry dock and ship repair facilities, and our strategic sealift capacity. **To simultaneously modernize and grow the capacity of our fleet, the Navy will require 3-5% sustained budget growth above actual inflation** [i.e., real growth]**. Short of that, we will prioritize modernization** [i.e., improving the capabilities of individual ships and aircraft] **over preserving force structure** [i.e., preserving numbers of ships and aircraft]**.** This will decrease the size of the fleet until we can deploy smaller, more cost-effective, and more autonomous force packages at scale.[30]

A July 27, 2022, press report states:

> The U.S. Navy's planned fleet of 2045 will require annual real [i.e., inflation-adjusted] budget increases of 3 to 5 percent, according to the Navy's top officer, who called that a "realistic" schedule for amassing the 500 hyperconnected manned and unmanned vessels that national security will require.

[29] The Navy's 30-year plans in recent years have spotlighted for policymakers the substantial increase in Navy shipbuilding funding that would be required to implement the 30-year plan during the decade or so from the mid-2020s through the mid-2030s. As discussed in CRS testimony in 2011, a key function of the 30-year shipbuilding plan is to alert policymakers well ahead of time to periods of potentially higher funding requirements for Navy shipbuilding. (See Statement of Ronald O'Rourke, Specialist in Naval Affairs, Congressional Research Service, before the House Armed Services Committee, Subcommittee on Oversight and Investigations, hearing on the Department of Defense's 30-Year Aviation and Shipbuilding Plans, June 1, 2011, 8 pp.)

[30] U.S. Navy, *Chief of Naval Operations Navigation Plan 2022*, undated, released July 26, 2022, p. 12.

> "I think it's going to take a couple of decades to get us to yield that hybrid fleet that we think that we ultimately need in order to fight the way we think we want to fight, which is in a distributed manner," Adm. Mike Gilday, chief of naval operations, told reporters on Tuesday [July 26].
>
> That budget growth goal "would be unprecedented if they were to be achieved by the Navy," based on historical statistics, said Travis Sharp, fellow and director of defense budget studies at the Center for Strategic and Budgetary Assessments based in Washington, D.C....
>
> Historically speaking, the odds are against the Navy getting that kind of money.
>
> "Over the last 75 years, only one-third of the time has the Department of the Navy's budget grown by 3 percent or more in real terms," said CSBA's Sharp. "If you think about those outcomes as being…the odds, it's like one-third of the time the Navy has gotten that level of resourcing, and two-thirds of the time it has not gotten that level resourcing."
>
> Since World War II, Sharp said, the longest span of three-percent-or-more growth in the Navy Department's budget is three years, and that's only happened twice, during general military buildups: in the early 1980s, across the Carter and Reagan administrations and the early 2000s after 9/11 and amid the buildup to the Iraq war.
>
> Various defense and congressional officials have recommended 3 to 5 percent budget growth since 2018, when both the National Defense Strategy and U.S. Institute of Peace's 2018 report by the National Defense Strategy Commission called for it, Sharp said.[31]

Navy officials stated at hearings on the Navy's FY2021 budget submission that achieving and supporting a 355-ship fleet over the next 10 years would require increasing the Navy's budget by a cumulative total of $120 billion to $130 billion over the next ten years, or an average of $12 billion to $13 billion per year. This figure, Navy officials stated, included not only the cost of procuring new ships, but costs associated with crewing, arming, operating, and maintaining a 355-ship fleet.[32] Prior to that—in September and October 2019—Navy officials stated that if Navy budgets in coming years remain at current levels in real (i.e., inflation-adjusted terms), the Navy would not be able to properly maintain a fleet of more than 302 to 310 ships.[33]

Navy officials made similar statements in their June 2021 testimony on the Navy's proposed FY2022 budget. A June 15, 2021, press report, for example, states

> The number of ships in the fleet, now at 296 ships, will decrease if the Navy continues to have flat or declining budgets, the service's top officer told Congress today.
>
> Despite numerous evaluations showing the Navy needs more ships, Chief of Naval Operations Adm. Mike Gilday told the House Armed Service Committee that without a topline increase to the service's budget, the fleet will only get smaller.
>
> "As you all know, the results of analysis done over the past five years—whether inside the Pentagon or outside—have been consistent and clear: America needs a larger, more capable fleet," Gilday said. "Our latest Future [Naval Force Structure] assessment provided the

[31] Caitlin M. Kenney, "Navy Fleet Plan Needs 3-5% Annual Budget Increases for the Next Two Decades," *Defense One*, July 27, 2022.

[32] See, for example, Ben Werner, "SECNAV Modly: Navy Needs Additional $120 Billion To Build 355-Ship Fleet By 2030," *USNI News*, February 27, 2020.

[33] Justin Katz, "Modly Acknowledges 355 Ships Won't Happen in 'Reasonable' Amount of Time," *Inside Defense*, September 16, 2019; Otto Kreisher, "Modly Doubts Future Budgets Will Allow for 355-Ship Fleet," *Seapower*, October 27, 2019; Ben Werner, "Admiral: Navy Can Afford to Field a 310-Ship Fleet, Not 355," *USNI News*, October 28, 2019. See also Rich Abott, "Navy Says Current Funding Only Supports 310 Ships," *Defense Daily*, October 28, 2019; Paul McLeary, "Navy May Scrap Goal of 355 Ships; 310 Is Likely," *Breaking Defense*, October 25, 2019.

> headlights not only for the size of our future fleet, but importantly for the composition of that fleet, the capabilities that it brings to the joint force. If the Navy's [budget] top-line remains flat or goes down further, the size of our fleet will definitely shrink."…
>
> Gilday told lawmakers that the service's budget is trying to balance the need to pursue new capabilities and technology with its readiness priorities. While the Navy has for years been building toward a goal of 355 ships, Gilday said the service only has enough money for 300 vessels with its current budget.[34]

A November 4, 2021, press report stated

> The U.S. Navy needs annual budget increases of three to five percent over inflation if it is to reach its shipbuilding goals and meet China's "significant threat," Navy Secretary Carlos Del Toro said Thursday [November 4]....
>
> If the U.S. Navy is to reach 355 ships—the goal service leaders put forth in 2016 and Congress ratified two years later—it needs budget increases of three to five percent over inflation, Del Toro said.[35]

In January 2020, Admiral Gilday stated that fully funding the Navy's program goals, including the attainment of a 355-ship fleet, would require allocating a larger share of DOD's budget to the Navy.[36]

The Navy in its FY2020 30-year shipbuilding plan highlighted a concern over the potential costs to sustain a larger fleet.[37] An April 2021 CBO report on the cost of the shipbuilding plan in the December 9, 2020, shipbuilding document estimates that if the plan were implemented, the fleet's annual operation and support (O&S) costs in constant 2021 dollars would grow from $74 billion today to $113 billion by 2051, and that the Navy's total budget would increase in constant 2021 dollars from about $200 billion today to $279 billion by 2051.[38]

Potential Impacts of a CR on FY2023 Navy Shipbuilding Programs

Overview

Another issue for Congress concerns the potential impacts on FY2023 Navy shipbuilding programs of using one or more continuing resolutions (CRs) to fund DOD operations for at least some portion of FY2023.

For general background information on the potential impacts of CRs on Navy shipbuilding programs, see **Appendix I**. As discussed in **Appendix I**, the potential impacts of a CR on program execution can be avoided or mitigated if the CR includes special provisions, called anomalies, for exempting individual programs or groups of programs from the general provisions

[34] Mallory Shelbourne, "CNO Gilday: Flat or Declining Navy Budgets 'Will Definitely Shrink' the Fleet," *USNI News*, June 15, 2021.

[35] Caitlin M. Kenney, "Navy Secretary Seeks 3-5% Annual Budget Increases," *Defense One*, November 4, 2021.

[36] See, for example, Marcus Weisgerber, "The US Navy Needs More Money, Its Top Admiral Bluntly Argues," *Defense One*, January 14, 2020; Sam LaGrone, "CNO Gilday Calls for Budget Increase to Reach 355 Ship Fleet; New Battle Force Count Won't Include Unmanned Ships," *USNI News*, January 14, 2020; John M. Doyle, "CNO Wants Larger Slice of Defense Budget to Modernize, Meet China Threat," *Seapower*, January 15, 2020; Rich Abott, "CNO: Ship Count Will Not Include Unmanned; Bigger Topline Needed For Fleet Goal," *Defense Daily*, January 15, 2020.

[37] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2020*, pp. 19-20.

[38] Congressional Budget Office, *An Analysis of the Navy's December 2020 Shipbuilding Plan*, April 2021, unnumbered page with the header "At a Glance" that immediately follows the report's cover.

of the CR, or if the CR includes expanded authorities for DOD for reprogramming and transferring funds.

LPD-17 Flight II Program

As discussed in **Appendix I**, CRs typically prohibit, among other things, an increase in procurement quantity for a program compared with that program's procurement quantity in the prior year. This prohibition could affect the LPD-17 Flight II amphibious ship program in FY2023, because the Navy did not procure such a ship in FY2022 and is requesting the procurement of such a ship in FY2023.

As also discussed in **Appendix I**, Navy shipbuilding programs, uniquely among DOD acquisition programs, can be affected under a CR due to year-to-year funding misalignments at the line-item level, and the LPD-17 program in FY2023 could be affected under a CR for this reason as well, because the program received no procurement funding and $250.0 million in advance procurement (AP) funding in FY2022, and the Navy is requesting $1,673.0 million in procurement funding and no advance procurement (AP) funding for FY2023.

LHA-9 Amphibious Assault Ship

As discussed earlier, the Navy's FY2023 budget submission shows a request for the procurement of the amphibious assault ship LHA-9, and the Navy did not procure an LHA-type amphibious assault ship in FY2022. On first inspection, this might appear to create the potential for a program impact under the CR due to a requested year-to-year increase in the program's procurement quantity. As discussed earlier, however, CRS reports on Navy shipbuilding programs, including this report, treat LHA-9 as a ship that Congress procured (i.e., authorized and provided procurement—not advance procurement [AP]—funding for) in FY2021, and Navy officials have described the listing of LHA-9 in the Navy's FY2023 budget submission as a ship being requested for procurement in FY2023 as an oversight.

The LHA program, however, could nevertheless be affected under a CR in FY2023 due to a year-to-year funding misalignment at the line-item level—the program received $68.6 million in procurement funding in FY2022, and the Navy is requesting $1,085.5 million in procurement funding for FY2023.

Proposal to Retire 24 Ships, Including 9 LCSs, in FY2023

Another issue for Congress concerns the Navy's proposal in its FY2023 budget submission to retire 24 ships, including 9 relatively young LCSs.[39] Assuming a weighted average expected service life of 35 years for Navy ships, for a fleet of 299 ships—the number of battle force ships in the Navy as of September 15, 2022—a long-term (35-year average) of 8 or 9 ship retirements

[39] For a list of the 24 ships and the dates they entered service, see Megan Eckstein, "US Navy Reveals Ships Facing Potential Decommissioning Next Year," *Defense News*, April 4, 2022. For press reports about debate on the proposal to retire the 24 ships, see, for example, Aaron Mehta, "Don't Scrap LCS Now That They Are Finally Useful: Luria," *Breaking Defe*nse, April 7, 2022; AUSN Staff, "Milley Defends Shrinking Navy Fleet: 'Ship Count Is An Incomplete Metric,'" Association of the United States Navy, April 5, 2022; Justin Katz, "Gilday Dings Russia to Argue US Navy's Fleet Is More Than Numbers," *Breaking Defense*, April 4, 2022; Marcus Weisgerber, "Top Navy Admiral: Fleet Size Doesn't Always Matter," *Defense O*ne, April 4, 2022; AUSN Staff, "'It sucks': Lawmakers Hate Biden's Navy Budget," Association of the United States Navy, March 30, 2022; Konstantin Toropin, "Navy Names the Ships It Wants Scrapped as Congressional Protests Grow," Military.com, March 30, 2022.

per year might be expected, though the number could be above or below that average in any given year, due to the uneven age distribution of Navy ships.

The Navy states that it is proposing to retire some of the 24 ships, including the 9 LCSs, as part of a DOD budgeting strategy, incorporated into in the proposed FY2022 budget as well as the proposed FY2023 budget, of divesting legacy capabilities that are not well aligned with mission priorities so as to release resources for application to programs that are better aligned with those priorities[40]—a strategy that some observers refer to as "divest to invest."[41] DOD and other supporters argue that this approach is necessary to optimize capabilities within available funding. Opponents argue that funding levels should instead be increased to retain useful legacy - capabilities and/or that the strategy eliminates legacy capabilities that may be useful (even if not optimal) for potential near-term contingencies (such as a potential Chinese military action against Taiwan sometime in the next few years) in return for the promise of future capabilities whose realization is not guaranteed or would not occur quickly enough to help respond to potential near-term contingencies.[42]

Potential oversight issues for Congress include the following:

- Are these proposed retirements consistent with a goal of increasing the size of the Navy toward a fleet of approximately 350 manned ships?
- What will be the impact on annual Navy funding requirements, capabilities, and operational risks, both over the next few years and over the long run, of retiring the 9 LCSs and the other relatively young ships that are among the 24 ships proposed for retirement?
- Before deciding to propose early retirements for the 9 LCSs and the other relatively young ships that are among the 24 ships proposed for retirement, did the Navy conduct studies of options for using these ships to perform missions of interest to the Navy that were not the originally intended primary missions of these ships (and perhaps for modifying the ships to perform such alternate missions)? If so, does the Navy intend to submit these studies to the congressional defense committees? What were the results of these studies?
- What impact would the retirement of relatively young ships have on the Navy's ability to argue in the future that new ships requested for procurement will be worth their procurement costs because the Navy intends to operate them over a certain expected service life?

[40] See, for example, Department of the Navy, *Highlights of the Department of the Navy FY 2023 Budget*, undated but released as part of the Navy's FY2023 budget submission, pp. 12-2 and 12-3. See also Jim Garamone, "Austin Lays Out Reasoning Behind DOD Budget Request," *DOD News*, April 7, 2022; Shelley K. Mesch, "Kendall: Legacy Divestment and RDT&E Investment Will Cut Down Cost," *Inside Defense*, April 28, 2022.

[41] See, for example, Michael Fabey, "Pentagon Budget 2023: US Navy Details More Proposed Divestments," *Jane's*, April 19, 2022; Dave Ress, "Navy Budget Calls for Decommissioning 4 Norfolk-Based Ships," *Newport News Daily Press*, April 26, 2022; Megan Eckstein, "US Navy FY22 Budget Request Prioritizes Readiness Over Procurement," *Defense News*, May 28, 2021.

[42] See, for example, Brent Sadler, "The Navy's Latest Shipbuilding Plan May Sink America's Pacific Ambitions," *Heritage Foundation*, May 2, 2022. See also Abraham Mahshie, "'Divest to Invest': Biden Navy Shipbuilding Plan Leaves Lawmakers and Analysts Bewildered," *Washington Examiner*, June 22, 2021; "Navy's 'Divest to Invest' Plan Comes with Dangerous Risk, Former Deputy Under Secretary Says," *Defense Matters*, August 16, 2021; Hallie Coyne, "Bad Idea: Divest to Invest," *Defense 360º (Center for Strategic and International Studies [CSIS])*, December 10, 2021.

Reduction in FFG-62 Procurement Rate

The Navy previously planned a sustained annual procurement rate of two ships per year for the Constellation (FFG-62) class program. As shown in **Table 3**, the Navy's FY2023 five-year shipbuilding plan reduces the program's planned procurement rate to three ships every two years, or 1.5 ships per year. Potential oversight questions for Congress include the following:

- Why did the Navy reduced the program's procurement rate to 1.5 ships per year?
- If the Navy did this because of limits on the capacity of the industrial base to produce these ships, what is the Navy's plan for expanding the capacity of the industrial base so as to support a procurement rate of at least two ships per year? Has the Navy presented such a plan to the congressional defense committees?
- Is the Navy's proposal to reduce the planned procurement rate of these ships, particularly in conjunction with its proposal to retire 9 relatively young LCSs, consistent with the idea of moving the Navy toward a more distributed fleet architecture?

Truncation of LPD-17 Flight II Procurement

Under the 38-ship amphibious force-level goal that is included in the Navy's current 355-ship force-level objective (see **Table 1**), the Navy had planned to procure a total of 13 LPD-17 Flight II class ships. Under the Navy's proposed FY2023 budget, the LPD-17 Flight II ship proposed for procurement in FY2023—the third LPD-17 Flight II ship—would be the final one to be procured. The Navy's FY2023 budget submission would thus truncate the LPD-17 Flight II program from a previously envisaged total of 13 ships to 3 ships. Ending LPD-17 Flight II procurement with the ship requested for procurement in FY2023 would make for a total of 16 LPD-17 Flight I and Flight II ships (13 LPD-17 Flight I ships procured in earlier years, and 3 LPD-17 Flight II ships). As shown in **Table 2**, a total of 16 LPD-17s would equal the low end of the range of 16 to 19 LPD-17s called for under the June 17, 2021, long-range Navy shipbuilding document. The Navy is currently studying requirements for amphibious ships; the results of this study presumably will inform or be incorporated into the force-level goal that the Navy is developing to replace the 355-ship goal. The Navy's FY2023 30-year shipbuilding plan states, "The Navy will begin assessment of a next-generation amphibious ship (i.e., LPD(X)) in FY2023."[43]

Potential oversight questions for Congress include the following:

- If the Navy has not yet completed its study of amphibious-ship requirements, and has not yet released a definitive new force-level goal to replace the 355-ship goal, how can the Navy know that the requirement for LPD-17s will be no more than 16 ships, particularly when the June 17, 2021, long-range Navy shipbuilding document set forth a possible range of 16 to 19 LPD-17s?
- The Marine Corps' FY2023 unfunded priorities list includes, as its first item, an unfunded priority for $250 million in advance procurement (AP) funding for the future procurement of a fourth LPD-17 Flight II class ship. Is that consistent with the Navy's proposal to end procurement of LPD-17 Flight II class ships with the procurement of a third and final LPD-17 Flight II ship in FY2023? Are the Navy

[43] U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2023*, April 2022 (released April 20, 2022), p. 14.

and Marine Corps in agreement regarding future required numbers of LPD-17s and amphibious ships in general?

- What impact would the truncation of LPD-17 Flight II procurement to a total of three ships have on the shipyard that builds LPD-17 Flight IIs (HII/Ingalls—the Ingalls shipyard of Pascagoula, MS, which is part of Huntington Ingalls Industries) in terms of workloads, employment levels, and costs for building other Navy warships (including DDG-51 destroyers and LHA-type amphibious assault ships) that are built at that yard? What impact would the truncation of LPD-17 Flight II procurement have on supplier firms associated with construction of LPD-17 Flight II ships?

Deferral of Start of LAW Procurement

Previous Navy plans envisioned starting procurement of Light Amphibious Warships (LAWs) in FY2023. LAWs are closely associated with the Marine Corps' Expeditionary Advanced Base Operations (EABO) operational concept and the idea of shifting the Navy to a more distributed fleet architecture. Compared to the previously envisioned start of procurement in FY2023, the Navy's FY2023 five-year shipbuilding plan in effect defers the start of LAW procurement two years, to FY2025. Potential oversight questions for Congress include the following:

- Why is the Navy proposing to effectively defer the start of LAW procurement by two years, to FY2025?
- If the Navy is proposing this because it needs more time to study operational requirements (and thus needed design features) for the LAW, why does the Navy need an additional two years of time? What has changed that would require that much additional time for the study of operational requirements?
- What impact will the two-year deferral have in terms of reducing technical, schedule, and cost risk in the LAW program? What impact will it have on Navy-Marine Corps capabilities and operational risks over the next several years?

Industrial Base Capacity

Another issue for Congress concerns industrial base capacity at ship construction shipyards, ship overhaul and repair shipyards, and supplier firms for building ships at annual rates needed to substantially increase the size of the Navy, and for performing overhaul, repair, and modernization work on a larger fleet. Potential capacity limits or bottlenecks that have been identified include but are not necessarily limited to shipyard and supplier capacity for building submarines at desired annual rates, and capacity at government-operated Naval Shipyards (NSYs) for performing overhaul, repair, and modernization work on the Navy's nuclear-powered ships (i.e., its submarines and aircraft carriers).[44] An August 25, 2022, press report stated:

[44] Regarding the delays and other difficulties the Navy has experienced in recent years in executing overhaul and repair work on existing Navy ships, see, for example, Congressional Budget Office, *The Capacity of the Navy's Shipyards to Maintain Its Submar*ines, March 2021, 21 pp.; Government Accountability Office, *Navy Maintenance[:] Navy Report Did Not Fully Address Causes of Delays or Results-Oriented Elements*, GAO-21-66, October 2020, 29 pp; Government Accountability Office, *Navy Shipyards[:] Actions Needed to Address the Main Factors Causing Maintenance Delays for Aircraft Carriers and Submarines*, GAO-20-588, August 2020, 47 pp.; Government Accountability Office, *Navy Ship Maintenance[:] Evaluating Pilot Program Outcomes Could Inform Decisions to Address Persistent Schedule Challenges*, GAO-20-370, May 2020, 55 pp.; Government Accountability Office, *Navy Ship Maintenance[:] Actions Needed to Address Maintenance Delays for Surface Ships Based Overseas*, GAO-20-86, February 2020, 63 pp.;

> The biggest barrier to adding more ships to the Navy is industrial base capacity, Chief of Naval Operations Adm. Mike Gilday said Thursday [August 25].
>
> The service's top officer said shipbuilders need indicators from the service before they're able to make the investments required to build, for example, three destroyers per year.
>
> "We have an industrial capacity that's limited. In other words, we can only get so many ships off the production line a year. My goal would be to optimize those production lines for destroyers, for frigates, for amphibious ships, for the light amphibious ships, for supply ships," Gilday said at a Heritage Foundation event.
>
> "We need to give a signal to industry that we need to get to three destroyers a year, instead of 1.5, that we need to maintain two submarines a year. And so part of this is on us to give them a clear set of – a clear aim point so they can plan a work force and infrastructure that's going to be able to meet the demand. But again, no industry is going to make those kinds of investments unless we give them a higher degree of confidence."
>
> Asked by USNI News after the event if the reason the Navy isn't ready to send that signal to industry is because of funding, Gilday said, "it depends on the class of ships. Sometimes it's affordability. Sometimes it's industrial capacity."[45]

Potential oversight questions for Congress include the following:

- Is there sufficient shipyard and supplier capacity to increase the size of the Navy to the figures like those shown in **Table 2** or **Figure 1**, and to sustain a fleet of that general size? Where is there currently insufficient capacity?
- For areas where there currently is insufficient capacity, what is the Navy's plan for increasing capacity to required levels?
- Will implementing the Shipyard Infrastructure Optimization Program (SIOP)—the Navy's 20-year plan for investing in the modernization of facilities at the four government-operated NSYs—provide enough capacity at the NSYs to meet the overhaul, repair, and modernization needs for the nuclear-powered ships (including, potentially, an increased number of attack submarines) in a larger Navy?

Legislative Activity for FY2023

CRS Reports Tracking Legislation on Specific Navy Shipbuilding Programs

Detailed coverage of legislative activity on certain Navy shipbuilding programs (including funding levels, legislative provisions, and report language) can be found in the following CRS reports:

- CRS Report R41129, *Navy Columbia (SSBN-826) Class Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

Government Accountability Office, *Navy Maintenance[:] Persistent and Substantial Ship and Submarine Maintenance Delays Hinder Efforts to Rebuild Readiness*, GAO-20-257T, December 4, 2019 (Testimony Before the Subcommittees on Seapower and Readiness and Management Support, Committee on Armed Services, U.S. Senate, Statement of Diana C. Maurer Director Defense Capabilities and Management), 31 pp. GAO has reported and testified on this issue numerous times in recent years.

[45] Mallory Shelbourne, "CNO Gilday: Industrial Capacity Largest Barrier to Growing the Fleet," *USNI News*, August 25, 2022.

- CRS Report RL32418, *Navy Virginia (SSN-774) Class Attack Submarine Procurement: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11826, *Navy Next-Generation Attack Submarine (SSN[X]) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11679, *Navy DDG(X) Next-Generation Destroyer Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R44972, *Navy Constellation (FFG-62) Class Frigate Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43543, *Navy LPD-17 Flight II and LHA Amphibious Ship Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R46374, *Navy Light Amphibious Warship (LAW) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11674, *Navy Next-Generation Logistics Ship (NGLS) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS In Focus IF11838, *Navy TAGOS-25 (Previously TAGOS[X]) Ocean Surveillance Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R45757, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress*, by Ronald O'Rourke.

Legislative activity on individual Navy shipbuilding programs that are not covered in detail in the above reports is covered below.

Summary of Congressional Action on FY2023 Shipbuilding Funding Request

The Navy's proposed FY2023 budget requests $27.9 billion in shipbuilding funding for, among other things, the procurement of eight new ships, including two Virginia (SSN-774) class attack submarines, two Arleigh Burke (DDG-51) class destroyers, one Constellation (FFG-62) class frigate, one LPD-17 Flight II class amphibious ship, one John Lewis (TAO-205) class oiler, and one Navajo (TATS-6) class towing, salvage, and rescue ship.

Table 4 summarizes congressional action on the Navy's FY2023 funding request for Navy shipbuilding. The table shows the amounts requested and congressional changes to those requested amounts. A blank cell in a filled-in column showing congressional changes to requested amounts indicates no change from the requested amount.

Table 4. Summary of Congressional Action on FY2023 Funding Request

Millions of dollars, rounded to nearest tenth; totals may not add due to rounding

Line number	Program	Request	Congressional changes to requested amounts					
			Authorization			Appropriation		
			HASC	SASC	Enacted	HAC	SAC	Enacted
Shipbuilding and Conversion, Navy (SCN) appropriation account								
001	Columbia-class SSBN	3,079.2						
002	Columbia-class SSBN (AP)	2,778.6						
003	CVN 80 aircraft carrier	1,481.5	-15.0			-17.6	-15.7	
004	CVN-81 aircraft carrier	1,052.0	-15.0					
005	Virginia-class SSN	4,534.2						
006	Virginia-class SSN (AP)	2,025.7						
007	CVN RCOH	0						
008	CVN RCOH (AP)	618.3				-44.9	-6.2	
009	DDG-1000	73.0						
010	DDG-51	4,376.5	1,438.3				2,570.0	
011	DDG-51 (AP)	618.4	130.0	250.0			77.3	
012	LCS	0						
013	FFG-62	1,085.2	997.2	73.4			50.0	
014	FFG-62 (AP)	74.9				-74.9	-74.9	
015	LPD-17 Flight II	1,673.0						
016	LPD-17 Flight II (AP)	0	250.0	250.0			250.0	
017	LPD-17 Flight I	0						
018	Expeditionary Sea Base	0						
019	Expeditionary Sea Base (AP)	0						
020	LHA amphibious assault ship	1,085.5	289.0				289.0	
021	Expeditionary fast transport ship (EPF)	0	695.0				645.0	
022	TAO-205 oiler	794.7	746.0				-12.1	
023	TAGOS(X) ocean surveillance ship	0						
024	TATS towing/salvage/rescue ship	95.9						
025	Moored training ship	0						
026	LCU 1700 landing craft	0						
027	Outfitting	707.4					-33.9	
028	Ship to shore connector (SSC)	190.4	201.4				264.1	
029	Service craft	68.3		23.0			-47.2	
029A	Auxiliary Personnel Lighter (APL)	0					63.2	
030	LCAC landing craft SLEP	36.3						
031	Auxiliary vessels (used sealift ships)	140.7					-7.7	
032	Completion of prior-year ships	1,328.1	45.0					
XX	Undistributed (inflation effects)	0		839.2				
TOTAL		**27,917.9**	**4,761.9**	**1,435.6**		**-137.4**	**4,010.8**	

Source: Table prepared by CRS based on original Navy FY2023 budget submission, committee reports, and explanatory statements on the FY2023 National Defense Authorization Act and FY2023 DOD Appropriations Act.

Notes: Millions of dollars, rounded to nearest tenth. A blank cell indicates no change to requested amount. Totals may not add due to rounding. **AP** = advance procurement funding; **HASC** = House Armed Services

Committee; **SASC** = Senate Armed Services Committee; **HAC** = House Appropriations Committee; **SAC** = Senate Appropriations Committee; **SLEP** = service life extension program.

FY2023 National Defense Authorization Act (H.R. 7900/S. 4543)

House

Committee Report

The House Armed Services Committee, in its report (H.Rept. 117-397 of July 1, 2022) on H.R. 7900, recommended the funding levels shown in the HASC column of **Table 4**. These funding levels provide for, among other things, the procurement of 13 new ships—the eight requested by the Navy for procurement in FY2023, plus five additional ships, including

- one additional DDG-51 destroyer;
- one additional FFG-62 frigate;
- two additional Expeditionary Fast Transport ships (EPFs), to be built as medical ships; and
- one additional TAO-205 oiler.

Section 114 of H.R. 7900 as reported by the committee states

> SEC. 114. AUTHORITY FOR CERTAIN PROCUREMENTS FOR THE SHIP-TO-SHORE CONNECTOR PROGRAM.
>
> (a) CONTRACT AUTHORITY.—The Secretary of the Navy may enter into one or more contracts, beginning with fiscal year 2023, for the procurement of up to 25 Ship-to-Shore Connector class craft and associated material.
>
> (b) LIABILITY.—Any contract entered into under subsection (a) shall provide that—
>
> (1) any obligation of the United States to make a payment under the contract is subject to the availability of appropriations for that purpose; and
>
> (2) that total liability of the Federal Government for termination of any contract entered into shall be limited to the total amount of funding obligated to the contract at time of termination.

Section 352 of H.R. 7900 as reported by the committee states

> SEC. 352. ANNUAL PLAN FOR MAINTENANCE AND MODERNIZATION OF NAVAL VESSELS.
>
> (a) ANNUAL PLAN.—Section 231 of title 10, United States Code, is amended—
>
> (1) in the heading, by inserting ‘‘, maintenance, and modernization’’ after ‘‘construction’’;
>
> (2) by redesignating subsections (d) through (f) as subsections (e) through (g), respectively;
>
> (3) by inserting after subsection (c) the following new subsection:
>
> ‘‘(d) ANNUAL PLAN FOR MAINTENANCE AND MODERNIZATION OF NAVAL VESSELS.—In addition to the plan included under subsection (a)(1), the Secretary of Defense shall include with the defense budget materials for a fiscal year each of the following:
>
> ‘‘(1) A plan for the maintenance and modernization of naval vessels that includes the following:

''(A) A forecast of the maintenance and modernization requirements for both the naval vessels in the inventory of the Navy and the vessels required to be delivered under the naval vessel construction plan under subsection (a)(1).

''(B) A description of the initiatives of the Secretary of the Navy to ensure that activities key to facilitating the maintenance and modernization of naval vessels (including with respect to increasing workforce and industrial base capability and capacity, shipyard level-loading, and facility improvements) receive sufficient resourcing, and are including in appropriate planning, to facilitate the requirements specified in subparagraph (A).

''(2) A certification by the Secretary that both the budget for that fiscal year and the future-years defense program submitted to Congress in relation to such budget under section 221 of this title provide for funding for the maintenance and modernization of naval vessels at a level that is sufficient for such maintenance and modernization in accordance with the plan under paragraph (1).''; and

(4) in subsection (f), as redesignated by paragraph (2), by inserting '' and the plan and certification under subsection (d)'' after ''subsection (a)''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 9 of title 10, United States Code, is amended by striking the item relating to section 231 and inserting the following new item:

''231. Budgeting for construction, maintenance, and modernization of naval vessels: annual plan and certification.''.

Section 818 of H.R. 7900 as reported by the committee states

SEC. 818. REQUIREMENTS FOR THE PROCUREMENT OF CERTAIN COMPONENTS FOR CERTAIN NAVAL VESSELS AND AUXILIARY SHIPS.

(a) REQUIREMENTS FOR THE PROCUREMENT OF CERTAIN COMPONENTS FOR NAVAL VESSELS.—Section 4864(a)(2) of title 10, United States Code, is amended by adding at the end the following new subparagraph:

''(G) Ship shafts and propulsion system components (including reduction gears and propellers).''.

(b) REQUIREMENT THAT CERTAIN AUXILIARY SHIP COMPONENTS BE MANUFACTURED IN THE NATIONAL TECHNOLOGY AND INDUSTRIAL BASE.—

(1) TECHNICAL AMENDMENT.—Section 4864 of title 10, United States Code, is amended by redesignating subsection (l) (relating to ''Implementation of auxiliary ship component limitation'') as subsection (k).

(2) COMPONENTS FOR AUXILIARY SHIPS.—Paragraph (3) of section 4864(a) of title 10, United States Code, is amended to read as follows:

''(3) COMPONENTS FOR AUXILIARY SHIPS.—Subject to subsection (k), the following components:

''(A) Large medium-speed diesel engines.

''(B) Propulsion system components, including reduction gears and propellers.''.

(3) IMPLEMENTATION.—Subsection (k) of section 4864 of title 10, United States Code, as redesignated by paragraph (1), is amended to read as follows:

''(k) IMPLEMENTATION OF AUXILIARY SHIP COMPONENT LIMITATION.—Subsection (a)(3) shall apply only with respect to contracts awarded by a Secretary of a military department for construction of a new class of auxiliary ship after the date of the

enactment of this Act using funds available for National Defense Sealift Fund programs or Shipbuilding and Conversion, Navy.''.

Section 1021 of H.R. 7900 as reported by the committee states

SEC. 1021. NAVY CONSULTATION WITH MARINE CORPS ON MAJOR DECISIONS DIRECTLY CONCERNING MARINE CORPS AMPHIBIOUS FORCE STRUCTURE AND CAPABILITY.

(a) IN GENERAL.—Section 8026 of title 10, United States Code, is amended by inserting ''or amphibious force structure and capability'' after ''Marine Corps aviation''.

(b) CLERICAL AMENDMENTS.—

(1) SECTION HEADING.—The heading of such section is amended by inserting ''or amphibious force structure and capability''.

(2) TABLE OF SECTIONS.—The table of sections at the beginning of chapter 803 of such title is amended by striking the item relating to section 8026 and inserting the following new item:

''8026. Consultation with Commandant of the Marine Corps on major decisions directly concerning Marine Corps aviation or amphibious force structure and capability.''.

Section 1022 of H.R. 7900 as reported by the committee states

SEC. 1022. NUMBER OF NAVY OPERATIONAL AMPHIBIOUS SHIPS.

Section 8062 of title 10, United States Code, is amended by adding at the end the following new subsection:

''(g) The naval combat forces of the Navy shall include not less than 31 operational amphibious ships, comprised of LSD–41 class ships, LSD–49 class ships, LPD–17 class ships, LPD–17 Flight II class ships, LHD–1 class ships, LHA–6 Flight 0 class ships, and LHA–6 Flight I class ships. For purposes of this subsection, an operational amphibious ship includes an amphibious ship that is temporarily unavailable for worldwide deployment due to routine or scheduled maintenance or repair.''.

Section 1023 of H.R. 7900 as reported by the committee states

SEC. 1023. AVAILABILITY OF FUNDS FOR RETIREMENT OR INACTIVATION OF LANDING DOCK SHIPS.

None of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2023 for the Department of Defense may be obligated or expended to retire, prepare to retire, inactivate, or place in storage any of the following ships:

(1) USS Germantown (LSD-42).

(2) USS Gunston Hall (LSD-44).

(3) USS Tortuga (LSD-46).

(4) USS Ashland (LSD-48).

Section 1024 of H.R. 7900 as reported by the committee states

SEC. 1024. AVAILABILITY OF FUNDS FOR RETIREMENT OR INACTIVATION OF GUIDED MISSILE CRUISERS.

(a) IN GENERAL.—Subject to subsection (b), none of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2023 for the Department of Defense may be obligated or expended to retire, prepare to retire, inactivate, or place in storage more than four guided missile cruisers.

(b) USS VICKSBURG.—The USS Vicksburg may not be retired, prepared to retire, inactivated, or placed in storage pursuant to subsection (a).

Section 1026 of H.R. 7900 as reported by the committee states

SEC. 1026. PROHIBITION ON USE OF FUNDS FOR RETIREMENT OF LEGACY MARITIME MINE COUNTERMEASURES PLATFORMS.

(a) PROHIBITION.—Except as provided in subsection (b), the Secretary of the Navy may not obligate or expend funds to discontinue or prepare to discontinue, including by making a substantive reduction in training and operational employment, the Marine Mammal System program, that has been used, or is currently being used, for—

(1) port security at Navy bases, known as Mark-6 systems; or

(2) mine search capabilities, known as Mark-7 systems.

(b) WAIVER.—The Secretary of the Navy may waive the prohibition under subsection (a) if the Secretary, with the concurrence of the Director of Operational Test and Evaluation, certifies in writing to the congressional defense committees that the Secretary has—

(1) identified a replacement capability and the necessary quantity of such capability to meet all operational requirements currently being met by the Marine Mammal System program, including a detailed explanation of such capability and quantity;

(2) achieved initial operational capability of all capabilities referred to in paragraph (1), including a detailed explanation of such achievement; and

(3) deployed a sufficient quantity of capabilities referred to in paragraph (1) that have achieved initial operational capability to continue to meet or exceed all operational requirements currently being met by Marine Mammal System program, including a detailed explanation of such deployment.

Section 1030 of H.R. 7900 as reported by the committee states

SEC. 1030. AVAILABILITY OF FUNDS FOR RETIREMENT OR INACTIVATION OF EXPEDITIONARY TRANS FER DOCK SHIPS.

None of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2023 for the Department of Defense may be obligated or expended to retire, prepare to retire, inactivate, or place in storage the following ships:

(1) ESD-1.

(2) ESD-2.

Section 1031 of H.R. 7900 as reported by the committee states

SEC. 1031. AVAILABILITY OF FUNDS FOR RETIREMENT OR INACTIVATION OF LITTORAL COMBAT SHIPS.

None of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2023 for the Department of Defense may be obligated or expended to retire, prepare to retire, inactivate, or place in storage more than four Littoral Combat Ships.

Section 1031 of H.R. 7900 as reported by the committee states

SEC. 1094. NATIONAL COMMISSION ON THE FUTURE OF THE NAVY.

(a) NATIONAL COMMISSION ON THE FUTURE OF THE NAVY.—

(1) ESTABLISHMENT.—There is established the National Commission on the Future of the Navy (in this section referred to as the ‘‘Commission’’).

(2) MEMBERSHIP.—

(A) COMPOSITION.—The Commission shall be composed of eight members, of whom—

(i) two shall be appointed by the Chairman of the Committee on Armed Services of the Senate, one of whom shall be a Member of the Senate and one whom shall not be;

(ii) two shall be appointed by the Ranking Member of the Committee on Armed Services of the Senate, one of whom shall be a Member of the Senate and one whom shall not be;

(iii) two shall be appointed by the Chairman of the Committee on Armed Services of the House of Representatives, one of whom shall be a Member of the House of Representatives and one whom shall not be; and

(iv) two shall be appointed by the Ranking Member of the Committee on Armed Services of the House of Representatives, one of whom shall be a Member of the House of Representatives and one whom shall not be.

(B) APPOINTMENT DATE.—The appointments of the members of the Commission shall be made not later than 90 days after the date of the enactment of this Act.

(C) EFFECT OF LACK OF APPOINTMENT BY APPOINTMENT DATE.—If one or more appointments under subparagraph (A)(i) is not made by the appointment date specified in subparagraph (B), the authority to make such appointment or appointments shall expire, and the number of members of the Commission shall be reduced by the number equal to the number of appointments so not made. If an appointment under subparagraph (A)(ii), (iii), (iv), or (v) is not made by the appointment date specified in subparagraph (B), the authority to make an appointment under such subparagraph shall expire, and the number of members of the Commission shall be reduced by the number equal to the number otherwise appointable under such subparagraph.

(D) EXPERTISE.—In making appointments under this subsection, consideration should be given to individuals with expertise in naval policy and strategy, naval forces capability, naval nuclear weapons, Naval force structure design, organization, and employment, shipbuilding, and shipbuilding infrastructure.

(3) PERIOD OF APPOINTMENT; VACANCIES.—Members shall be appointed for the life of the Commission. Any vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as the original appointment.

(4) CHAIR AND VICE CHAIR.—The Commission shall select a Chair and Vice Chair from among its members.

(5) INITIAL MEETING.—Not later than 30 days after the date on which all members of the Commission have been appointed, the Commission shall hold its initial meeting.

(6) MEETINGS.—The Commission shall meet at the call of the Chair.

(7) QUORUM.—A majority of the members of the Commission shall constitute a quorum, but a lesser number of members may hold hearings.

(b) DUTIES OF THE COMMISSION.—

(1) STUDY ON NAVAL FORCE STRUCTURE.—

(A) IN GENERAL.—The Commission shall undertake a comprehensive study of the structure of the Navy and policy assumptions related to the size and force mixture of the Navy, in order—

(i) to make recommendations on the size and force mixture of ships; and

(ii) to make recommendations on the size and force mixture of naval aviation;

(B) CONSIDERATIONS.—In undertaking the study required by paragraph (1), the Commission shall carry out each of the following:

(i) An evaluation and identification of a structure for the Navy that—

(I) has the depth and scalability to meet current and anticipated requirements of the combatant commands;

(II) assumes three different funding levels of 2023 appropriated plus inflation; 2023 appropriated with 3-5 percent real growth; and unconstrained to meet the needs for war in the area of responsibility of United States Indo-Pacific Command and the area of responsibility of United States European Command;

(III) ensures that the Navy has the capacity needed to support current and anticipated homeland defense and disaster assistance missions in the United States;

(IV) provides for sufficient numbers of members of the Navy to ensure a 115 percent manning level of all deployed ships, similar to United States Special Operations Command;

(V) recommends a peacetime rotation force operational tempo goals;

(VI) recommends forward stationing requirements; and

(VII) manages strategic and operational risk by making tradeoffs among readiness, efficiency, effectiveness, capability, and affordability.

(ii) An evaluation and identification of combatant command demand and fleet size, including recommendations to support a balance of—

(I) readiness;

(II) training;

(III) routine ship maintenance;

(IV) personnel;

(V) forward presence; and

(VI) depot level ship maintenance.

(iii) A detailed review of the cost of the recapitalization of the Nuclear Triad in the Department of Defense and its effect on the Navy's budget.

(iv) A review of Navy personnel policies and training to determine changes needed across all personnel activities to improve training effectiveness and force tactical readiness and reduce operational stress.

(2) STUDY ON SHIPBUILDING AND INNOVATION.—

(A) IN GENERAL.—The Commission shall conduct a detail study on shipbuilding, ship yards, and integrating advanced information technologies such as augmented reality an artificial intelligence on the current fleet.

(B) CONSIDERATIONS.—In conducting the study required by subparagraph (A), the Commission shall consider the following:

(i) Recommendations for specific changes to the Navy's Shipyard Infrastructure Optimization Program, to include legislative changes to providing a multi-year appropriation; additionally provides recommendations for bringing into the shipyards innovative technology companies as part of the overall modernization effort.

(ii) Recommendations for changes to the ship design and build program, to reduce risk, reduce cost, accelerate build timelines, and takes an incremental approach to change in future ship building.

(iii) Recommendations for changes to the ship depot maintenance program in order to reduce overhaul timelines, integrate current technologies into ships, and reduces costs.

(3) REPORT.—Not later than July 1, 2024, the Commission shall submit to the Committees on Armed Services of the Senate and House of Representatives an unclassified report, with classified annexes if necessary, that includes the findings and conclusions of the Commission as a result of the studies required by paragraphs (1) and (2), together with its recommendations for such legislative actions as the Commission considers appropriate in light of the results of the studies.

(c) POWERS OF THE COMMISSION.—

(1) HEARINGS.—The Commission may hold such hearings, sit and act at such times and places, take such testimony, and receive such evidence as the Commission considers advisable to carry out its duties under this section.

(2) INFORMATION FROM FEDERAL AGENCIES.—

The Commission may secure directly from any Federal department or agency such information as the Commission considers necessary to carry out its duties under this section. Upon request of the Chair of the Commission, the head of such department or agency shall furnish such information to the Commission.

(3) POSTAL SERVICES.—The Commission may use the United States mails in the same manner and under the same conditions as other departments and agencies of the Federal Government.

(d) COMMISSION PERSONNEL MATTERS.—

(1) COMPENSATION OF MEMBERS.—Each member of the Commission who is not an officer or employee of the Federal Government may be compensated at a rate not to exceed the daily equivalent of the annual rate of $155,400 for each day (including travel time) during which such member is engaged in the performance of the duties of the Commission. All members of the Commission who are officers or employees of the United States or Members of Congress shall serve without compensation in addition to that received for their services as officers or employees of the United States.

(2) TRAVEL EXPENSES.—The members of the Commission shall be allowed travel expenses, including per diem in lieu of subsistence, at rates authorized for employees of agencies under subchapter I of chapter 57 of title 5, United States Code, while away from their homes or regular places of business in the performance of services for the Commission.

(3) STAFF.—

(A) IN GENERAL.—The Chair of the Commission may, without regard to the civil service laws and regulations, appoint and terminate an executive director and such other additional personnel as may be necessary to enable the Commission to perform its duties. The employment of an executive director shall be subject to confirmation by the Commission.

(B) COMPENSATION.—The Chair of the Commission may fix the compensation of the executive director and other personnel without regard to chapter 51 and subchapter III of chapter 53 of title 5, United States Code, relating to classification of positions and General Schedule pay rates, except that the rate of pay for the executive director and other personnel may not exceed the rate payable for level V of the Executive Schedule under section 5316 of such title.

(4) DETAIL OF GOVERNMENT EMPLOYEES.—Any Federal Government employee may be detailed to the Commission without reimbursement, and such detail shall be without interruption or loss of civil service status or privilege.

(5) PROCUREMENT OF TEMPORARY AND INTERMITTENT SERVICES.—The Chair of the Commission may procure temporary and intermittent services under section 3109(b) of title 5, United States Code, at rates for individuals which do not exceed the daily

equivalent of the annual rate of basic pay prescribed for level V of the Executive Schedule under section 5316 of such title.

(e) TERMINATION OF THE COMMISSION.—

(1) IN GENERAL.—The Commission shall terminate on the date that is five years after the date of the enactment of this Act.

(2) INAPPLICABILITY OF TERMINATION REQUIREMENT UNDER FACA.—Section 14 of the Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to the activities of the Commission under this section.

H.Rept. 117-397 states

Assessment of the Navy's amphibious warfare fleet

The Navy and Marine Corps have identified amphibious capabilities as an area of emphasis in future conflicts and are reviewing the requirements and acquisition of the fleet of assets dedicated to this mission. The committee is concerned about the potential impacts this has for the acquisition of amphibious ships that are best suited for prosecuting a future amphibious invasion. Further, the committee is also concerned about the broader implications of the importance of amphibious warfare capabilities, the probability of such a conflict, and the cost of building and maintaining a fleet that can prosecute such a conflict. The committee is interested to learn more about the analysis, decision-making processes, and the frequency with which the Navy and Marine Corps review requirements for amphibious warfare and align these requirements with acquisition programs. Specifically, the committee seeks to understand how the potential changes to requirements would impact the acquisition plans identified in the most recent 30-year shipbuilding plan.

Therefore, the committee directs the Comptroller General of the United States to review the Navy's plans for the future amphibious warfare fleet. At a minimum, the review shall address the following elements:

(1) analysis of the current amphibious warfare fleet;

(2) Navy and Marine Corps future plans for the fleet and how it will be positioned to evolve as technology changes;

(3) an assessment of the costs of building and maintaining a fleet whose primary mission is amphibious conflict, such as the light amphibious warship, large deck amphibious ships, and LPD-class ships; and

(4) other items the Comptroller General determines appropriate.

The committee further directs the Comptroller General to provide a briefing to the House Committee on Armed Services not later than March 1, 2023, on the Comptroller General's preliminary findings and to present final results in a format and timeframe agreed to at the time of the briefing. (Page 15)

H.Rept. 117-397 also states

Briefing on the Navy's Hospital Ship Modernization Program

The committee supports efforts to modernize the United States Navy's fleet of hospital ships to ensure that military medical readiness is at an all-time high as the Department of Defense shifts its primary focus to the Indo-Pacific. The committee is aware of the unique capabilities a smaller and more agile hospital ship will bring to the Navy's ability to provide medical needs to its distributed fleet. Further, the committee notes the importance of having hospital ships with the capabilities to support aircraft performing medical evacuation or casualty evacuation missions.

> The committee believes this modernization program will increase flexibility and enhance the military's ability to provide care to service members in a complex environment. Therefore, the committee directs the Secretary of the Navy to deliver a briefing to the House Committee on Armed Services by January 15, 2023, on the Navy's efforts to modernize its hospital ships and provide an update on how the plan fits into the National Defense Strategy. (Page 15)

H.Rept. 117-397 also states

> *Large surface combatant life extension and modernization*
>
> The committee is concerned about the Navy's plan to inactivate 18 large surface combatants (LSC) between 2023 and 2027, and the resultant loss of combat capability and capacity. Accordingly, the committee directs the Secretary of the Navy to submit a report to the House Committee on Armed Services by March 31, 2023, on the Navy's plan for cruisers and DDG–51 Flight I destroyers. The report should include:
>
> (1) an assessment of modernization and/or service life extension opportunities for each of the 18 LSCs planned for inactivation;
>
> (2) an assessment of estimated costs to life-extend and/or modernize these ships;
>
> (3) an assessment of the capability and capacity of original equipment manufacturers to perform potential life extensions and/or modernizations; and
>
> (4) an assessment of the resultant increase in capability and capacity if these ships were retained in the active inventory, vice inactivated per the 30-year shipbuilding plan. (Page 17)

H.Rept. 117-397 also states

> *Vertical launch system on EPF ships*
>
> The committee is concerned about the Navy's plan to inactivate 18 large surface combatants (LSC) between 2023 and 2027, and the resultant loss in firepower capacity due to the reduction in vertical launch systems (VLS) available to combatant commanders. Accordingly, the committee directs the Secretary of the Navy to conduct a feasibility study on converting expeditionary fast transport (EPF) ships into arsenal ships equipped with 64 VLS tubes. The committee further directs the Secretary of the Navy to submit a report to the House Committee on Armed Services by March 31, 2023, on its findings. The report shall include, at a minimum:
>
> (1) an engineering assessment regarding suitability for EPF ships to be equipped with VLS;
>
> (2) an assessment of additional combat systems upgrades necessary to enable EPF to employ weapons from a VLS;
>
> (3) an assessment of additional manpower and training requirements associated with EPF employment of weapons utilizing VLS; and
>
> (4) cost assessments associated with full implementation of VLS on EPF ships. (Page 19)

H.Rept. 117-397 also states

> *Littoral Combat Ship Modernization and Maintenance*
>
> The Littoral Combat Ship (LCS) was designed as a flexible platform to enable quick deployment of capability. In parallel to its ongoing efforts to assess the maintenance, reliability and employment of both LCS variants, the committee urges the Navy to explore expanding LCS capability to meet revised mission requirements in support of Navy fleet architecture, including through a proof of concept for a modified lethality & survivability upgrade. This proof of concept could include Enhanced Electronic Warfare Capability (SEWIP BLK II-Lite), Integrated Naval Strike Missile (NSM), Link 11 and Link 16 LoS

> and SATCOM, and a containerized launcher (MK70 MOD 1). It could also present the opportunity to progress the Vertical Launch ASROC Extended Range (VLA–ER) Anti-Submarine Weapon capability.
>
> Consequently, the committee directs the Secretary of the Navy, in consultation with Chief of Naval Operations and the Commandant of the Marine Corps, to submit to the congressional defense committees a report on Littoral Combat Ships no later than March 1, 2023 that includes the following:
>
> 1. A description of the schedule and cost associated with Freedom-variant Littoral Combat Ship combining gearbox repairs and modifications;
>
> 2. A description of sustainment strategy options for both Littoral Combat Ship variants that account for their unique characteristics and manning levels, including commercial sustainment options that could be employed to increase operational availability, as well as technical qualifications of Littoral Combat Ships Maintenance Execution Teams and the Navy's rationale for removing these teams from Littoral Combat Ship squadron organizations;
>
> 3. The Navy's plan to employ usage and failure data to maintain adequate spare part inventories to prevent the cannibalization of active ships;
>
> 4. An analysis of near and mid-term lethality, survivability, or sensing upgrades that could enhance the operational relevance of the Littoral Combat Ship in the current global security environment, including plans and any associated costs of increasing the command and control capability of these ships to further allow them to operate in support of Navy strike groups and as part of the Distributed Maritime Operations concept;
>
> 5. An assessment of the impact on the global security environment that forward based Littoral Combat Ships could play by enhancing American naval presence in the 5th, 6th, and 7th Fleet area of operations; and,
>
> 6. Options and potential benefits of using Littoral Combat Ships to host and facilitate Marines conducting Expeditionary Advanced Basing Operations, particularly prior to the operational availability of the Light Amphibious Warship. (Pages 19-20)

Floor Action

On July 13, 2022, as part of its consideration of H.R. 7900, the House rejected, 208 - 221, **H.Amdt. 256**, which would allow the Navy to retire nine LCSs in FY2023. The amendment would strike Section 1031 of H.R. 7900, which prohibits the Navy from retiring more than four LCSs in FY2023 (see above).[46]

Senate

The Senate Armed Services Committee, in its report (S.Rept. 117-130 of July 18, 2022) on S. 4543, recommended the funding levels shown in the SASC column of **Table 4**. These funding levels provide for, among other things, the procurement of the eight new ships requested by the Navy for procurement in FY2023.

Section 123 of S. 4543 as reported by the committee states:

[46] The amendment would have additionally made a number of changes in recommended funding levels for certain Navy appropriations accounts and one Army appropriations account. For the full text of the amendment, see pages 84-85 of H.Rept. 117-405 of July 13, 2022, providing for the consideration of H.R. 7900 and certain other bills, where H.Amdt. 256 appears as amendment number 16. See also page 9 of H.Rept. 117-405, which summarizes the amendment as one that "Allows the Navy to retire nine Littoral Combat Ships (LCSs)."

SEC. 123. BLOCK BUY CONTRACTS FOR SHIP-TO-SHORE CONNECTOR PROGRAM.

(a) BLOCK BUY CONTRACT AUTHORITY.—Beginning in fiscal year 2023, the Secretary of the Navy may enter into one or more block buy contracts for the procurement of up to 10 Ship-to-Shore Connector class craft and associated material.

(b) LIABILITY.—Any contract entered into under subsection (a) shall provide that—

(1) any obligation of the United States to make a payment under the contract is subject to the availability of appropriations for that purpose; and

(2) the total liability of the Federal Government for termination of the contract shall be limited to the total amount of funding obligated to the contract at the time of termination.

(c) CERTIFICATION REQUIRED.—A contract may not be entered into under subsection (a) unless the Secretary of the Navy certifies to the congressional defense committees, in writing, not later than 30 days before entry into the contract, each of the following, which shall be prepared by the milestone decision authority for such program:

(1) The use of such a contract is consistent with the Chief of Naval Operations' projected force structure requirements for such craft.

(2) The use of such a contract will result in significant savings compared to the total anticipated costs of carrying out the program through annual contracts. In certifying cost savings under the preceding sentence, the Secretary shall include a written explanation of—

(A) the estimated end cost and appropriated funds by fiscal year, by craft, without the authority provided in subsection (a);

(B) the estimated end cost and appropriated funds by fiscal year, by craft, with the authority provided in subsection (a);

(C) the estimated cost savings or increase by fiscal year, by craft, with the authority provided in subsection (a);

(D) the discrete actions that will accomplish such cost savings or avoidance; and

(E) the contractual actions that will ensure the estimated cost savings are realized.

(3) There is a stable design for the property to be acquired and the technical risks associated with such property are not excessive.

(4) The estimates of both the cost of the contract and the anticipated cost avoidance through the use of a contract authorized under subsection (a) are realistic, including a description of the basis for such estimates.

(5) The use of such a contract will promote the national security of the United States.

(d) MILESTONE DECISION AUTHORITY DEFINED.—In this section, the term ''milestone decision authority'' has the meaning given the term in section 4251(d) of title 10, United States Code.

Regarding Section 123, S.Rept. 117-130 states:

Block buy contracts for Ship-to-Shore Connector program (sec. 123)

The committee recommends a provision that would permit the Navy to enter into one or more block buy contracts for up to 10 Ship-to-Shore Connector class craft.

The committee notes the Navy has stated this proposal would promote industrial base stability, production efficiencies, and cost savings when compared to a base contract plus options via annual procurement cost estimate.

Consistent with committee precedent and other multi-year procurement authorities, this provision would authorize up to the number of craft that would be procured in the future years defense program. (Pages 6-7)

Section 126 of S. 4543 as reported by the committee states:

SEC. 126. NAVY SHIPBUILDING WORKFORCE DEVELOPMENT INITIATIVE.

(a) IN GENERAL.—Chapter 863 of title 10, United States Code, is amended by adding at the end the following new section:

''§ 8696. Navy shipbuilding workforce development initiative.

''(a) REQUIREMENT.—

''(1) IN GENERAL.—The Secretary of the Navy shall ensure that any award for a covered contract or contract modification includes a separate and distinct line item for workforce development.

''(2) COVERED CONTRACTS AND CONTRACT MODIFICATIONS.—For purposes of this subsection, a covered contract or contract modification is a construction contract or contract modification for the procurement of one or more naval vessels entered into using funds from the Shipbuilding and Conversion, Navy account with a prime contractor that will deliver such vessel or vessels to the Navy.

''(3) AMOUNT OF LINE ITEM.—The amount of funding in a line item for workforce development required under subsection (a)(1) shall be not less than one-half of one percent and not more than one percent of the target price of the contract concerned.

''(b) MATCHING CONTRIBUTION REQUIREMENT.—

''(1) IN GENERAL.—Funds for a line item for workforce development required under subsection

(a)(1) may be obligated only—

''(A) on or after the date on which the service acquisition executive of the Navy receives a written commitment from one or more entities described in paragraph (2) of a separate and distinct cumulative contribution for workforce development; and

''(B) in an amount that is—

''(i) equal to the amount of the contribution described in subparagraph (A), if the contribution is less than the amount of funding in the line item; or

''(ii) equal to the amount of funding in the line item, if the contribution is equal to or greater than the amount of such funding.

''(2) ENTITIES DESCRIBED.—The entities described in this paragraph are the following:

''(A) The prime contractor receiving the award described in subsection (a)(1).

''(B) A qualified subcontractor.

''(C) A State government or other State entity.

''(D) A county government or other county entity.

''(E) A local government or other local entity.

''(c) AUTHORIZED ACTIVITIES.—

''(1) IN GENERAL.—Funds for a line item for

workforce development required under subsection

(a)(1) may be used only to provide for the activities

described in paragraph (2) in support of the production and production support workforce of the prime contractor concerned or a qualified subcontractor.

''(2) ACTIVITIES DESCRIBED.—The activities described in this paragraph are the following:

''(A) The creation of short- and long-term workforce housing, transportation, and other support services to facilitate attraction, relocation, and retention of workers.

''(B) The expansion of local talent pipeline programs for both new and existing workers.

''(C) Investments in long-term outreach in middle and high school programs, specifically career and technical education programs, to promote and develop manufacturing skills.

''(D) Facilities developed or modified for the primary purpose of workforce development.

''(E) Direct costs attributable to workforce development.

''(F) Attraction and retention bonus programs.

''(G) On-the-job training to develop key manufacturing skills.

''(d) APPROVAL REQUIREMENT.—The service acquisition executive of the Navy shall—

''(1) provide the final approval of the use of funds for a line item for workforce development required under subsection (a)(1); and

''(2) not later than 30 days after the date on which such approval is provided, certify to the congressional defense committees compliance with the requirements of subsections (b) and (c), including—

''(A) a detailed explanation of such compliance; and

''(B) the associated benefits to—

''(i) the Federal Government; and

''(ii) the shipbuilding industrial base of the Navy.

''(e) QUALIFIED SUBCONTRACTOR DEFINED.—In this section, the term 'qualified subcontractor' means a subcontractor to a prime contractor receiving an award described in subsection (a)(1) that will deliver the vessel or vessels covered by the award to the Navy.''.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 863 of such title is amended by adding at the end the following new item:

''8696. Navy shipbuilding workforce development initiative.''.

(c) APPLICABILITY.—Section 8696 of title 10, United States Code, as added by subsection (a), shall apply with respect to contracts and contract modifications entered into on or after June 1, 2023.

Regarding Section 126, S.Rept. 117-130 states:

Navy shipbuilding workforce development initiative (sec. 126)

The committee recommends a provision that would require the incorporation of a Navy shipbuilding workforce development initiative in certain contracts.

The committee notes that a Department of Defense report in response to section 1029 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283) found, ''The [Navy] shipbuilding industry faces a significant

challenge in achieving and sustaining required workforce levels, and the industrial base today lacks the resiliency and bench strength to meet required demand. A consistent demand for skilled labor is essential and must be accomplished through shipbuilding policies that span 10-to-20-year periods . . . Current efforts to establish, accelerate, and grow the labor workforce are imperative to shipbuilding execution and must be adequately resourced, prioritized, scaled, and maintained over the next 20+ years. Workforce investments must focus on enterprise vice single vendor shortfalls. The shipbuilding enterprise must reimagine traditional approaches to manpower and bridge disconnects between school-based education and defense skillsets.''

The committee shares the concerns raised in this report regarding the ability of the Navy shipbuilding workforce to meet current and projected demands over the next 20 years. In the committee's view, the situation has not improved since that report. Accordingly, the committee supports this provision as a bold initiative that could provide an additional avenue to ensure approved Navy workforce development initiatives receive adequate funding. (Pages 7-8)

Section 351 of S. 4543 as reported by the committee states:

SEC. 351. IMPLEMENTATION OF COMPTROLLER GENERAL RECOMMENDATIONS REGARDING SHIPYARD INFRASTRUCTURE OPTIMIZATION PLAN OF THE NAVY.

(a) IN GENERAL.—Not later than March 1, 2023, the Secretary of the Navy shall—

(1) develop metrics for assessing progress of the Secretary toward improved shipyard capacity and performance in carrying out the Shipyard Infrastructure Optimization Plan of the Navy, including by measuring the effectiveness of capital investments;

(2) ensure that the shipyard optimization program office of the Navy—

(A) includes all costs, such as inflation, program office activities, utilities, roads, environmental remediation, historic preservation, and alternative workspace when developing a detailed cost estimate; and

(B) uses cost estimating best practices in developing a detailed cost estimate, including—

(i) a program baseline;

(ii) a work breakdown structure;

(iii) a description of the methodology and key assumptions;

(iv) a consideration of inflation;

(v) a full assessment of risk and uncertainty; and

(vi) a sensitivity analysis; and

(3) obtain an independent cost estimate for the shipyard optimization program before starting the prioritization of projects under such program.

(b) BRIEFING.—If the Secretary of the Navy is unable to implement the requirements under subsection (a) by March 1, 2023, the Secretary shall brief the Committees on Armed Services of the Senate and the House of

Representatives before such date on—

(1) the current progress of the Secretary towards implementing those requirements;

(2) any hindrance to implementing those requirements; and

(3) any additional resources necessary to implement those requirements.

Regarding Section 351, S.Rept. 117-130 states:

Implementation of Comptroller General recommendations regarding Shipyard Infrastructure Optimization Plan of the Navy (sec. 351)

The committee recommends a provision that would direct the Navy to implement the remaining recommendations from the Government Accountability Office (GAO) report on the Shipyard Infrastructure Optimization Plan (SIOP), published May 10, 2022, titled ''Naval Shipyards: Ongoing Challenges Could Jeopardize Navy's Ability to Improve Shipyards'' (GAO–22–105993). The committee concurs with the Comptroller General of the United States that the Navy's SIOP would benefit from factoring in all costs when developing its second, more detailed cost estimates, using cost estimating best practices, and obtaining independent cost estimates prior to the start of its project prioritization effort. (Page 95)

Section 352 of S. 4543 as reported by the committee states:

SEC. 352. RESEARCH AND ANALYSIS ON THE CAPACITY OF PRIVATE SHIPYARDS IN THE UNITED STATES AND THE EFFECT OF THOSE SHIPYARDS ON NAVAL FLEET READINESS.

(a) IN GENERAL.—Not later than 60 days after the date of the enactment of this Act, the Secretary of the Navy shall enter into an agreement with a nonprofit entity or a federally funded research and development center to conduct research and analysis regarding the capacity and capability of private shipyards in the United States to repair, maintain, and modernize surface combatants and support ships of the Navy to ensure fleet readiness.

(b) ELEMENTS.—The research and analysis conducted under subsection (a) shall include the following:

(1) An assessment of the maintenance needs of the Navy during the five-year period preceding the date of the enactment of this Act, including frequency of unplanned maintenance and average time it takes to repair ships.

(2) An assessment of the projected maintenance needs of the Navy during the 10-year period following such date of enactment.

(3) An assessment of whether current private shipyards in the United States have the capacity to meet current and anticipated needs of the Navy to maintain and repair ships, include whether there are adequate ship repair facilities and a sufficient trained workforce.

(4) An identification of barriers limiting success of intermediate-level and depot-level maintenance availabilities, including constraints of adding private depot capacity and capability.

(5) Recommendations based on the findings of paragraphs (1) through (4) regarding actions the Secretary of the Navy can take to ensure there is an industrial base of private ship repair facilities to meet the needs of the Navy and ensure fleet readiness, including whether the Secretary should institute a new force generation model, establish additional homeport facilities, or establish new hub-type maintenance facilities.

(c) INPUT FROM PRIVATE SHIPYARDS.—In conducting research and analysis under subsection (a), the nonprofit entity or federally funded research and development center with whom the Secretary of the Navy entered into an agreement under subsection (a) shall consult with private shipyards regarding—

(1) the fleet maintenance needs of surface combatant and support ships of the Navy;

(2) private shipyard capacity, including workforce; and

(3) additional investment in private shipyards necessary to meet the needs of the Navy.

(d) REPORT.—

(1) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the nonprofit entity or federally funded research and development center with whom the Secretary of the Navy entered into an agreement under subsection (a) shall submit to the Secretary a report on the results of the research and analysis undertaken under such subsection.

(2) TRANSMITTAL TO CONGRESS.—Not later than 30 days after the Secretary receives the report under paragraph (1), the Secretary shall transmit to the congressional defense committees a copy of the report.

Section 1021 of S. 4543 as reported by the committee states:

SEC. 1021. MODIFICATION TO ANNUAL NAVAL VESSEL CONSTRUCTION PLAN.

Section 231(b)(2) of title 10, United States Code, is amended by adding at the end the following new subparagraph:

''(J) For any class of battle force ship for which the procurement of the final ship of the class is proposed in the relevant future-years defense program submitted under section 221 of this title, a detailed plan that includes a description of specific impacts with respect to the transition of such class and the associated industrial base to a new program, a modified existing program, or no program. Each plan required by the preceding sentence shall include a detailed schedule with planned decision points, solicitations, and contract awards.''.

Section 1022 of S. 4543 as reported by the committee states:

SEC. 1022. AMPHIBIOUS WARSHIP FORCE STRUCTURE.

Section 8062 of title 10, United States Code, is amended—

(1) in subsection (b)—

(A) in the first sentence, by inserting ''and not less than 31 operational amphibious warfare ships, of which not less than 10 shall be amphibious assault ships'' before the period; and

(B) in the second sentence—

(i) by inserting ''or amphibious warfare ship'' before ''includes''; and

(ii) by inserting ''or amphibious warfare ship'' before ''that is temporarily unavailable'';

(2) in subsection (e)—

(A) in paragraph (2) by striking ''; and'' and inserting a semicolon;

(B) in paragraph (3) by striking the period at the end and inserting ''; and''; and

(C) by adding at the end the following new paragraph:

''(4) the Navy adjusts scheduled maintenance and repair actions to maintain a minimum of 24 amphibious warfare ships operationally available for worldwide deployment.''; and

(3) by adding at the end the following new subsection:

''(g) In this section, the term 'amphibious warfare ship' means a ship that is classified as an amphibious assault ship (general purpose) (LHA), an amphibious assault ship (multi-purpose) (LHD), an amphibious transport dock (LPD), or a dock landing ship (LSD).''.

Regarding Section 1022, S.Rept. 117-130 states:

Amphibious warship force structure (sec. 1022)

The committee recommends a provision that would amend section 8062 of title 10, United States Code, to require that the naval combat force should include not less than 31

operational amphibious warfare ships, of which not less than 10 should be amphibious assault ships, and make other related changes. (Page 222)

Section 1023 of S.Rept. 117-130 as reported by the committee states:

SEC. 1023. MODIFICATION TO LIMITATION ON DECOMMISSIONING OR INACTIVATING A BATTLE FORCE SHIP BEFORE THE END OF EXPECTED SERVICE LIFE.

(a) IN GENERAL.—Section 8678a(b) of title 10, United States Code, is amended—

(1) in paragraph (1), by inserting ''with the budget materials submitted by the President under section 1105(a) of title 31, United States Code, for the fiscal year in which such waiver is sought'' after ''such ship''; and

(2) in paragraph (2), by striking ''such certification was submitted'' and inserting ''the National Defense Authorization Act for such fiscal year is enacted''.

(b) NO EFFECT ON CERTAIN SHIPS.—The amendments made by subsection (a) shall have no effect on battle force ships (as defined in section 8678a(e) of title 10, United States Code) proposed for decommissioning or inactivation in fiscal year 2023.

Section 1024 of S. 4543 as reported by the committee states:

SEC. 1024. CONTRACT REQUIREMENTS RELATING TO MAINTENANCE AND MODERNIZATION AVAILABILITIES FOR CERTAIN NAVAL VESSELS.

(a) SUBMARINE MAINTENANCE AND MODERNIZATION AVAILABILITIES.—The Secretary of the Navy may only enter into a contract with a private entity for a maintenance and modernization availability for a fast attack submarine that requires drydocking the submarine if the following conditions are met:

(1) The submarine is a Virginia-class submarine.

(2) The submarine has not conducted a previous drydock availability.

(3) The work package for the contract is sufficiently detailed and provided to the private entity with sufficient time to enable a high-confidence contracting strategy for—

(A) planning;

(B) material procurement;

(C) cost;

(D) schedule; and

(E) performance.

(4) At least 70 percent of the work package for the contract is common to the work packages for previous contracts entered into under this subsection.

(b) SURFACE SHIP MAINTENANCE AND MODERNIZATION AVAILABILITIES.—In awarding contracts for maintenance and modernization availabilities for surface ships, issuing task orders for such availabilities, or carrying out other contracting actions with respect to such availabilities, the Secretary of the Navy may not limit evaluation factors to price only.

Regarding Section 1024, S.Rept. 117-130 states:

Contract requirements relating to maintenance and modernization availabilities for certain naval vessels (sec. 1024)

The committee recommends a provision that would stipulate certain requirements for fast attack submarine and surface ship maintenance and modernization availabilities.

> The committee believes that contracting with a private sector shipyard for fast attack submarine maintenance and modernization availabilities that require drydocking should be limited to the newest Virginia-class submarines with as repeatable a scope of work as possible in order to improve cost and schedule outcomes, as well as provide greater stability, predictability, and learning in the industrial base.
>
> The committee is concerned that lowest price technically acceptable and other Navy ship repair contracting strategies that heavily weight proposal price as an evaluation factor have led to poor outcomes in surface ship maintenance and modernization availabilities. (Page 222)

Section 1025 of S. 4543 as reported by the committee states:

> SEC. 1025. PROHIBITION ON RETIREMENT OF CERTAIN NAVAL VESSELS.
>
> None of the funds authorized to be appropriated by this Act for fiscal year 2023 may be obligated or expended to retire, prepare to retire, or place in storage any of the following naval vessels:
>
> (1) USS Vicksburg (CG 69).
>
> (2) USS Sioux City (LCS 11).
>
> (3) USS Wichita (LCS 13).
>
> (4) USS Billings (LCS 15).
>
> (5) USS Indianapolis (LCS 17).
>
> (6) USS St. Louis (LCS 19).
>
> (7) USS Germantown (LSD 42).
>
> (8) USS Gunston Hall (LSD 44).
>
> (9) USS Tortuga (LSD 46).
>
> (10) USS Ashland (LSD 48).
>
> (11) USNS Montford Point (T–ESD 1).
>
> (12) USNS John Glenn (T–ESD 2).

Regarding Section 1025, S.Rept. 117-130 states:

> **Prohibition on retirement of certain naval vessels (sec. 1025)**
>
> The committee recommends a provision that would prohibit the retirement of certain naval vessels in fiscal year 2023.
>
> The committee notes the budget request proposed to decommission 24 battle force ships in fiscal year 2023, which represents 8 percent of the Navy's 298 ship battle force. Of these 24 ships, 8 ships are at or beyond their expected service life (ESL) and 16 ships would be retired prior to ESL. The average service life remaining in the early retirements is 16 years.
>
> The committee is concerned that retiring battle force ships prior to ESL would result in unacceptable risk to meeting fleet commanders' near- and mid-term requirements. Furthermore, the committee believes replacing these vessels would not occur quickly or affordably with the average replacement unit cost for these 16 vessels exceeding $1.0 billion.
>
> The budget request proposed retiring five Ticonderoga-class cruisers over the next 5 years, including one cruiser in fiscal year 2023, which will complete extended modernization periods in fiscal year 2023 or 2024. The committee finds this unacceptable. The committee understands each of these ships has received in excess of $500.0 million to complete the

current modernization period, with a total of $3.0 billion obligated on these ships through September 30, 2021. Work completed on these modernizations ranges from 57 percent to 93 percent. The Navy estimates that $407.0 million in total additional funding is required to complete the modernization of these ships and return all five to the fleet. The committee also notes previous Navy officials have testified that this extended modernization program would result in some of the most capable surface combatants in the Navy, with an extended 40-year service life.

Accordingly, consistent with several years of Navy plans and budget requests, as well as congressional authorizations and appropriations, the committee believes the Navy should complete the extended modernization program on each of these five cruisers, return the ships to service and achieve a 40-year service life. Moreover, it is unclear to the committee how the Navy's more ambitious near-term modernization plans for destroyers, including back fitting a SPY–6 radar and installing a larger electronic warfare system, could succeed if the Navy cannot manage the cruiser phased modernization program.

Overall, the committee recommends retaining 12 of the 16 ships proposed for divestment prior to ESL to better support the National Defense Strategy, enable additional capability development and experimentation, and be better positioned to realize the policy of the United States to achieve a 355-ship Navy as soon as practicable.

The committee urges the Secretary of the Navy to pursue Excess Defense Article transfers to allies and partners, as well as other actions he may deem appropriate, to continue use of any appropriate vessels retired prior to or after ESL. (Pages 222-223)

Section 1261 of S.Rept. 117-130 states:

SEC. 1261. REPORT ON FIFTH FLEET CAPABILITIES UPGRADES.

(a) IN GENERAL.—Not later than 180 days after the date of the enactment of this Act, the Secretary of Defense shall submit to the congressional defense committees a report on—

(1) capabilities upgrades necessary to enable the Fifth Fleet to address emerging threats in its area of responsibility; and

(2) any costs associated with such upgrades.

(b) ELEMENTS.—The report required by subsection

(a) shall include the following:

(1) An assessment of seaborne threats posed by Iran, and groups linked to Iran, to the military forces of United States allies and partners operating in the waters in and around the broader Middle East.

(2) A description of any capabilities upgrades necessary to enable the Fifth Fleet to address such threats.

(3) An estimate of the costs associated with any such upgrades.

(4) A description of any United States plan to deepen cooperation with other member countries of the Combined Maritime Forces at the strategic, policy, and functional levels for the purpose of addressing such threats, including by—

(A) enhancing coordination on defense planning;

(B) improving intelligence sharing; and

(C) deepening maritime interoperability.

(c) BROADER MIDDLE EAST DEFINED.—In this section, the term ''broader Middle East'' means—

(1) the land around the southern and eastern shores of the Mediterranean Sea;

(2) the Arabian Peninsula;

(3) Iran; and

(4) North Africa.

Regarding Section 1261, S.Rept. 117-130 states:

Report on Fifth Fleet capabilities upgrades (sec. 1261)

The committee recommends a provision that would require the Secretary of Defense to submit a report on capabilities upgrades, and the cost of such upgrades, necessary to enable the Fifth Fleet to address emerging threats in its area of responsibility.

The committee is concerned about the ability of United States, ally, and partner forces in the Middle East to share information in a timely and coherent manner regarding seaborne threats. Strengthening maritime domain awareness in the waters in and around the broader Middle East will enable the United States and partner naval forces to deter and defend against Iran's seaborne attacks, naval harassment and other provocations. The committee recommends that the Commander, U.S. Central Command, take steps to deepen the shared understanding of regional maritime threats between United States, ally, and partner naval forces, including by coordinating and fusing intelligence with partner forces, enhancing the ability of United States and partner forces to rapidly deploy intelligence, surveillance, and reconnaissance capabilities, and incorporating Israel into the Combined Maritime Forces. (Page 256)

Section 1521 of S. 4543 as reported by the committee states:

SEC. 1521. LIMITATION ON USE OF FUNDS FOR NAVAL NUCLEAR FUEL SYSTEMS BASED ON LOW-ENRICHED URANIUM.

(a) LIMITATION.— None of the funds authorized to be appropriated for fiscal year 2023 for the National Nuclear Security Administration for the purposes of conducting research and development of an advanced naval nuclear fuel system based on low-enriched uranium may be obligated or expended until the following determinations are submitted to the congressional defense committees:

(1) A determination made jointly by the Secretary of Energy and the Secretary of Defense with respect to whether the determination made jointly by the Secretary of Energy and the Secretary of the Navy pursuant to section 3118(c)(1) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1196) and submitted to the congressional defense committees on March 25, 2018, that the United States should not pursue research and development of an advanced naval nuclear fuel system based on low-enriched uranium, remains valid.

(2) A determination by the Secretary of the Navy with respect to whether an advanced naval nuclear fuel system based on low-enriched uranium can be produced that would not reduce vessel capability, increase expense, or reduce operational availability as a result of refueling requirements.

(b) REPORT REQUIRED.—Not later than 60 days after the date of the enactment of this Act, the Administrator for Nuclear Security shall submit to the congressional defense committees a report on activities conducted using amounts made available for fiscal year 2022 for nonproliferation fuels development, including a description of any progress made toward technological or nonproliferation goals as a result of such activities.

S.Rept. 117-130 also states:

LHA–9 quantity adjustment

> The budget request included $1.1 billion in line number 20 of Shipbuilding and Conversion, Navy (SCN) for LHA Replacement. The budget documentation also includes a quantity of one for LHA–9.
>
> This is in direct violation of section 126 of the William M. (Mac) Thornberry National Defense Authorization Act for Fiscal Year 2021 (Public Law 116–283), which stated that the quantity shown for Navy vessels would be shown in the year that the Congress authorizes and appropriates funding to buy a vessel. The Congress authorized construction and appropriated funds for construction of LHA–9 in fiscal year 2020.
>
> Therefore, the funding tables have been adjusted to reflect that the Navy budget documentation incorrectly included a ''one'' in the quantity column. (Page 14)

S.Rept. 117-130 also states:

> **Assessment of Navy cruiser modernization program**
>
> The committee is concerned about the Navy's plan to retire five recently modernized Ticonderoga-class cruisers over the next 5 years, including one cruiser (USS Vicksburg) in fiscal year 2023. Through fiscal year 2021, the Navy has spent more than $3.0 billion on the cruiser modernization program, also known as the ''2–4–6'' program, and estimates another $407.0 million in total additional funding is required to complete the modernization of these five ships and return them to the fleet.
>
> The Navy's initial plan for the 2–4–6 program included placing 11 cruisers incrementally into a reduced operating status for maintenance and modernization in order to extend the ships' service lives to 40 years and provide the ships with a significant capability upgrade.
>
> However, under the Navy's current plan, these ships will be decommissioned with between 30 and 36 years of service. The committee is concerned that the Navy invested significantly in modernizing cruisers that the fleet will be given little to no opportunity to use operationally.
>
> Moreover, the committee is concerned that these early cruiser decommissionings will result in further reduction of the Navy's surface combatant fleet, which will exacerbate the stress and operational tempo of the remaining ships and their crews.
>
> Given the significant potential lost investment, as well as the implications on the Navy's readiness and future shipbuilding plans, the committee directs the Comptroller General of the United States to assess:
>
> (1) The expected benefits and cost savings associated with the 2–4–6 program and the analysis the Navy used to support its plan;
>
> (2) The contracting strategy used to support the 2–4–6 program;
>
> (3) Cost, schedule, and performance challenges in executing the 2–4–6 program;
>
> (4) Costs, benefits, and risks of early decommissioning of cruisers in light of the 2–4–6 program performance to date;
>
> (5) Any additional issues that the Comptroller General may feel is appropriate.
>
> The committee directs the Comptroller General to provide a briefing to the committee, not later than December 1, 2022, on the preliminary findings of its assessment, with a report to follow. (Pages 23-24)

S.Rept. 117-130 also states:

> **Comptroller General review of operational testing for Navy ships**
>
> The committee notes that when effectively used, operational testing provides timely information to determine whether or not Navy ships and other weapon systems will achieve

their desired results. The data generated through this testing can be used to improve the remaining ships in a class and their critical systems before they reach the fleet, as well as the designs of future ship classes.

The committee further notes that the Government Accountability Office has found that operational testing revealed significant concerns with the performance of a number of new ship classes. For example, the Director of Operational Test and Evaluation found during operational testing that one variant of the Littoral Combat Ship could not achieve the range requirements for the ship—a critical parameter of ship performance. Further, operational testing exposed common issues across ship classes, such as concerns with cybersecurity, lethality, and survivability.

To support operational testing, the committee understands the Navy uses its current self-defense test ship, the ex-USS Paul F. Foster, to test ship systems that cannot be sufficiently tested on crewed Navy ships or through simulations. However, this test ship will no longer be in a ready state after 2025. With a replacement solution still not determined, the committee is concerned that the Navy risks impairing its ability to perform operationally realistic testing for a number of critical programs.

The committee also understands the Navy will be conducting operational testing over the next 5 years for the Zumwalt-class destroyer and the Ford-class aircraft carrier—two of the Navy's most expensive and challenging acquisitions over the past decade—as well as the newest variant of Arleigh Burke-class destroyer with advanced air and missile defense radar technologies. With these new ships and future lead ships, like the new Constellation-class frigate, it is critical to ensure that the Navy takes action to address issues identified through operational testing that could affect the ability of the Nation's sailors to effectively, safely, and reliably conduct assigned missions.

Therefore, the committee directs the Comptroller General of the United States to assess the adequacy of current and planned operational testing for Navy shipbuilding programs, including: (1) The policies and procedures used to develop test plans and operationally test Navy vessels; (2) The extent to which Navy vessels meet expectations during operational testing; (3) The extent to which operational test results are used by the Navy to inform changes to its shipbuilding programs; (4) Changes, if any, in the test and evaluation approach based on changes in the threat environment; (5) The Navy's plans for a self-defense test ship replacement; and (6) The implications for Navy acquisition programs.

The Comptroller General shall provide a briefing to the Committees on Armed Services of the Senate and the House of Representatives on preliminary findings, not later than June 30, 2023, and submit a report to the congressional defense committees on an agreed-upon date. (Page 77)

Regarding certain funding lines (e.g., line 1B1B) in the Operations and Maintenance, Navy (OMN) appropriation account, S.Rept. 117-130 states:

Continued ship operations

The budget request included a Navy proposal to decommission 24 battle force ships in fiscal year 2023, which represents 8 percent of the Navy's 298 ship battle force. Of these 24 ships, only eight ships are at or beyond their expected service life (ESL), and 16 ships would be retired prior to ESL.

Consistent with provisions elsewhere in this Act that would establish a floor of not fewer than 31 operational amphibious warfare ships and would prevent early retirement of other retiring battle force ships prior to ESL, the committee recommends increases in Operation and Maintenance, Navy (OMN) to restore funding for 12 ships:

(1) OMN (1B1B)—$153.0 million;

(2) OMN (1B4B)—$115.8 million; and

(3) OMN (1B5B)—$446.4 million. (Pages 102-103)

S.Rept. 117-130 also states:

Comptroller General review of naval force generation

The committee notes that nearly a decade ago the Navy implemented a revised operational schedule, the Optimized Fleet Response Plan (OFRP), to address several problems that developed as a result of the Navy executing heavy operational demands. These included increased ship deployment lengths, reduced or deferred maintenance, declining ship conditions across the fleet, and longer maintenance periods. The Navy's ability to generate sufficient, ready naval forces, currently through OFRP, is premised on adherence to more sustainable deployment, training, and maintenance schedules.

However, the Navy has faced persistent challenges in implementing OFRP since its inception. For example, the Navy has experienced ongoing difficulties with ship maintenance timeliness that have reduced ship availability for training and operations. In addition, the surface fleet continues to defer required maintenance, leading to a maintenance backlog of $1.7 billion in 2021 and contributing to the Navy's proposal to decommission ships before the end of their useful life. Moreover, the Navy faces challenges in implementing training for the high-end fight, limiting deployment lengths, and maintaining ship readiness after deployment to provide for surge capacity.

Given these and other challenges, the committee remains concerned about the Navy's approach to force generation for its ships and submarines. Therefore, the committee directs the Comptroller General of the United States to assess the following:

(1) The extent to which the Navy's force generation assumptions and approaches for maintenance is realistic and consistent with ship class maintenance plans, shipyard capacity, actual maintenance execution and other relevant factors;

(2) The extent to which the Navy's current force generation approach incorporates sufficient training time for units to obtain required certifications and proficiencies to counter advanced adversaries;

(3) A comparison of the Navy's current force generation approach to those employed by the U.S. Coast Guard and allies and what best practices, if any, can be leveraged to enhance Navy force generation;

(4) The extent to which the Navy has considered options to revise its force generation model to enhance its efficiency and effectiveness at generating ready naval forces; and

(5) Any other related matters the Comptroller General considers appropriate.

The committee further directs the Comptroller General to provide a briefing to the committee not later than April 1, 2023, on the Comptroller General's preliminary findings and to present final results in a format and timeframe agreed to at the time of the briefing. (Pages 117-118)

FY2023 DOD Appropriations Act (H.R. 8236/S. 4663)

House

The House Appropriations Committee, in its report (H.Rept. 117-388 of June 24, 2022) on H.R. 8236, recommended the funding levels shown in the HAC column of **Table 4**. These funding levels provide for, among other things, the procurement of the eight new ships requested by the Navy for procurement in FY2023.

Section 8016 of H.R. 8236 as reported by the committee states

SEC. 8016. None of the funds in this Act may be available for the purchase by the Department of Defense (and its departments and agencies) of welded shipboard anchor and mooring chain unless the anchor and mooring chain are manufactured in the United States from components which are substantially manufactured in the United States: Provided, That for the purpose of this section, the term ''manufactured'' shall include cutting, heat treating, quality control, testing of chain and welding (including the forging and shot blasting process): Provided further, That for the purpose of this section substantially all of the components of anchor and mooring chain shall be considered to be produced or manufactured in the United States if the aggregate cost of the components produced or manufactured in the United States exceeds the aggregate cost of the components produced or manufactured outside the United States: Provided further, That when adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis, the Secretary of the Service responsible for the procurement may waive this restriction on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and the Senate that such an acquisition must be made in order to acquire capability for national security purposes.

Section 8100 of H.R. 8236 as reported by the committee states

SEC. 8100. None of the funds provided in this Act for requirements development, performance specification development, concept design and development, ship configuration development, systems engineering, naval architecture, marine engineering, operations research analysis, industry studies, preliminary design, development of the Detailed Design and Construction Request for Proposals solicitation package, or related activities for the T–ARC(X) Cable Laying and Repair Ship or the T–AGOS(X) Oceanographic Surveillance Ship may be used to award a new contract for such activities unless these contracts include specifications that all auxiliary equipment, including pumps and propulsion shafts, are manufactured in the United States.

Section 8101 of H.R. 8236 as reported by the committee states

SEC. 8101. None of the funds made available by this Act may be obligated or expended for the purpose of decommissioning the USS Fort Worth, the USS Wichita, the USS Billings, the USS Indianapolis, or the USS St. Louis.

Regarding Section 8101, H.Rept. 117-388 states

LITTORAL COMBAT SHIPS

The Committee is disappointed to see the list of vessels the Navy is requesting to decommission in fiscal year 2023, particularly the littoral combat ships that were commissioned in 2019 and 2020. The Committee understands that the proposed use of these vessels does not meet the Navy's original intent. However, decommissioning them at this time is a waste of taxpayer funds.

Therefore, the Committee has included bill language that would restore the four ships that are only two to three years old and the USS Fort Worth. The Committee directs the Secretary of the Navy to provide a report to the congressional defense committees not later than 60 days after the enactment of this Act that would provide alternate uses for these vessels, such as missions in the Southern Command and Africa Command areas of responsibility. The report should also include any costs for additional components that are necessary to execute these missions. (Page 8)

Senate

The explanatory statement for S. 4663 released by the Senate Appropriations Committee on July 28, 2022, recommended the funding levels shown in the SAC column of **Table 4**.[47] These funding levels provide for, among other things, the procurement of 13 new ships—the eight requested by the Navy for procurement in FY2023, plus six additional ships and landing craft, including

- one additional DDG-51 destroyer;
- two additional Expeditionary Fast Transport ships (EPFs), to be built as medical ships; and
- three additional Ship-to-Shore Connectors (SSCs) (i.e., landing craft).

Section 8016 of S. 4663 as released by the committee on July 28, 2022, states:

> SEC. 8016. None of the funds in this Act may be available for the purchase by the Department of Defense (and its departments and agencies) of welded shipboard anchor and mooring chain unless the anchor and mooring chain are manufactured in the United States from components which are substantially manufactured in the United States: Provided, That for the purpose of this section, the term ''manufactured'' shall include cutting, heat treating, quality control, testing of chain and welding (including the forging and shot blasting process): Provided further, That for the purpose of this section substantially all of the components of anchor and mooring chain shall be considered to be produced or manufactured in the United States if the aggregate cost of the components produced or manufactured in the United States exceeds the aggregate cost of the components produced or manufactured outside the United States: Provided further, That when adequate domestic supplies are not available to meet Department of Defense requirements on a timely basis, the Secretary of the Service responsible for the procurement may waive this restriction on a case-by-case basis by certifying in writing to the Committees on Appropriations of the House of Representatives and the Senate that such an acquisition must be made in order to acquire capability for national security purposes.

Section 8094 of S. 4663 as released by the committee states:

> SEC. 8094. Of the amounts appropriated in this Act for ''Shipbuilding and Conversion, Navy'', $133,000,000, to remain available for obligation until September 30, 2027, may be used for the purchase of two used sealift vessels for the National Defense Reserve Fleet, established under section 11 of the Merchant Ship Sales Act of 1946 (46 U.S.C. 57100): Provided, That such amounts are available for reimbursements to the Ready Reserve Force, Maritime Administration account of the United States Department of Transportation for programs, projects, activities, and expenses related to the National Defense Reserve Fleet: Provided further, That notwithstanding section 2218 of title 10, United States Code, none of these funds shall be transferred to the National Defense Sealift Fund for execution.

[47] Regarding lines 029 and 029A in **Table 4**, the Navy's funding request for line 29 included, among other things, a request for $47.2 million for the procurement of an auxiliary personnel lighter (APL). The Navy's FY2023 budget submission describes an APL as a vessel that "provides critical berthing and messing facilities for sailors while their ships are in port for availabilities and Inter-Deployment Training Cycles (IDTC)." It further states that "The FY 2022 budget included funds [within the line item for service craft] for [procuring] 1 APL and 1 YRBM [i.e., berthing barge]. Based on funding limitations, the Navy plans [to use the FY2022 funding for service craft] to procure 2 additional YRBMs instead of an APL...." (*Department of Defense, Fiscal Year (FY) 2023 Budget Estimates, Navy, Justification Book Volume 1 of 1, Shipbuilding and Conversion, Navy*, April 2022, p. 391, 392.) The Senate Appropriations Committee's explanatory statement for S. 4663 in effect recommends transferring the $47.2 million requested for the procurement of an APL from line 029 to a newly created line 029A, and recommends increasing the amount requested for the procurement of the APL by $16 million, resulting in a total recommended amount for line 029A of $63.2 million. The recommended increase of $16 million is shown in the committee's explanatory statement in a supporting table on page 114.

Section 8101 of S. 4663 as released by the committee states:

> SEC. 8101. None of the funds provided in this Act for requirements development, performance specification development, concept design and development, ship configuration development, systems engineering, naval architecture, marine engineering, operations research analysis, industry studies, preliminary design, development of the Detailed Design and Construction Request for Proposals solicitation package, or related activities for the T–ARC(X) Cable Laying and Repair Ship or the T–AGOS(X) Oceanographic Surveillance Ship may be used to award a new contract for such activities unless these contracts include specifications that all auxiliary equipment, including pumps and propulsion shafts, are manufactured in the United States.

The explanatory statement states:

> *Domestic Source Content for Navy Shipbuilding Critical Components.*—The Committee is concerned about the fragility of the domestic shipbuilding supplier base and the lack of comprehensive reporting regarding domestic sources to allow the Navy and Congress to better assess the health of the shipbuilding industrial base and particularly single and limited source critical suppliers. Therefore, with submission of the fiscal year 2024 President's budget request, the Secretary of the Navy is directed to submit to congressional defense committees a report in writing assessing the domestic source content of any procurements carried out as part of a Navy shipbuilding program; identifying critical components that are available from only one or a few suppliers in the United States; and, providing recommendations to expand productive capacity in the United States. In conducting this assessment, the Navy shall report according to the physical location of manufacturing of critical components, not by the location of sale. The report may be submitted in unclassified and classified format. Additionally, the Secretary shall establish an information repository for the collection of supplier information that can be used for continuous data analysis and program management activities.
>
> The Committee is particularly concerned with the structuring of shipbuilding acquisition programs where initial acquisition cost of components may be prioritized, in some cases leading to selection of foreign components that do not meet specifications, incur higher life cycle costs, and negatively impact the domestic supplier base causing cost increases to these components provided to other Navy programs. Therefore, the Committee encourages the Secretary of the Navy to give priority to domestic sourcing for critical components on future programs, including programs in pre-systems acquisitions phase, such as DDG(X), where power requirements and reliability are paramount. Critical components are any communications, damage control, engineering, navigation, and seamanship equipment required to safely get or remain underway, and at a minimum should include: gas turbine and diesel main engines, generators, generator prime movers, main reduction gears, main propulsion shafting, and propellers and propeller castings. (Pages 115-116)

Appendix A. Earlier Navy Force-Structure Goals Dating Back to 2001

The table below shows earlier Navy force-structure goals dating back to 2001. The 308-ship force-level goal of March 2015, shown in the first column of the table, is the goal that was replaced by the 355-ship force-level goal released in December 2016.

Table A-1. Earlier Navy Force-Structure Goals Dating Back to 2001

Ship type	308-ship goal of March 2015	306-ship goal of January 2013	~310-316 ship goal of March 2012	Revised 313-ship goal of September 2011	Changes to February 2006 313-ship goal announced through mid-2011	February 2006 Navy goal for 313-ship fleet	Early-2005 Navy goal for fleet of 260-325 ships		2002-2004 Navy goal for 375-ship Navy[a]	2001 QDR goal for 310-ship Navy
							260-ships	325-ships		
Ballistic missile submarines (SSBNs)	12[b]	12[b]	12-14[b]	12[b]	12[b]	14	14	14	14	14
Cruise missile submarines (SSGNs)	0[c]	0[c]	0-4[c]	4[c]	0[c]	4	4	4	4	2 or 4[d]
Attack submarines (SSNs)	48	48	~48	48	48	48	37	41	55	55
Aircraft carriers	11[e]	11[e]	11[e]	11[e]	11[e]	11[f]	10	11	12	12
Cruisers and destroyers	88	88	~90	94	94[g]	88	67	92	104	116
Frigates	0	0	0	0	0	0	0	0	0	
Littoral Combat Ships (LCSs)	52	52	~55	55	55	55	63	82	56	0
Amphibious ships	34	33	~32	33	33[h]	31	17	24	37	36
MPF(F) ships[i]	0[i]	0[i]	0[i]	0[i]	0[i]	12[i]	14[i]	20[i]	0[i]	0[i]
Combat logistics (resupply) ships	29	29	~29	30	30	30	24	26	42	34
Dedicated mine warfare ships	0	0	0	0	0	0	0	0	26[k]	16
Joint High Speed Vessels (JHSVs)	10[l]	10[l]	10[l]	10[l]	21[l]	3	0	0	0	0
Other[m]	24	23	~23	16	24[n]	17	10	11	25	25
Total battle force ships	**308**	**306**	**~310-316**	**313**	**328**	**313**	**260**	**325**	**375**	**310 or 312**

Source: Table prepared by CRS based on U.S. Navy data.

Notes: QDR = Quadrennial Defense Review. The "~" symbol means approximately.

a. Initial composition. Composition was subsequently modified.

b. The Navy plans to replace the 14 current Ohio-class SSBNs with a new class of 12 next-generation SSBNs. For further discussion, see CRS Report R41129, *Navy Columbia (SSBN-826) Class Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

c. Although the Navy plans to continue operating its four SSGNs until they reach retirement age in the late 2020s, the Navy does not plan to replace these ships when they retire. This situation can be expressed in a table like this one with either a 4 or a 0.

d. The report on the 2001 QDR did not mention a specific figure for SSGNs. The Administration's proposed FY2001 DOD budget requested funding to support the conversion of two available Trident SSBNs into

SSGNs, and the retirement of two other Trident SSBNs. Congress, in marking up this request, supported a plan to convert all four available SSBNs into SSGNs.

e. With congressional approval, the goal has been temporarily be reduced to 10 carriers for the period between the retirement of the carrier *Enterprise* (CVN-65) in December 2012 and entry into service of the carrier *Gerald R. Ford* (CVN-78), currently scheduled for September 2015.

f. For a time, the Navy characterized the goal as 11 carriers in the nearer term, and eventually 12 carriers.

g. The 94-ship goal was announced by the Navy in an April 2011 report to Congress on naval force structure and missile defense.

h. The Navy acknowledged that meeting a requirement for being able to lift the assault echelons of 2.0 Marine Expeditionary Brigades (MEBs) would require a minimum of 33 amphibious ships rather than the 31 ships shown in the February 2006 plan. For further discussion, see CRS Report RL34476, *Navy LPD-17 Amphibious Ship Procurement: Background, Issues, and Options for Congress*, by Ronald O'Rourke.

i. Today's Maritime Prepositioning Force (MPF) ships are intended primarily to support Marine Corps operations ashore, rather than Navy combat operations, and thus are not counted as Navy battle force ships. The planned MPF (Future) ships, however, would have contributed to Navy combat capabilities (for example, by supporting Navy aircraft operations). For this reason, the ships in the planned MPF(F) squadron were counted by the Navy as battle force ships. The planned MPF(F) squadron was subsequently restructured into a different set of initiatives for enhancing the existing MPF squadrons; the Navy no longer plans to acquire an MPF(F) squadron.

j. The Navy no longer plans to acquire an MPF(F) squadron. The Navy, however, has procured or plans to procure some of the ships that were previously planned for the squadron—specifically, TAKE-1 class cargo ships, and Mobile Landing Platform (MLP)/Afloat Forward Staging Base (AFSB) ships. These ships are included in the total shown for "Other" ships. AFSBs are now called Expeditionary Sea Base ships (ESBs).

k. The figure of 26 dedicated mine warfare ships included 10 ships maintained in a reduced mobilization status called Mobilization Category B. Ships in this status are not readily deployable and thus do not count as battle force ships. The 375-ship proposal thus implied transferring these 10 ships to a higher readiness status.

l. Totals shown include 5 ships transferred from the Army to the Navy and operated by the Navy primarily for the performance of Army missions.

m. This category includes, among other things, command ships and support ships.

n. The increase in this category from 17 ships under the February 2006 313-ship goal to 24 ships under the apparent 328-ship goal included the addition of one TAGOS ocean surveillance ship and the transfer into this category of six ships—three modified TAKE-1 class cargo ships, and three Mobile Landing Platform (MLP) ships—that were previously intended for the planned (but now canceled) MPF(F) squadron.

Appendix B. Comparing Past Ship Force Levels to Current or Potential Future Levels

In assessing the appropriateness of the current or potential future number of ships in the Navy, observers sometimes compare that number to historical figures for total Navy fleet size. Historical figures for total fleet size, however, can be a problematic yardstick for assessing the appropriateness of the current or potential future number of ships in the Navy, particularly if the historical figures are more than a few years old, because

- the missions to be performed by the Navy, the mix of ships that make up the Navy, and the technologies that are available to Navy ships for performing missions all change over time; and
- the number of ships in the fleet in an earlier year might itself have been inappropriate (i.e., not enough or more than enough) for meeting the Navy's mission requirements in that year.

Regarding the first bullet point above, the Navy, for example, reached a late-Cold War peak of 568 battle force ships at the end of FY1987,[48] and as of September 15, 2022, included a total of 299 battle force ships. The FY1987 fleet, however, was intended to meet a set of mission requirements that focused on countering Soviet naval forces at sea during a potential multitheater NATO-Warsaw Pact conflict, while the September 2022 fleet is intended to meet a considerably different set of mission requirements centered on countering China's improving naval capabilities and, secondarily, Russia's naval capabilities. In addition, the Navy of FY1987 differed substantially from the September 2022 fleet in areas such as profusion of precision-guided weapons and the sophistication of C4ISR systems and networking capabilities.[49]

In coming years, Navy missions may shift again, and the capabilities of Navy ships will likely have changed further by that time due to developments such as more comprehensive implementation of networking technology, increased use of ship-based unmanned vehicles, and the potential fielding of new types of weapons such as lasers or electromagnetic rail guns.

The 568-ship fleet of FY1987 may or may not have been capable of performing its stated missions; the 299-ship fleet of September 2022 may or may not be capable of performing its stated missions; and a fleet years from now with a certain number of ships may or may not be capable of performing its stated missions. Given changes over time in mission requirements, ship mixes, and technologies, however, these three issues are to a substantial degree independent of one another.

For similar reasons, trends over time in the total number of ships in the Navy are not necessarily a reliable indicator of the direction of change in the fleet's ability to perform its stated missions. An

[48] Some publications have stated that the Navy reached a peak of 594 ships at the end of FY1987. This figure, however, is the total number of active ships in the fleet, which is not the same as the total number of battle force ships. The battle force ships figure is the number used in government discussions of the size of the Navy. In recent years, the total number of active ships has been larger than the total number of battle force ships. For example, the Naval History and Heritage Command (formerly the Naval Historical Center) states that as of November 16, 2001, the Navy included a total of 337 active ships, while the Navy states that as of November 19, 2001, the Navy included a total of 317 battle force ships. Comparing the total number of active ships in one year to the total number of battle force ships in another year is thus an apples-to-oranges comparison that in this case overstates the decline since FY1987 in the number of ships in the Navy. As a general rule to avoid potential statistical distortions, comparisons of the number of ships in the Navy over time should use, whenever possible, a single counting method.

[49] C4ISR stands for command and control, communications, computers, intelligence, surveillance, and reconnaissance.

increasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform its stated missions is increasing, because the fleet's mission requirements might be increasing more rapidly than ship numbers and average ship capability. Similarly, a decreasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform stated missions is decreasing, because the fleet's mission requirements might be declining more rapidly than numbers of ships, or because average ship capability and the percentage of time that ships are in deployed locations might be increasing quickly enough to more than offset reductions in total ship numbers.

Regarding the second of the two bullet points above, it can be noted that comparisons of the size of the fleet today with the size of the fleet in earlier years rarely appear to consider whether the fleet was appropriately sized in those earlier years (and therefore potentially suitable as a yardstick of comparison), even though it is quite possible that the fleet in those earlier years might not have been appropriately sized, and even though there might have been differences of opinion among observers at that time regarding that question. Just as it might not be prudent for observers years from now to tacitly assume that the 294-ship Navy of September 2021 was appropriately sized for meeting the mission requirements of 2021, even though there were differences of opinion among observers on that question, simply because a figure of 294 ships appears in the historical records for 2021, so, too, might it not be prudent for observers today to tacitly assume that the number of ships of the Navy in an earlier year was appropriate for meeting the Navy's mission requirements that year, even though there might have been differences of opinion among observers at that time regarding that question, simply because the size of the Navy in that year appears in a table like **Table G-1**.

Previous Navy force structure plans, such as those shown in **Table A-1**, might provide some insight into the potential adequacy of a proposed new force-structure plan, but changes over time in mission requirements, technologies available to ships for performing missions, and other force-planning factors, as well as the possibility that earlier force-structure plans might not have been appropriate for meeting the mission demands of their times, suggest that some caution should be applied in using past force structure plans for this purpose, particularly if those past force structure plans are more than a few years old. The Reagan-era goal for a 600-ship Navy, for example, was designed for a Cold War set of missions focusing on countering Soviet naval forces at sea, which is not an appropriate basis for planning the Navy today, and there was considerable debate during those years as to the appropriateness of the 600-ship goal.[50]

[50] Navy force structure plans that predate those shown in **Table A-1** include the Reagan-era 600-ship goal of the 1980s, the Base Force fleet of more than 400 ships planned during the final two years of the George H. W. Bush Administration, the 346-ship fleet from the Clinton Administration's 1993 Bottom-Up Review (or BUR, sometimes also called Base Force II), and the 310-ship fleet of the Clinton Administration's 1997 QDR. The table below summarizes some key features of these plans.

Features of Recent Navy Force Structure Plans

Plan	600-ship	Base Force	1993 BUR	1997 QDR
Total ships	~600	~450/416[a]	346	~305/310[b]
Attack submarines	100	80/~55[c]	45-55	50/55[d]
Aircraft carriers	15[e]	12	11+1[f]	11+1[f]
Surface combatants	242/228[g]	~150	~124	116
Amphibious ships	~75[h]	51[i]	41[i]	36[i]

Source: Prepared by CRS based on DOD and U.S. Navy data.

a. Commonly referred to as 450-ship goal, but called for decreasing to 416 ships by end of FY1999.

b. Original total of about 305 ships was increased to about 310 due to increase in number of attack submarines to 55 from 50.
c. Plan originally included 80 attack submarines, but this was later reduced to about 55.
d. Plan originally included 50 attack submarines but this was later increased to 55.
e. Plus one additional aircraft carrier in the service life extension program (SLEP).
f. Eleven active carriers plus one operational reserve carrier.
g. Plan originally included 242 surface combatants but this was later reduced to 228.
h. Number needed to lift assault echelons of one Marine Expeditionary Force (MEF) plus one Marine Expeditionary Brigade (MEB).
i. Number needed to lift assault echelons of 2.5 MEBs. Changing numbers needed to meet this goal reflect in part changes in the design and capabilities of amphibious ships.

Appendix C. Industrial Base and Employment Aspects of Additional Shipbuilding Work

This appendix presents background information on the ability of the industrial base to take on the additional shipbuilding work associated with achieving and maintaining the Navy's 355-ship force-level goal and on the employment impact of additional shipbuilding work.

Industrial Base Ability

The U.S. shipbuilding industrial base has some unused capacity to take on increased Navy shipbuilding work, particularly for certain kinds of surface ships, and its capacity could be increased further over time to support higher Navy shipbuilding rates. Navy shipbuilding rates could not be increased steeply across the board overnight—time (and investment) would be needed to hire and train additional workers and increase production facilities at shipyards and supplier firms, particularly for supporting higher rates of submarine production. Depending on their specialties, newly hired workers could be initially less productive per unit of time worked than more experienced workers.

Some parts of the shipbuilding industrial base, such as the submarine construction industrial base, could face more challenges than others in ramping up to the higher production rates required to build the various parts of the 355-ship fleet. Over a period of a few to several years, with investment and management attention, Navy shipbuilding could ramp up to higher rates for achieving a 355-ship fleet over a period of 20-30 years.

An April 2017 CBO report stated that

> all seven shipyards [currently involved in building the Navy's major ships] would need to increase their workforces and several would need to make improvements to their infrastructure in order to build ships at a faster rate. However, certain sectors face greater obstacles in constructing ships at faster rates than others: Building more submarines to meet the goals of the 2016 force structure assessment would pose the greatest challenge to the shipbuilding industry. Increasing the number of aircraft carriers and surface combatants would pose a small to moderate challenge to builders of those vessels. Finally, building more amphibious ships and combat logistics and support ships would be the least problematic for the shipyards. The workforces across those yards would need to increase by about 40 percent over the next 5 to 10 years. Managing the growth and training of those new workforces while maintaining the current standard of quality and efficiency would represent the most significant industrywide challenge. In addition, industry and Navy sources indicate that as much as $4 billion would need to be invested in the physical infrastructure of the shipyards to achieve the higher production rates required under the [notional] 15-year and 20-year [buildup scenarios examined by CBO]. Less investment would be needed for the [notional] 25-year or 30-year [buildup scenarios examined by CBO].[51]

A January 13, 2017, press report states the following:

> The Navy's production lines are hot and the work to prepare them for the possibility of building out a much larger fleet would be manageable, the service's head of acquisition said Thursday.
>
> From a logistics perspective, building the fleet from its current 274 ships to 355, as recommended in the Navy's newest force structure assessment in December, would be

[51] Congressional Budget Office, *Costs of Building a 355-Ship Navy*, April 2017, pp. 9-10.

> straightforward, Assistant Secretary of the Navy for Research, Development and Acquisition Sean Stackley told reporters at the Surface Navy Association's annual symposium.
>
> "By virtue of maintaining these hot production lines, frankly, over the last eight years, our facilities are in pretty good shape," Stackley said. "In fact, if you talked to industry, they would say we're underutilizing the facilities that we have."
>
> The areas where the Navy would likely have to adjust "tooling" to answer demand for a larger fleet would likely be in Virginia-class attack submarines and large surface combatants, the DDG-51 guided missile destroyers—two ship classes likely to surge if the Navy gets funding to build to 355 ships, he said.
>
> "Industry's going to have to go out and procure special tooling associated with going from current production rates to a higher rate, but I would say that's easily done," he said.
>
> Another key, Stackley said, is maintaining skilled workers—both the builders in the yards and the critical supply-chain vendors who provide major equipment needed for ship construction. And, he suggested, it would help to avoid budget cuts and other events that would force workforce layoffs.
>
> "We're already prepared to ramp up," he said. "In certain cases, that means not laying off the skilled workforce we want to retain."[52]

A January 17, 2017, press report states the following:

> Building stable designs with active production lines is central to the Navy's plan to grow to 355 ships. "if you look at the 355-ship number, and you study the ship classes (desired), the big surge is in attack submarines and large surface combatants, which today are DDG-51 (destroyers)," the Assistant Secretary of the Navy, Sean Stackley, told reporters at last week's Surface Navy Association conference. Those programs have proven themselves reliable performers both at sea and in the shipyards.
>
> From today's fleet of 274 ships, "we're on an irreversible path to 308 by 2021. Those ships are already in construction," said Stackley. "To go from there to 355, virtually all those ships are currently in production, with some exceptions: Ohio Replacement, (we) just got done the Milestone B there (to move from R&D into detailed design); and then upgrades to existing platforms. So we have hot production lines that will take us to that 355-ship Navy."[53]

A January 24, 2017, press report states the following:

> Navy officials say a recently determined plan to increase its fleet size by adding more new submarines, carriers and destroyers is "executable" and that early conceptual work toward this end is already underway....
>
> Although various benchmarks will need to be reached in order for this new plan to come to fruition, such as Congressional budget allocations, Navy officials do tell Scout Warrior that the service is already working—at least in concept—on plans to vastly enlarge the fleet. Findings from this study are expected to inform an upcoming 2018 Navy Shipbuilding Plan, service officials said.[54]

A January 12, 2017, press report states the following:

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[52] Hope Hodge Seck, "Navy Acquisition Chief: Surge to 355 Ships 'Easily Done,'" *DoD Buzz*, January 13, 2017.

[53] Sydney J. Freedberg Jr., "Build More Ships, But Not New Designs: CNO Richardson To McCain," *Breaking Defense*, January 17, 2017.

[54] Kris Osborn, "Navy: Larger 355-Ship Fleet—'Executable,'" *Scout Warrior*, January 24, 2017.

> Brian Cuccias, president of Ingalls Shipbuilding [a shipyard owned by Huntington Ingalls Industries (HII) that builds Navy destroyers and amphibious ships as well as Coast Guard cutters], said Ingalls, which is currently building 10 ships for four Navy and Coast Guard programs at its 800-acre facility in Pascagoula, Miss., could build more because it is using only 70 to 75 percent of its capacity.[55]

A March 2017 press report states the following:

> As the Navy calls for a larger fleet, shipbuilders are looking toward new contracts and ramping up their yards to full capacity....
>
> The Navy is confident that U.S. shipbuilders will be able to meet an increased demand, said Ray Mabus, then-secretary of the Navy, during a speech at the Surface Navy Association's annual conference in Arlington, Virginia.
>
> They have the capacity to "get there because of the ships we are building today," Mabus said. "I don't think we could have seven years ago."
>
> Shipbuilders around the United States have "hot" production lines and are manufacturing vessels on multi-year or block buy contracts, he added. The yards have made investments in infrastructure and in the training of their workers.
>
> "We now have the basis ... [to] get to that much larger fleet," he said....
>
> Shipbuilders have said they are prepared for more work.
>
> At Ingalls Shipbuilding—a subsidiary of Huntington Ingalls Industries—10 ships are under construction at its Pascagoula, Mississippi, yard, but it is under capacity, said Brian Cuccias, the company's president.
>
> The shipbuilder is currently constructing five guided-missile destroyers, the latest San Antonio-class amphibious transport dock ship, and two national security cutters for the Coast Guard.
>
> "Ingalls is a very successful production line right now, but it has the ability to actually produce a lot more in the future," he said during a briefing with reporters in January.
>
> The company's facility is currently operating at 75 percent capacity, he noted....
>
> Austal USA—the builder of the Independence-variant of the littoral combat ship and the expeditionary fast transport vessel—is also ready to increase its capacity should the Navy require it, said Craig Perciavalle, the company's president.
>
> The latest discussions are "certainly something that a shipbuilder wants to hear," he said. "We do have the capability of increasing throughput if the need and demand were to arise, and then we also have the ability with the present workforce and facility to meet a different mix that could arise as well."
>
> Austal could build fewer expeditionary fast transport vessels and more littoral combat ships, or vice versa, he added.
>
> "The key thing for us is to keep the manufacturing lines hot and really leverage the momentum that we've gained on both of the programs," he said.
>
> The company—which has a 164-acre yard in Mobile, Alabama—is focused on the extension of the LCS and expeditionary fast transport ship program, but Perciavalle noted that it could look into manufacturing other types of vessels.

[55] Marc Selinger, "Navy Needs More Aircraft to Match Ship Increase, Secretary [of the Navy] Says," *Defense Daily*, January 12, 2017. See also Lee Hudson, "Ingalls Operating at About 75 Percent Capacity, Provided Info to Trump Team," *Inside the Navy*, January 16, 2017.

> "We do have excess capacity to even build smaller vessels … if that opportunity were to arise and we're pursuing that," he said.
>
> Bryan Clark, a naval analyst at the Center for Strategic and Budgetary Assessments, a Washington, D.C.-based think tank, said shipbuilders are on average running between 70 and 80 percent capacity. While they may be ready to meet an increased demand for ships, it would take time to ramp up their workforces.
>
> However, the bigger challenge is the supplier industrial base, he said.
>
> "Shipyards may be able to build ships but the supplier base that builds the pumps … and the radars and the radios and all those other things, they don't necessarily have that ability to ramp up," he said. "You would need to put some money into building up their capacity."
>
> That has to happen now, he added.
>
> Rear Adm. William Gallinis, program manager for program executive office ships, said what the Navy must be "mindful of is probably our vendor base that support the shipyards."
>
> Smaller companies that supply power electronics and switchboards could be challenged, he said.
>
> "Do we need to re-sequence some of the funding to provide some of the facility improvements for some of the vendors that may be challenged? My sense is that the industrial base will size to the demand signal. We just need to be mindful of how we transition to that increased demand signal," he said.
>
> The acquisition workforce may also see an increased amount of stress, Gallinis noted. "It takes a fair amount of experience and training to get a good contracting officer to the point to be [able to] manage contracts or procure contracts."
>
> "But I don't see anything that is insurmountable," he added.[56]

At a May 24, 2017, hearing before the Seapower subcommittee of the Senate Armed Services Committee on the industrial-base aspects of the Navy's 355-ship goal, John P. Casey, executive vice president–marine systems, General Dynamics Corporation (one of the country's two principal builders of Navy ships) stated the following:

> It is our belief that the Nation's shipbuilding industrial base can scale-up hot production lines for existing ships and mobilize additional resources to accomplish the significant challenge of achieving the 355-ship Navy as quickly as possible....
>
> Supporting a plan to achieve a 355-ship Navy will be the most challenging for the nuclear submarine enterprise. Much of the shipyard and industrial base capacity was eliminated following the steep drop-off in submarine production that occurred with the cancellation of the Seawolf Program in 1992. The entire submarine industrial base at all levels of the supply chain will likely need to recapitalize some portion of its facilities, workforce, and supply chain just to support the current plan to build the Columbia Class SSBN program, while concurrently building Virginia Class SSNs. Additional SSN procurement will require industry to expand its plans and associated investment beyond the level today....
>
> Shipyard labor resources include the skilled trades needed to fabricate, build and outfit major modules, perform assembly, test and launch of submarines, and associated support organizations that include planning, material procurement, inspection, quality assurance, and ship certification. Since there is no commercial equivalency for Naval nuclear submarine shipbuilding, these trade resources cannot be easily acquired in large numbers from other industries. Rather, these shipyard resources must be acquired and developed over time to ensure the unique knowledge and know-how associated with nuclear

[56] Yasmin Tadjdeh, "Navy Shipbuilders Prepared for Proposed Fleet Buildup," *National Defense*, March 2017.

submarine shipbuilding is passed on to the next generation of shipbuilders. The mechanisms of knowledge transfer require sufficient lead time to create the proficient, skilled craftsmen in each key trade including welding, electrical, machining, shipfitting, pipe welding, painting, and carpentry, which are among the largest trades that would need to grow to support increased demand. These trades will need to be hired in the numbers required to support the increased workload. Both shipyards have scalable processes in place to acquire, train, and develop the skilled workforce they need to build nuclear ships. These processes and associated training facilities need to be expanded to support the increased demand. As with the shipyards, the same limiting factors associated with facilities, workforce, and supply chain also limit the submarine unique first tier suppliers and sub-tiers in the industrial base for which there is no commercial equivalency....

The supply base is the third resource that will need to be expanded to meet the increased demand over the next 20 years. During the OHIO, 688 and SEAWOLF construction programs, there were over 17,000 suppliers supporting submarine construction programs. That resource base was "rationalized" during submarine low rate production over the last 20 years. The current submarine industrial base reflects about 5,000 suppliers, of which about 3,000 are currently active (i.e., orders placed within the last 5 years), 80% of which are single or sole source (based on $). It will take roughly 20 years to build the 12 Columbia Class submarines that starts construction in FY21. The shipyards are expanding strategic sourcing of appropriate non-core products (e.g., decks, tanks, etc.) in order to focus on core work at each shipyard facility (e.g., module outfitting and assembly). Strategic sourcing will move demand into the supply base where capacity may exist or where it can be developed more easily. This approach could offer the potential for cost savings by competition or shifting work to lower cost work centers throughout the country. Each shipyard has a process to assess their current supply base capacity and capability and to determine where it would be most advantageous to perform work in the supply base....

Achieving the increased rate of production and reducing the cost of submarines will require the Shipbuilders to rely on the supply base for more non-core products such as structural fabrication, sheet metal, machining, electrical, and standard parts. The supply base must be made ready to execute work with submarine-specific requirements at a rate and volume that they are not currently prepared to perform. Preparing the supply base to execute increased demand requires early non-recurring funding to support cross-program construction readiness and EOQ funding to procure material in a manner that does not hold up existing ship construction schedules should problems arise in supplier qualification programs. This requires longer lead times (estimates of three years to create a new qualified, critical supplier) than the current funding profile supports....

We need to rely on market principles to allow suppliers, the shipyards and GFE material providers to sort through the complicated demand equation across the multiple ship programs. Supplier development funding previously mentioned would support non-recurring efforts which are needed to place increased orders for material in multiple market spaces. Examples would include valves, build-to-print fabrication work, commodities, specialty material, engineering components, etc. We are engaging our marine industry associations to help foster innovative approaches that could reduce costs and gain efficiency for this increased volume....

Supporting the 355-ship Navy will require Industry to add capability and capacity across the entire Navy Shipbuilding value chain. Industry will need to make investment decisions for additional capital spend starting now in order to meet a step change in demand that would begin in FY19 or FY20. For the submarine enterprise, the step change was already envisioned and investment plans that embraced a growth trajectory were already being formulated. Increasing demand by adding additional submarines will require scaling facility and workforce development plans to operate at a higher rate of production. The nuclear shipyards would also look to increase material procurement proportionally to the increased demand. In some cases, the shipyard facilities may be constrained with existing

capacity and may look to source additional work in the supply base where capacity exists or where there are competitive business advantages to be realized. Creating additional capacity in the supply base will require non-recurring investment in supplier qualification, facilities, capital equipment and workforce training and development.

Industry is more likely to increase investment in new capability and capacity if there is certainty that the Navy will proceed with a stable shipbuilding plan. Positive signals of commitment from the Government must go beyond a published 30-year Navy Shipbuilding Plan and line items in the Future Years Defense Plan (FYDP) and should include

- Multi-year contracting for Block procurement which provides stability in the industrial base and encourages investment in facilities and workforce development
- Funding for supplier development to support training, qualification, and facilitization efforts—Electric Boat and Newport News have recommended to the Navy funding of $400M over a three-year period starting in 2018 to support supplier development for the Submarine Industrial Base as part of an Integrated Enterprise Plan Extended Enterprise initiative
- Acceleration of Advance Procurement and/or Economic Order Quantities (EOQ) procurement from FY19 to FY18 for Virginia Block V
- Government incentives for construction readiness and facilities / special tooling for shipyard and supplier facilities, which help cash flow capital investment ahead of construction contract awards
- Procurement of additional production back-up (PBU) material to help ensure a ready supply of material to mitigate construction schedule risk....

So far, this testimony has focused on the Submarine Industrial Base, but the General Dynamics Marine Systems portfolio also includes surface ship construction. Unlike Electric Boat, Bath Iron Works and NASSCO are able to support increased demand without a significant increase in resources.....

Bath Iron Works is well positioned to support the Administration's announced goal of increasing the size of the Navy fleet to 355 ships. For BIW that would mean increasing the total current procurement rate of two DDG 51s per year to as many as four DDGs per year, allocated equally between BIW and HII. This is the same rate that the surface combatant industrial base sustained over the first decade of full rate production of the DDG 51 Class (1989-1999)....

No significant capital investment in new facilities is required to accommodate delivering two DDGs per year. However, additional funding will be required to train future shipbuilders and maintain equipment. Current hiring and training processes support the projected need, and have proven to be successful in the recent past. BIW has invested significantly in its training programs since 2014 with the restart of the DDG 51 program and given these investments and the current market in Maine, there is little concern of meeting the increase in resources required under the projected plans.

A predictable and sustainable Navy workload is essential to justify expanding hiring/training programs. BIW would need the Navy's commitment that the Navy's plan will not change before it would proceed with additional hiring and training to support increased production.

BIW's supply chain is prepared to support a procurement rate increase of up to four DDG 51s per year for the DDG 51 Program. BIW has long-term purchasing agreements in place for all major equipment and material for the DDG 51 Program. These agreements provide for material lead time and pricing, and are not constrained by the number of ships ordered in a year. BIW confirmed with all of its critical suppliers that they can support this increased procurement rate....

The Navy's Force Structure Assessment calls for three additional ESBs. Additionally, NASSCO has been asked by the Navy and the Congressional Budget Office (CBO) to evaluate its ability to increase the production rate of T-AOs to two ships per year. NASSCO has the capacity to build three more ESBs at a rate of one ship per year while building two

> T-AOs per year. The most cost effective funding profile requires funding ESB 6 in FY18 and the following ships in subsequent fiscal years to avoid increased cost resulting from a break in the production line. The most cost effective funding profile to enable a production rate of two T-AO ships per year requires funding an additional long lead time equipment set beginning in FY19 and an additional ship each year beginning in FY20.
>
> NASSCO must now reduce its employment levels due to completion of a series of commercial programs which resulted in the delivery of six ships in 2016. The proposed increase in Navy shipbuilding stabilizes NASSCO's workload and workforce to levels that were readily demonstrated over the last several years.
>
> Some moderate investment in the NASSCO shipyard will be needed to reach this level of production. The recent CBO report on the costs of building a 355-ship Navy accurately summarized NASSCO's ability to reach the above production rate stating, "building more … combat logistics and support ships would be the least problematic for the shipyards."[57]

At the same hearing, Brian Cuccias, president, Ingalls Shipbuilding, Huntington Ingalls Industries (the country's other principal builder of Navy ships) stated the following:

> Qualifying to be a supplier is a difficult process. Depending on the commodity, it may take up to 36 months. That is a big burden on some of these small businesses. This is why creating sufficient volume and exercising early contractual authorization and advance procurement funding is necessary to grow the supplier base, and not just for traditional long-lead time components; that effort needs to expand to critical components and commodities that today are controlling the build rate of submarines and carriers alike. Many of our suppliers are small businesses and can only make decisions to invest in people, plant and tooling when they are awarded a purchase order. We need to consider how we can make commitments to suppliers early enough to ensure material readiness and availability when construction schedules demand it.
>
> With questions about the industry's ability to support an increase in shipbuilding, both Newport News and Ingalls have undertaken an extensive inventory of our suppliers and assessed their ability to ramp up their capacity. We have engaged many of our key suppliers to assess their ability to respond to an increase in production.
>
> The fortunes of related industries also impact our suppliers, and an increase in demand from the oil and gas industry may stretch our supply base. Although some low to moderate risk remains, I am convinced that our suppliers will be able to meet the forecasted Navy demand....
>
> I strongly believe that the fastest results can come from leveraging successful platforms on current hot production lines. We commend the Navy's decision in 2014 to use the existing LPD 17 hull form for the LX(R), which will replace the LSD-class amphibious dock landing ships scheduled to retire in the coming years. However, we also recommend that the concept of commonality be taken even further to best optimize efficiency, affordability and capability. Specifically, rather than continuing with a new design for LX(R) within the "walls" of the LPD hull, we can leverage our hot production line and supply chain and offer the Navy a variant of the existing LPD design that satisfies the aggressive cost targets of the LX(R) program while delivering more capability and survivability to the fleet at a significantly faster pace than the current program. As much as 10-15 percent material savings can be realized across the LX(R) program by purchasing respective blocks of at least five ships each under a multi-year procurement (MYP) approach. In the aggregate, continuing production with LPD 30 in FY18, coupled with successive MYP contracts for

[57] John P. Casey, Executive Vice President – Marine Systems, General Dynamics Corporation, Testimony before the Senate Armed Services Committee, Subcommittee on Seapower, 115th Congress, Supporting the 355-Ship Navy with Focus on Submarine Industrial Base, Washington, DC, May 24, 2017, pp. 3-18. See also Marjorie Censer, "BWX Technologies Weighs When To Ready for Additional Submarines," *Inside the Navy*, May 29, 2017.

> the balance of ships, may yield savings greater than $1 billion across an 11-ship LX(R) program. Additionally, we can deliver five LX(R)s to the Navy and Marine Corps in the same timeframe that the current plan would deliver two, helping to reduce the shortfall in amphibious warships against the stated force requirement of 38 ships.
>
> Multi-ship procurements, whether a formal MYP or a block-buy, are a proven way to reduce the price of ships. The Navy took advantage of these tools on both Virginia-class submarines and Arleigh Burke-class destroyers. In addition to the LX(R) program mentioned above, expanding multi-ship procurements to other ship classes makes sense....
>
> The most efficient approach to lower the cost of the Ford class and meet the goal of an increased CVN fleet size is also to employ a multi-ship procurement strategy and construct these ships at three-year intervals. This approach would maximize the material procurement savings benefit through economic order quantities procurement and provide labor efficiencies to enable rapid acquisition of a 12-ship CVN fleet. This three-ship approach would save at least $1.5 billion, not including additional savings that could be achieved from government-furnished equipment. As part of its Integrated Enterprise Plan, we commend the Navy's efforts to explore the prospect of material economic order quantity purchasing across carrier and submarine programs.[58]

At the same hearing, Matthew O. Paxton, president, Shipbuilders Council of America (SCA)—a trade association representing shipbuilders, suppliers, and associated firms—stated the following:

> To increase the Navy's Fleet to 355 ships, a substantial and sustained investment is required in both procurement and readiness. However, let me be clear: building and sustaining the larger required Fleet is achievable and our industry stands ready to help achieve that important national security objective.
>
> To meet the demand for increased vessel construction while sustaining the vessels we currently have will require U.S. shipyards to expand their work forces and improve their infrastructure in varying degrees depending on ship type and ship mix – a requirement our Nation's shipyards are eager to meet. But first, in order to build these ships in as timely and affordable manner as possible, stable and robust funding is necessary to sustain those industrial capabilities which support Navy shipbuilding and ship maintenance and modernization....
>
> Beyond providing for the building of a 355-ship Navy, there must also be provision to fund the "tail," the maintenance of the current and new ships entering the fleet. Target fleet size cannot be reached if existing ships are not maintained to their full service lives, while building those new ships. Maintenance has been deferred in the last few years because of across-the-board budget cuts....
>
> The domestic shipyard industry certainly has the capability and know-how to build and maintain a 355-ship Navy. The Maritime Administration determined in a recent study on the Economic Benefits of the U.S. Shipyard Industry that there are nearly 110,000 skilled men and women in the Nation's private shipyards building, repairing and maintaining America's military and commercial fleets.1 The report found the U.S. shipbuilding industry supports nearly 400,000 jobs across the country and generates $25.1 billion in income and $37.3 billion worth of goods and services each year. In fact, the MARAD report found that the shipyard industry creates direct and induced employment in every State and Congressional District and each job in the private shipbuilding and repairing industry supports another 2.6 jobs nationally.
>
> This data confirms the significant economic impact of this manufacturing sector, but also that the skilled workforce and industrial base exists domestically to build these ships. Long-

[58] Statement of Brian Cuccias, President, Ingalls Shipbuilding, Huntington Ingalls Industries, Subcommittee on Seapower, Senate Armed Services Committee, May 24, 2017, pp. 4-11.

> term, there needs to be a workforce expansion and some shipyards will need to reconfigure or expand production lines. This can and will be done as required to meet the need if adequate, stable budgets and procurement plans are established and sustained for the long-term. Funding predictability and sustainability will allow industry to invest in facilities and more effectively grow its skilled workforce. The development of that critical workforce will take time and a concerted effort in a partnership between industry and the federal government.
>
> U.S. shipyards pride themselves on implementing state of the art training and apprenticeship programs to develop skilled men and women that can cut, weld, and bend steel and aluminum and who can design, build and maintain the best Navy in the world. However, the shipbuilding industry, like so many other manufacturing sectors, faces an aging workforce. Attracting and retaining the next generation shipyard worker for an industry career is critical. Working together with the Navy, and local and state resources, our association is committed to building a robust training and development pipeline for skilled shipyard workers. In addition to repealing sequestration and stabilizing funding the continued development of a skilled workforce also needs to be included in our national maritime strategy....
>
> In conclusion, the U.S. shipyard industry is certainly up to the task of building a 355-ship Navy and has the expertise, the capability, the critical capacity and the unmatched skilled workforce to build these national assets. Meeting the Navy's goal of a 355-ship fleet and securing America's naval dominance for the decades ahead will require sustained investment by Congress and Navy's partnership with a defense industrial base that can further attract and retain a highly-skilled workforce with critical skill sets. Again, I would like to thank this Subcommittee for inviting me to testify alongside such distinguished witnesses. As a representative of our nation's private shipyards, I can say, with confidence and certainty, that our domestic shipyards and skilled workers are ready, willing and able to build and maintain the Navy's 355-ship Fleet.[59]

Employment Impact

Building the additional ships that would be needed to achieve and maintain the 355-ship fleet could create many additional manufacturing and other jobs at shipyards, associated supplier firms, and elsewhere in the U.S. economy. A 2015 Maritime Administration (MARAD) report states

> Considering the indirect and induced impacts, each direct job in the shipbuilding and repairing industry is associated with another 2.6 jobs in other parts of the US economy; each dollar of direct labor income and GDP in the shipbuilding and repairing industry is associated with another $1.74 in labor income and $2.49 in GDP, respectively, in other parts of the US economy.[60]

A March 2017 press report states, "Based on a 2015 economic impact study, the Shipbuilders Council of America [a trade association for U.S. shipbuilders and associated supplier firms] believes that a 355-ship Navy could add more than 50,000 jobs nationwide."[61] The 2015

[59] Testimony of Matthew O. Paxton, President, Shipbuilders Council of America, before the United States Senate Committee on Armed Services, Subcommittee on Seapower, [on] Industry Perspectives on Options and Considerations for Achieving a 355-Ship Navy, May 24, 2017, pp. 3-8.

[60] MARAD, *The Economic Importance of the U.S. Shipbuilding and Repairing Industry*, November 2015, pp. E-3, E-4. For another perspective on the issue of the impact of shipbuilding on the broader economy, see Edward G. Keating et al., *The Economic Consequences of Investing in Shipbuilding, Case Studies in the United States and Sweden*, RAND Corporation, 2015.

[61] Yasmin Tadjdeh, "Navy Shipbuilders Prepared for Proposed Fleet Buildup," *National Defense*, March 2017.

economic impact study referred to in that quote might be the 2015 MARAD study discussed in the previous paragraph. An estimate of more than 50,000 additional jobs nationwide might be viewed as a higher-end estimate; other estimates might be lower. A June 14, 2017, press report states the following: "The shipbuilding industry will need to add between 18,000 and 25,000 jobs to build to a 350-ship Navy, according to Matthew Paxton, president of the Shipbuilders Council of America, a trade association representing the shipbuilding industrial base. Including indirect jobs like suppliers, the ramp-up may require a boost of 50,000 workers."[62]

Similarly, another press report states the following: "The Navy envisioned by Trump could create more than 50,000 jobs, the Shipbuilders Council of America, a trade group representing U.S. shipbuilders, repairers and suppliers, told Reuters." (Mike Stone, "Missing from Trump's Grand Navy Plan: Skilled Workers to Build the Fleet," *Reuters*, March 17, 2017.)

[62] Jaqueline Klimas, "Growing Shipbuilding Workforce Seen as Major Challenge for Trump's Navy Buildup," *Politico*, June 14, 2017.

Appendix D. A Summary of Some Acquisition Lessons Learned for Navy Shipbuilding

This appendix presents a general summary of lessons learned in Navy shipbuilding, reflecting comments made repeatedly by various sources over the years. These lessons learned include the following:

- **At the outset, get the operational requirements for the program right.** Properly identify the program's operational requirements at the outset. Manage risk by not trying to do too much in terms of the program's operational requirements, and perhaps seek a so-called 70%-to-80% solution (i.e., a design that is intended to provide 70%-80% of desired or ideal capabilities). Achieve a realistic balance up front between operational requirements, risks, and estimated costs.
- **Use mature technologies.** Use land-based prototyping and testing to bring new technologies to a high state of maturity before incorporating them into ship designs, and limit the number of major new technologies to be incorporated into a new ship design.
- **Impose cost discipline up front.** Use realistic price estimates, and consider not only development and procurement costs, but life-cycle operation and support (O&S) costs.
- **Employ competition** where possible in the awarding of design and construction contracts.
- **Use a contract type that is appropriate for the amount of risk involved**, and structure its terms to align incentives with desired outcomes.
- **Minimize design/construction concurrency** by developing the design to a high level of completion before starting construction and by resisting changes in requirements (and consequent design changes) during construction.
- **Properly supervise construction work.** Maintain an adequate number of properly trained Supervisor of Shipbuilding (SUPSHIP) personnel.
- **Provide stability for industry**, in part by using, where possible, multiyear procurement (MYP) or block buy contracting.
- **Maintain a capable government acquisition workforce** that understands what it is buying, as well as the above points.

Identifying these lessons is arguably not the hard part—most if not all these points have been cited for years. The hard part, arguably, is living up to them without letting circumstances lead program-execution efforts away from these guidelines.

Appendix E. Some Considerations Relating to Warranties in Shipbuilding Contracts

This appendix presents some considerations relating to warranties in shipbuilding contracts and other defense acquisition.

In discussions of Navy (and also Coast Guard) shipbuilding, one question that sometimes arises is whether including a warranty in a shipbuilding contract is preferable to not including one. The question can arise, for example, in connection with a GAO finding that "the Navy structures shipbuilding contracts so that it pays shipbuilders to build ships as part of the construction process and then pays the same shipbuilders a second time to repair the ship when construction defects are discovered."[63]

Including a warranty in a shipbuilding contract (or a contract for building some other kind of defense end item), while potentially valuable, might not always be preferable to not including one—it depends on the circumstances of the acquisition, and it is not necessarily a valid criticism of an acquisition program to state that it is using a contract that does not include a warranty (or a weaker form of a warranty rather than a stronger one).

Including a warranty generally shifts to the contractor the risk of having to pay for fixing problems with earlier work. Although that in itself could be deemed desirable from the government's standpoint, a contractor negotiating a contract that will have a warranty will incorporate that risk into its price, and depending on how much the contractor might charge for doing that, it is possible that the government could wind up paying more in total for acquiring the item (including fixing problems with earlier work on that item) than it would have under a contract without a warranty.

When a warranty is not included in the contract and the government pays later on to fix problems with earlier work, those payments can be very visible, which can invite critical comments from observers. But that does not mean that including a warranty in the contract somehow frees the government from paying to fix problems with earlier work. In a contract that includes a warranty, the government will indeed pay something to fix problems with earlier work—but it will make the payment in the less-visible (but still very real) form of the up-front charge for including the warranty, and that charge might be more than what it would have cost the government, under a contract without a warranty, to pay later on for fixing those problems.

From a cost standpoint, including a warranty in the contract might or might not be preferable, depending on the risk that there will be problems with earlier work that need fixing, the potential cost of fixing such problems, and the cost of including the warranty in the contract. The point is that the goal of avoiding highly visible payments for fixing problems with earlier work and the goal of minimizing the cost to the government of fixing problems with earlier work are separate and different goals, and that pursuing the first goal can sometimes work against achieving the second goal.[64]

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[63] See Government Accountability Office, *Navy Shipbuilding[:] Past Performance Provides Valuable Lessons for Future Investments*, GAO-18-238SP, June 2018, p. 21. A graphic on page 21 shows a GAO finding that the government was financially responsible for shipbuilder deficiencies in 96% of the cases examined by GAO, and that the shipbuilder was financially responsible for shipbuilder deficiencies in 4% of the cases.

[64] It can also be noted that the country's two largest builders of Navy ships—General Dynamics (GD) and Huntington Ingalls Industries (HII)—derive about 60% and 96%, respectively, of their revenues from U.S. government work. (See General Dynamics, *2016 Annual Report*, page 9 of Form 10-K [PDF page 15 of 88]) and Huntington Ingalls Industries,

The Department of Defense's guide on the use of warranties states the following:

> Federal Acquisition Regulation (FAR) 46.7 states that "the use of warranties is not mandatory." However, if the benefits to be derived from the warranty are commensurate with the cost of the warranty, the CO [contracting officer] should consider placing it in the contract. In determining whether a warranty is appropriate for a specific acquisition, FAR Subpart 46.703 requires the CO to consider the nature and use of the supplies and services, the cost, the administration and enforcement, trade practices, and reduced requirements. The rationale for using a warranty should be documented in the contract file....
>
> In determining the value of a warranty, a CBA [cost-benefit analysis] is used to measure the life cycle costs of the system with and without the warranty. A CBA is required to determine if the warranty will be cost beneficial. CBA is an economic analysis, which basically compares the Life Cycle Costs (LCC) of the system with and without the warranty to determine if warranty coverage will improve the LCCs. In general, five key factors will drive the results of the CBA: cost of the warranty + cost of warranty administration + compatibility with total program efforts + cost of overlap with Contractor support + intangible savings. Effective warranties integrate reliability, maintainability, supportability, availability, and life-cycle costs. Decision factors that must be evaluated include the state of the weapon system technology, the size of the warranted population, the likelihood that field performance requirements can be achieved, and the warranty period of performance.[65]

2016 Annual Report, page 5 of Form 10-K [PDF page 19 of 134]). These two shipbuilders operate the only U.S. shipyards currently capable of building several major types of Navy ships, including submarines, aircraft carriers, large surface combatants, and amphibious ships. Thus, even if a warranty in a shipbuilding contract with one of these firms were to somehow mean that the government did not have pay under the terms of that contract—either up front or later on—for fixing problems with earlier work done under that contract, there would still be a question as to whether the government would nevertheless wind up eventually paying much of that cost as part of the price of one or more future contracts the government may have that firm.

[65] Department of Defense, *Department of Defense Warranty Guide*, Version 1.0, September 2009, accessed July 13, 2017, at https://www.acq.osd.mil/dpap/pdi/uid/docs/departmentofdefensewarrantyguide[1].doc.

Appendix F. Avoiding Procurement Cost Growth vs. Minimizing Procurement Costs

This appendix presents some considerations relating to avoiding procurement cost growth vs. minimizing procurement costs in shipbuilding and other defense acquisition.

The affordability challenge posed by the Navy's shipbuilding plans can reinforce the strong oversight focus on preventing or minimizing procurement cost growth in Navy shipbuilding programs, which is one expression of a strong oversight focus on preventing or minimizing cost growth in DOD acquisition programs in general. This oversight focus may reflect in part an assumption that avoiding or minimizing procurement cost growth is always synonymous with minimizing procurement cost. It is important to note, however, that as paradoxical as it may seem, avoiding or minimizing procurement cost growth is not always synonymous with minimizing procurement cost, and that a sustained, singular focus on avoiding or minimizing procurement cost growth might sometimes lead to higher procurement costs for the government.

How could this be? Consider the example of a design for the lead ship of a new class of Navy ships. The construction cost of this new design is uncertain, but is estimated to be likely somewhere between Point A (a minimum possible figure) and Point D (a maximum possible figure). (Point D, in other words, would represent a cost estimate with a 100% confidence factor, meaning there is a 100% chance that the cost would come in at or below that level.) If the Navy wanted to avoid cost growth on this ship, it could simply set the ship's procurement cost at Point D. Industry would likely be happy with this arrangement, and there likely would be no cost growth on the ship.

The alternative strategy open to the Navy is to set the ship's target procurement cost at some figure between Points A and D—call it Point B—and then use that more challenging target cost to place pressure on industry to sharpen its pencils so as to find ways to produce the ship at that lower cost. (Navy officials sometimes refer to this as "pressurizing" industry.) In this example, it might turn out that industry efforts to reduce production costs are not successful enough to build the ship at the Point B cost. As a result, the ship experiences one or more rounds of procurement cost growth, and the ship's procurement cost rises over time from Point B to some higher figure—call it Point C.

Here is the rub: Point C, in spite of incorporating one or more rounds of cost growth, might nevertheless turn out to be lower than Point D, because Point C reflected efforts by the shipbuilder to find ways to reduce production costs that the shipbuilder might have put less energy into pursuing if the Navy had simply set the ship's procurement cost initially at Point D.

Setting the ship's cost at Point D, in other words, may eliminate the risk of cost growth on the ship, but does so at the expense of creating a risk of the government paying more for the ship than was actually necessary. DOD could avoid cost growth on new procurement programs starting tomorrow by simply setting costs for those programs at each program's equivalent of Point D. But as a result of this strategy, DOD could well wind up leaving money on the table in some instances—of not, in other words, minimizing procurement costs.

DOD does not have to set a cost precisely at Point D to create a potential risk in this regard. A risk of leaving money on the table, for example, is a possible downside of requiring DOD to budget for its acquisition programs at something like an 80% confidence factor—an approach that some observers have recommended—because a cost at the 80% confidence factor is a cost that is likely fairly close to Point D.

Procurement cost growth is often embarrassing for DOD and industry, and can damage their credibility in connection with future procurement efforts. Procurement cost growth can also disrupt congressional budgeting by requiring additional appropriations to pay for something Congress thought it had fully funded in a prior year. For this reason, there is a legitimate public policy value to pursuing a goal of having less rather than more procurement cost growth.

Procurement cost growth, however, can sometimes be in part the result of DOD efforts to use lower initial cost targets as a means of pressuring industry to reduce production costs—efforts that, notwithstanding the cost growth, might be partially successful. A sustained, singular focus on avoiding or minimizing cost growth, and of punishing DOD for all instances of cost growth, could discourage DOD from using lower initial cost targets as a means of pressurizing industry, which could deprive DOD of a tool for controlling procurement costs.

The point here is not to excuse away cost growth, because cost growth can occur in a program for reasons other than DOD's attempt to pressurize industry. Nor is the point to abandon the goal of seeking lower rather than higher procurement cost growth, because, as noted above, there is a legitimate public policy value in pursuing this goal. The point, rather, is to recognize that this goal is not always synonymous with minimizing procurement cost, and that a possibility of some amount of cost growth might be expected as part of an optimal government strategy for minimizing procurement cost. Recognizing that the goals of seeking lower rather than higher cost growth and of minimizing procurement cost can sometimes be in tension with one another can lead to an approach that takes both goals into consideration. In contrast, an approach that is instead characterized by a sustained, singular focus on avoiding and minimizing cost growth may appear virtuous, but in the end may wind up costing the government more.

Appendix G. Size of the Navy and Navy Shipbuilding Rate

Size of the Navy

Table G-1 shows the size of the Navy in terms of total number of ships since FY1948; the numbers shown in the table reflect changes over time in the rules specifying which ships count toward the total. Differing counting rules result in differing totals, and for certain years, figures reflecting more than one set of counting rules are available. Figures in the table for FY1978 and subsequent years reflect the battle force ships counting method, which is the set of counting rules established in the early 1980s for public policy discussions of the size of the Navy.

As shown in the table, the total number of battle force ships in the Navy reached a late-Cold War peak of 568 at the end of FY1987 and began declining thereafter.[66] The Navy fell below 300 battle force ships in August 2003 and remained below 300 ships for the next 16 years. The Navy briefly returned to a level of 300 ships in early July 2020, for the first time in almost 17 years, subsequently fell back below 300 ships, reached 300 ships again briefly in August 2022, and as of September 15, 2022, included 299 battle force ships.

As discussed in **Appendix B**, historical figures for total fleet size might not be a reliable yardstick for assessing the appropriateness of proposals for the future size and structure of the Navy, particularly if the historical figures are more than a few years old, because the missions to be performed by the Navy, the mix of ships that make up the Navy, and the technologies that are available to Navy ships for performing missions all change over time, and because the number of ships in the fleet in an earlier year might itself have been inappropriate (i.e., not enough or more than enough) for meeting the Navy's mission requirements in that year.

For similar reasons, trends over time in the total number of ships in the Navy are not necessarily a reliable indicator of the direction of change in the fleet's ability to perform its stated missions. An increasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform its stated missions is increasing, because the fleet's mission requirements might be increasing more rapidly than ship numbers and average ship capability. Similarly, a decreasing number of ships in the fleet might not necessarily mean that the fleet's ability to perform stated missions is decreasing, because the fleet's mission requirements might be declining more rapidly than numbers of ships, or because average ship capability and the percentage of time that ships are in deployed locations might be increasing quickly enough to more than offset reductions in total ship numbers.

[66] Some publications have stated that the Navy reached a peak of 594 ships at the end of FY1987. This figure, however, is the total number of active ships in the fleet, which is not the same as the total number of battle force ships. The battle force ships figure is the number used in government discussions of the size of the Navy. In recent years, the total number of active ships has been larger than the total number of battle force ships. For example, the Naval History and Heritage Command (formerly the Naval Historical Center) states that as of November 16, 2001, the Navy included a total of 337 active ships, while the Navy states that as of November 19, 2001, the Navy included a total of 317 battle force ships. Comparing the total number of active ships in one year to the total number of battle force ships in another year is thus an apples-to-oranges comparison that in this case overstates the decline since FY1987 in the number of ships in the Navy. As a general rule to avoid potential statistical distortions, comparisons of the number of ships in the Navy over time should use, whenever possible, a single counting method.

Table G-1. Total Number of Ships in Navy Since FY1948

FY[a]	Number	FY[a]	Number	FY[a]	Number	FY[a]	Number
1948	737	1970	769	1992	466	2014	289
1949	690	1971	702	1993	435	2015	271
1950	634	1972	654	1994	391	2016	275
1951	980	1973	584	1995	372	2017	279
1952	1,097	1974	512	1996	356	2018	286
1953	1,122	1975	496	1997	354	2019	290
1954	1,113	1976	476	1998	333	2020	296
1955	1,030	1977	464	1999	317	2021	294
1956	973	1978	468	2000	318		
1957	967	1979	471	2001	316		
1958	890	1980	477	2002	313		
1959	860	1981	490	2003	297		
1960	812	1982	513	2004	292		
1961	897	1983	514	2005	281		
1962	959	1984	524	2006	281		
1963	916	1985	541	2007	279		
1964	917	1986	556	2008	282		
1965	936	1987	568	2009	285		
1966	947	1988	565	2010	288		
1967	973	1989	566	2011	284		
1968	976	1990	546	2012	287		
1969	926	1991	526	2013	285		

Source: Compiled by CRS using U.S. Navy data. Numbers shown reflect changes over time in the rules specifying which ships count toward the total. Figures for FY1978 and subsequent years reflect the battle force ships counting method, which is the set of counting rules established in the early 1980s for public policy discussions of the size of the Navy.

a. Data for earlier years in the table may be for the end of the calendar year (or for some other point during the year), rather than for the end of the fiscal year.

Shipbuilding Rate

Table G-2 shows past (FY1982-FY2022) and programmed (FY2023-FY2027) rates of Navy ship procurement.

Table G-2. Battle Force Ships Procured or Requested, FY1982-FY2027

(Procured in FY1982-FY2022 and *programmed for FY2023-FY2027*)

82	**83**	**84**	**85**	**86**	**87**	**88**	**89**	**90**	**91**	**92**	**93**	**94**	**95**	**96**	**97**	**98**	**99**	**00**
17	14	16	19	20	17	15	19	15	11	11	7	4	4	5	4	5	5	6
01	**02**	**03**	**04**	**05**	**06**	**07**	**08**	**09**	**10**	**11**	**12**	**13**	**14**	**15**	**16**	**17**	**18**	**19**
6	6	5	7	8	4	5	3	8	7	10	11	11	8	8	9	9	9	13
20	**21**	**22**	***23***	***24***	***25***	***26***	***27***											
13	11	13	*8*	*9*	*9*	*13*	*11*											

Source: CRS compilation based on Navy budget data and examination of defense authorization and appropriation committee and conference reports for each fiscal year. The table excludes nonbattle force ships that do not count toward the 355-ship goal, such as certain sealift and prepositioning ships operated by the Military Sealift Command and oceanographic ships operated by agencies such as the National Oceanic and Atmospheric Administration (NOAA).

Notes: (1) **The totals shown for FY2006, FY2007, and FY2008**, reflect the cancellation two LCSs funded in FY2006, another two LCSs funded in FY2007, and an LCS funded in FY2008.

(2) **The total shown for FY2012** includes two JHSVs—one that was included in the Navy's FY2012 budget submission, and one that was included in the Army's FY2012 budget submission. Until FY2012, JHSVs were being procured by both the Navy and the Army. The Army was to procure its fifth and final JHSV in FY2012, and this ship was included in the Army's FY2012 budget submission. In May 2011, the Navy and Army signed a Memorandum of Agreement (MOA) transferring the Army's JHSVs to the Navy. In the FY2012 DOD Appropriations Act (Division A of H.R. 2055/P.L. 112-74 of December 23, 2011), the JHSV that was in the Army's FY2012 budget submission was funded through the Shipbuilding and Conversion, Navy (SCN) appropriation account, along with the JHSV that the Navy had included in its FY0212 budget submission. The four JHSVs that were procured through the Army's budget prior to FY2012, however, are not included in the annual totals shown in this table.

(3) **The figures shown for FY2019 and FY2020** reflect a Navy decision to show the aircraft carrier CVN-81 as a ship to be procured in FY2020 rather than a ship that was procured in FY2019. Congress, as part of its action on the Navy's proposed FY2019 budget, authorized the procurement of CVN-81 in FY2019.

(4) **The figure shown for FY2021** includes LHA-9 as a ship procured in FY2021, consistent with congressional authorization and appropriation action for FY2021 and prior fiscal years.

Appendix H. Effort in 2019 and 2020 to Develop New Navy Force-Level Goal

This appendix presents additional background information on the effort in 2019 and 2020 to develop a new Navy force level goal.[67]

Navy's Initial Effort Was Called the Integrated Naval FSA (INFSA)

The effort to develop a new Navy force-level goal began in the Navy with a new FSA that Navy and Marine Corps officials called the Integrated Naval FSA (INFSA), with the words *integrated naval* intended to signal that this FSA would integrate Marine Corps requirements into the analytical process more fully than previous FSAs did. Department of the Navy (DON) officials stated that the INFSA would take into account the Trump Administration's December 2017 National Security Strategy document and its January 2018 National Defense Strategy document, both of which put an emphasis on renewed great power competition with China and Russia,[68] as well as updated information on Chinese and Russian naval and other military capabilities and recent developments in new technologies, including those related to UVs.[69]

INFSA May Have Called for a 390/435-Ship Force-level Goal

Press reports and statements from Navy officials suggested that the INFSA was completed in late 2019 or early 2020, and that it may have resulted in a new Navy force-level goal for a fleet of about 390 manned ships plus about 45 unmanned or optionally manned ships, for a total of about 435 manned and unmanned/optionally manned ships. Navy officials provided few additional details about the composition of this 390/435-ship force-level goal.[70]

[67] See also Megan Eckstein, "After 9 Months of Study, Pentagon's Fleet Architecture Similar to Original Navy Plan," *USNI News*, November 4, 2020; Mallory Shelbourne and Sam LaGrone, "SECDEF Esper's 'Battle Force 2045' Plan Still Awaiting White House Approval," *USNI News*, October 231, 2020; John R. Kroger, "Esper's Fantasy Fleet, The SecDef's 500-Ship Plan Is an Exercise in Wishful Thinking That Avoids Hard Choices," *Defense One*, October 13, 2020; Gina Harkins, "The Navy Really Does Need 500 Ships, Experts Say. But Paying for Them Won't Be Easy," *Military.com*, October 8, 2020. For a series of additional reaction and commentary articles on the Battle Force 2045 plan, see Dmitry Filipoff, "Fleet Force Structure Series," Center for International Maritime Security (CIMSEC), undated, with the linked reaction and commentary pieces dated October 26 to November 2, 2020.

[68] For additional discussion of the defense implications of great power competition, see CRS Report R43838, *Renewed Great Power Competition: Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

[69] See, for example, Marcus Weisgerber, "US Navy Re-Evaluating 355-Ship Goal," *Defense One*, February 1, 2019; Paul McLeary, "Navy Rethinks 355-Ship Fleet: CNO Richardson," *Breaking Defense*, February 1, 2019; Mallory Shelbourne, "CNO: Navy Expects New Force-Structure Assessment 'Later This Year,'" *Inside the Navy*, February 4, 2019.

[70] See, for example, Ben Werner, "SECNAV Modly Says Nation Needs Larger, Distributed Fleet of 390 Hulls," *USNI News*, February 28, 2020; Mallory Shelbourne, "Modly Sketches Out Potential Navy Force Structure Changes, Anticipates 390-Ship Fleet," *Inside Defense*, February 28, 2020; Rich Abott, "Modly Reveals Next Force Structure Assessment Details, Working Toward 390-Ship Fleet," *Defense Daily*, February 28, 2020; Patrick Tucker, "Acting Navy Secretary: We Need More than 355 Ships, and That's Not Even Counting Robot Vessels," *Defense One*, February 28, 2020; Connor O'Brien, "Acting Navy Secretary Hints At Larger Fleet Goal," *Politico Pro*, February 28, 2020.

INFSA Results and Associated FY2021 30-Year Shipbuilding Plan Withheld from Congress

The release to Congress of the new Navy force-level goal resulting from the INFSA was postponed repeatedly in late 2019 and early 2020.[71] Remarks from DOD officials and press reports indicated that then-Secretary of Defense Mark Esper and officials OSD disagreed with some of the INFSA's assumptions and resulting conclusions. Coincident with this, OSD reportedly also withheld the release to Congress of the Navy's associated FY2021 30-year shipbuilding plan, because Esper and OSD officials reportedly believed that it did not present a "credible pathway" for achieving a fleet of at least 355 ships in a timely manner.[72]

INFSA Superseded by DOD's Future Naval Force Study (FNFS)

The INFSA reportedly was superseded in early 2020 by an OSD-led effort called the Future Naval Force Study (FNFS) that reportedly involves OSD and the Joint Staff and is being overseen by Deputy Defense Secretary David Norquist.[73] As part of the FNFS, OSD reportedly has used war games to assess the merits of three candidate fleet plans prepared by the Navy, the Joint Staff, and the Cost Assessment and Program Evaluation (CAPE) office within OSD. The Hudson Institute, a private defense and foreign policy think tank, provided an additional study to help inform DOD's work.[74] With the INFSA having been superseded by the FNFS, the Navy

[71] Through much of 2019, Navy officials stated that the INFSA was to be completed by the end of 2019. A September 27, 2019, press report stated that an interim version was to be completed by September 2019, in time to inform programmatic decisions on the FY2022 Program Objective Memorandum (POM), meaning the in-house DOD planning document that will guide the development of DOD's FY2022 budget submission. (Mallory Shelbourne, "Navy, Marine Corps Conducting Integrated Force-Structure Assessment," *Inside Defense*, September 27, 2019. See also Otto Kreisher, "New Force Structure Assessment Will Address Needs of 'Great Power Competition,' Two Top Requirements Officers Say," *Seapower*, October 22, 2019, and the section under the subheader "Naval Integrated Force Structure Assessment" in Megan Eckstein, "Navy Marines Wargaming New Gear to Support Emerging Warfare Concepts," *USNI News*, October 23, 2019.)

A December 6, 2019, memorandum from then-Acting Secretary of the Navy Thomas Modly stated that he expected the final INFSA to be published no later than January 15, 2020. (Memorandum for distribution from Acting Secretary of the Navy Thomas B. Modly, subject "SecNav Vector 1," dated December 6, 2019. See also David B. Larter, "Acting US Navy Secretary: Deliver Me a 355-Ship Fleet by 2030," Defense News, December 9, 2019.)

A January 23, 2020, press report quoted Modly as saying that the January 15 date was an internal Navy deadline, and that the Navy expected the INFSA to be released to outside audiences sometime during the spring of 2020. (Mallory Shelbourne, "Modly: Navy Expects to Release FSA by Spring," *Inside Defense*, January 23, 2020.)

[72] See, for example, Sam LaGrone, "SECDEF Esper Holds Back 30-Year Shipbuilding Outlook, New 355-Ship Plan Ahead of HASC Testimony," *USNI News*, February 25, 2020; Paul McLeary, "Esper To Navy: Rethink Your Shipbuilding Plan," *Breaking Defense*, February 25, 2020; Ben Werner, "SECDEF Esper Blames Failures of Optimized Fleet Response Plan for Delay of New 355-Ship Fleet Outlook," *USNI News*, February 26, 2020; Paul McLeary, "EXCLUSIVE: SecDef Esper Seeks Détente With HASC; New Navy Plan This Summer," *Breaking Defense*, February 28, 2020; Paul McLeary, "SecNav Details Gaps Between Navy & Pentagon Shipbuilding Plans," *Breaking Defense*, March 11, 2020; Mallory Shelbourne, "CAPE Nominee: SECDEF Esper Blocked Shipbuilding Plan to Congress Because it Lacked 'Credible Pathway' to 355-Ship Fleet," *USNI News*, August 4, 2020; David B. Larter and Joe Gould, "Pentagon Nominee Slams the US Navy's Fleet Plans as 'Not a Credible Document,'" *Defense News*, August 4, 2020.

[73] See, for example, David B. Later, "Defense Department Study Calls for Cutting 2 of the US Navy's Aircraft Carriers," *Defense News*, April 20, 2020; Jack Detsch, "Trump's Navy Pick Would Have Limited Sway on Ship Goal," *Foreign Policy*, May 7, 2020; Paul McLeary, "Navy Scraps Big Carrier Study, Clears Deck For OSD Effort," *Breaking Defense*, May 12, 2020; Megan Eckstein, "Pentagon Leaders Have Taken Lead in Crafting Future Fleet from Navy," *USNI News*, June 24, 2020.

[74] Megan Eckstein, "Pentagon Leaders Have Taken Lead in Crafting Future Fleet from Navy," *USNI News*, June 24, 2020.

reportedly "has lost much of its power on deciding what its future fleet will look like…."[75] No release date for the result of the FNFS has been announced, but press reports suggest that much of the analytical work on the FNFS has now been completed, and that the results of the FNFS could be released in coming days or weeks.[76]

April and June 2020 Press Reports About FNFS Results

April and June 2020 press reports stated that FNFS as of April 2020 was moving toward recommending a fleet with, among other things, 68 or 69 nuclear-powered attack submarines (SSNs), 9 aircraft carriers, 80 to 90 large surface combatants (i.e., cruisers and destroyers), 55 to 70 small surface combatants (i.e., frigates and Littoral Combat Ships [LCSs]), 65 unmanned or lightly manned surface vehicles, and 50 extra-large unmanned underwater vehicles (XLUUVs).[77]

September 2020 Press Reports About FNFS Studies

A September 24, 2020, press report about studies done in April in support of the FNFS stated

> The Pentagon's upcoming recommendation for a future Navy is expected to call for a significant increase in the number of ships, with officials discussing a fleet as large as 530 hulls, according to documents obtained by Defense News.
>
> Supporting documents to the forthcoming Future Navy Force Study reviewed by Defense News show the Navy moving towards a lighter force with many more ships but fewer aircraft carriers and large surface combatants. Instead, the fleet would include more small surface combatants, unmanned ships and submarines and an expanded logistics force.
>
> Two groups commissioned by Secretary of Defense Mark Esper to design what a future Navy should look like suggested fleets of anywhere from 480 to 534 ships, when manned and unmanned platforms are accounted for—at least a 35 percent increase in fleet size from the current target of 355 manned ships by 2030.
>
> The numbers all come from an April draft of inputs to the Future Navy Force Study conducted by the Office of the Secretary of Defense. While the number will likely have changed somewhat in final recommendations recently sent to Esper, the plans being discussed in April are notable as they reflect what will likely be major shift in the Navy's future—and the expectation is that a larger-than-planned Navy based on the concepts laid out in the documents will remain intact in the final analysis….
>
> The Future Naval Force Study, overseen by Deputy Secretary of Defense David Norquist, kicked off in January after Esper decided he wanted an outside take on the Navy's self-review of its future force structure. The OSD-led review tasked three groups to provide their version of an ideal fleet construction for the year 2045, one each by the Pentagon's Cost Assessment & Program Evaluation office, the Joint Staff, the Navy and a group from the Hudson Institute.
>
> Those fleets were war-gamed and the results were compiled into the Future Naval Force Study, which was briefed to Esper earlier this month….

[75] Megan Eckstein, "Pentagon Leaders Have Taken Lead in Crafting Future Fleet from Navy," *USNI News*, June 24, 2020.

[76] David B. Larter, "US Navy's Long-Delayed Plan for Its Future Force is Nearing the Finish Line … Sort of," *Defense News*, September 10, 2020. See also Paul McLeary, "New Navy Ships Plan Finally Ready; On Esper's Desk Next Week," *Breaking Defense*, September 10, 2020.

[77] David B. Larter, "Defense Department Study Calls for Cutting 2 of the US Navy's Aircraft Carriers," *Defense News*, April 20, 2020; David B. Larter, "To Compete with China, An Internal Pentagon Study Looks to Pour Money into Robot Submarines," *Defense News*, June 1, 2020.

The April documents viewed by Defense News included notional fleets designed by CAPE and the Hudson Institute….

The fleets designed by the CAPE and Hudson teams agreed on the need to increase the number and diversity of ships while boosting vertical launch system capacity—while also holding the operations and sustainment cost of the fleet as steady as possible and avoid adding to the number of sailors required to operate it.

As of the April drafts, both the CAPE and Hudson Institute teams were supportive of shrinking the number of supercarriers to nine from the current 11, which would effectively give the country eight active carriers, with one carrier always in midlife overhaul and refueling. The Hudson study also called for investing in four light carriers.

The CAPE fleet called for between 80 and 90 large surface combatants, about the same level as today's 89 cruisers and destroyers. Hudson looked to reduce the number slightly and instead fund more lightly manned corvettes, something Hudson has called for in the past.

The reports called for between 65 and 87 large unmanned surface vessels or optionally unmanned corvettes, which the Navy hopes will boost vertical launch system capacity to offset the loss over time of the Arleigh Burke-class destroyers and the four guided missile submarines.

Both fleets called for increased small surface combatants, with the CAPE study putting the upper limit at 70 ships. Hudson recommended a maximum of 56. The Navy's 2016 Force Structure Assessment called for 52 small surface combatants.

Both fleets also favored a slight increase in attack submarines over the current 66-ship requirement but reflected a big boost in large unmanned submarines, anywhere between 40 and 60 total. The idea would be to get the Extra Large Unmanned Underwater Vehicle to do monotonous surveillance missions or highly dangerous missions, freeing up the more complex manned platforms for other tasking.

On the amphibious side, both fleets reduced the overall number of traditional dock landing ships, such as the LPD-17, from the current 23 to between 15 and 19. As for the big-deck amphibious ships, CAPE favored holding at the current level of 10, while Hudson favored cutting to five, with the savings reinvested towards four light carriers.

The studies called for between 20 and 26 of the Marines' light amphibious warships, which they need for ferrying Marines and gear around islands in the Pacific.

Both fleets significantly expanded the logistics force, with big increases coming from smaller ships similar to offshore or oil platform support-type vessels. The fleets called for anywhere from 19 to 30 "future small logistics" ships. The CAPE and Hudon fleets increased the number of fleet oilers anywhere from 21 to 31, up from today's 17….

The Hudson fleet called for a significant boost to the command and support ship infrastructure from today's 33 ships to 52 ships. CAPE called for the fleet to remain about the same. Those ships include dry cargo ships, the expeditionary fast transports, expeditionary transfer docks and expeditionary sea bases.

All told, the fleets posited between 316 and 358 "traditional" ships, but when new classes and unmanned ships were lumped in, the fleet designs contained upwards of 500 ships or more.[78]

[78] David B. Larter and Aaron Mehta, "The Pentagon Is Eyeing a 500-Ship Navy, Documents Reveal," *Defense News*, September 24, 2020.

A September 25, 2020, press report similarly stated that the Hudson Institute study called for a Navy with 434 manned ships and 139 large UVs, including, among other things, 60 nuclear-powered attack submarines (SSNs), 9 aircraft carriers, 80 corvettes, 26 Light Amphibious Warships (LAWs), 99 medium unmanned surface vessels (MUSVs), and 40 extra-large unmanned underwater vehicles (XLUUVs).[79]

June 2020 Testimony from Hudson Institute

At a June 4, 2020, hearing on hearing on future force structure requirements for the Navy before the Seapower and Projection Forces subcommittee of the House Armed Services Committee, one of the witnesses, Bryan Clark of the Hudson Institute, presented testimony that proposed a fleet of 473 manned ships and 152 large UVs, including 12 ballistic missile submarines; 61 SSNs; 10 large-deck, nuclear-powered aircraft carriers (CVNs); 77 large surface combatants (i.e., cruisers and destroyers); 52 small surface combatants (i.e., frigates and Littoral Combat Ships); 91 corvettes; 33 larger amphibious ships, including 9 large-deck (LHD/LHA-type) ships and 24 small-deck (LPD-type) ships; 27 smaller Light Amphibious Warships (LAWs); 39 larger resupply ships (including 20 oilers); 20 smaller oilers; 51 command and support ships; 112 MUSVs; and 40 XLUUVs.[80]

October 2020 Report from Hudson Institute

An October 2020 report by the Hudson Institute on future Navy force structure presented a revised set of force-level goals, recommending a fleet of 442 manned ships and 139 large UVs, including 12 ballistic missile submarines; 60 SSNs; 9 large-deck, nuclear-powered aircraft carriers (CVNs); 64 large surface combatants (i.e., cruisers and destroyers); 52 small surface combatants (i.e., frigates and Littoral Combat Ships); 80 corvettes; 30 larger amphibious ships, including 8 large-deck (LHD/LHA-type) ships and 22 small-deck (LPD-type) ships; 26 smaller Light Amphibious Warships (LAWs); 38 larger resupply ships; 18 smaller oilers; 53 command and support ships; 99 MUSVs; and 40 XLUUVs.[81]

[79] Justin Katz, "Enlisted by DEPSECDEF, Hudson Proposes Fleet Lighter on Carriers, Roughly 140 Unmanned Vessels," *Inside Defense*, September 25, 2020.

[80] Prepared statement by Bryan Clark, Senior Fellow, Hudson Institute, to Seapower and Projection Forces subcommittee, House Armed Services Committee, hearing on future force structure requirements for the United States Navy, June 4, 2020, p. 4.

[81] Bryan Clark, Timothy A. Walton, and Seth Cropsey, *American Sea Power at a Crossroads: A Plan to Restore the US Navy's Maritime Advantage*, Hudson Institute, September 2020, Table 1 on p. 9. The report was released on September 30, 2020.

Appendix I. Potential Impacts of CRs on Navy Shipbuilding Programs

This appendix provides background information on the potential impacts of continuing resolutions (CRs) on Navy shipbuilding programs.

Potential Impacts of CRs on DOD Acquisition Programs, Including Navy Shipbuilding[82]

No New Starts, Quantity Increases, or Signing of New MYP Contracts

CRs can lead to challenges in the execution of DOD acquisition programs (i.e., research and development programs and procurement programs), including Navy shipbuilding programs, because they typically prohibit the following:

- new program starts ("new starts"), meaning the initiation of new program efforts that did not exist in the prior year—a prohibition that includes not only the initiation of new acquisition programs, but also the shifting of an existing acquisition program from its research and development phase to its procurement phase;
- an increase in procurement quantity for a program compared with that program's procurement quantity in the prior year; and
- the signing of new multiyear procurement (MYP) contracts.[83]

Larger Contracts Broken into Smaller Contracts

Under a CR, DOD financial managers might dole out funding to DOD acquisition program managers, including managers of Navy shipbuilding programs, in an incremental, piecemeal fashion. This can require a program manager to divide an intended single contract into multiple smaller contracts, which can increase the total cost of the effort by reducing economies of scale within each of the smaller contracts and increasing Navy and contractor administrative costs.

R&D Efforts That Support Ongoing Procurement Programs

Ongoing DOD procurement programs, including Navy shipbuilding programs, are frequently supported by ongoing research and development (R&D) work. R&D work on an existing procurement program can, for example, support the development and integration of new systems or components intended to improve the end item's capability, reliability, or maintainability, or reduce its operation and support (O&S) costs.

Under a CR, R&D funding is managed at the account level, giving service officials some flexibility in applying available R&D funding so as to protect high-priority R&D efforts, particularly those that might require more funding in the current fiscal year than they received in the previous fiscal year. Doing that, however, can reduce funding available under the CR for other

[82] For a general discussion of the potential impacts of CRs on DOD, see CRS Report R45870, *Defense Spending Under an Interim Continuing Resolution: In Brief*, coordinated by Pat Towell.

[83] For more on MYP contracts, see CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*, by Ronald O'Rourke.

R&D efforts, including those supporting ongoing procurement programs, such as Navy shipbuilding programs, which can lead to program-execution challenges for those programs.

Additional Potential Impacts of CRs Specific to Navy Shipbuilding Programs

Line-Item Funding Misalignments

Unlike all other DOD acquisition accounts, the Navy's shipbuilding account, known formally as the Shipbuilding and Conversion, Navy (SCN) appropriation account, is funded in the annual DOD appropriations act not just with a total appropriated amount for the entire account, but also with specific appropriated amounts at the line-item level. SCN line items in the DOD appropriations act are not just specific to individual shipbuilding programs—they also distinguish between procurement funding and advance procurement (AP) funding within those programs.

As a consequence, under a CR, SCN funding is managed not at the account level (like funding is under a CR for other DOD acquisition accounts), but at the line-item level. For the SCN account—uniquely among DOD acquisition accounts—this can lead to line-by-line funding misalignments (excesses and shortfalls) for individual shipbuilding programs, compared with the amounts those shipbuilding programs received in the prior year. The shortfalls in particular can lead to program-execution challenges in shipbuilding programs, particularly under an extended or full-year CR. This unique situation of line-by-line funding misalignments is an important distinction between the potential impacts of CRs on Navy shipbuilding programs and the potential impacts of CRs on other DOD acquisition activities.

Cost-to-Complete (CTC) Funding

Cost-to-complete (CTC) funding is funding in the SCN account that the Navy uses to cover cost growth on the construction of Navy ships that were funded in prior fiscal years. The Navy requests CTC funding in a line item in the SCN account called Completion of PY (Prior Year) Shipbuilding Programs. This line item separate from the line items in the SCN account that were used to originally fund the procurement of the ships in question. Funding in this line item is requested in specific amounts for individual ships that are under construction. CTC funding is typically appropriated by a specific Title VIII provision in the annual DOD appropriations act that specifies the amounts of CTC funding for shipbuilding programs at the line-item level.

The Navy states that, for purposes of operating under a CR, CTC work is considered to be a new start and is therefore typically prohibited under a CR,[84] a judgment that can be viewed as consistent with the above-described treatment of CTC funding in the SCN account and/or the annual DOD appropriations act,

The deeming of CTC work as a new start, and therefore prohibited under a CR, could lead to situations under a CR in which ships under construction remain in shipyards without undergoing work needed to complete their construction—something that could not only delay the completion of those ships, but might also increase their total construction costs, because a ship under construction is charged, for each day that it is in its construction shipyard, some of the fixed overhead costs of that shipyard.

[84] Source: Navy FY2018 program briefing to CRS and CBO, September 20, 2017.

Avoiding or Mitigating Potential Impacts of CRs

Anomalies Can Avoid or Mitigate Potential Impacts

The potential impacts described above can be avoided or mitigated if the CR includes special provisions, called anomalies, for exempting individual programs or groups of programs from the general provisions of the CR, or if the CR includes expanded authorities for DOD for reprogramming and transferring funds.

DOD Has Adapted to Likelihood of CRs to Avoid or Mitigate Impacts

The potential impacts described above can also be mitigated if the agency (in this case, the Navy) anticipates that one or more CRs will likely be used to fund DOD for the first few months of the fiscal year, and consequently decides to structure acquisition programs to avoid, during those months, planned contract signings or other actions that would be prohibited by a CR. The military services have observed that in many cases in recent years, CRs have been used to fund DOD for the first few months of the fiscal year. As an apparent adaptation, DOD program managers are now structuring their programs to reduce the potential impacts of DOD being funded during the first few months of the fiscal year by CRs.

A September 2021 GAO report on practices that DOD has adopted for managing within the constraints of CRs states the following:

> GAO found that the Department of Defense (DOD) and the military services' obligations and acquisitions are limited during a Continuing Resolution (CR), but they have some practices in place to minimize the effects. Specifically, GAO found that for selected appropriations' accounts for fiscal years 2017 through 2020, the military services tended to obligate, (i.e., make a legal commitment to pay for goods or services), a lower percentage of their total annual obligations in the first quarter of the fiscal year—when DOD is most likely to be operating under a CR—as compared with the other quarters....
>
> Although DOD officials reported acquisitions were constrained by CR provisions that restrict starting new programs and production rate increases, the programs GAO reviewed were able to avoid delays or cost increases during the fiscal years with CRs. The military services have instituted some practices to minimize the effects of CRs, including initiating service contract start dates after the first quarter of the fiscal year and postponing nonessential purchases and training to later in the fiscal year.
>
> DOD officials stated both that the repetition and incremental planning required during a CR is not an effective or efficient way to operate, but that preparing for and operating under CRs have become routine in nature. GAO identified three activities directly related to preparing for and operating under CRs—developing legislative anomaly proposals (i.e., requests for authority beyond the standard CR provisions), creating spending plans for various CR scenarios, and adjusting contracts to reflect CR funding availability.[85]

In an October 3, 2021, opinion piece about this GAO report, a GAO official states

> Our first key point [in the report] is that there are clear effects of CRs on DOD. We collected and analyzed each military service's quarterly obligation data for fiscal years (FY) 2017 through 2020 for three appropriations accounts—Operation and Maintenance; Research, Development, Test and Evaluation (RDT&E); and Procurement (other)—to assess the percentage of annual funds each military service obligated during CRs and after the enactment of regular appropriations. We saw an unmistakable difference in spending

[85] Government Accountability Office, *Defense Budget[:] DOD Has Adopted Practices to Manage within the Constraints of Continuing Resolutions*, GAO-21-541, September 2021 (released September 13, 2021), summary page.

> patterns during those fiscal years with CRs and the one recent fiscal year without (fiscal year 2019)....
>
> ... we also determined that DOD has developed some practices to mitigate the effects of CRs. For instance, officials can request so-called anomalies to get permission from Congress to spend funds they would normally be restricted from spending during a CR. They can also initiate the start date for one-year service contracts to the second quarter of the fiscal year to avoid a break in service at the beginning of the next fiscal year.
>
> [Other observers] suggest that because these practices are in place, we conclude that CRs are benign. On the contrary, our report provides a more complex discussion of these mitigation practices.
>
> Take, for example, our discussion of major defense acquisition programs (MDAPs) and the constraints posed by the No New Starts provision typically contained in CRs. We analyzed each of the 254 Selected Acquisition Reports the military services submitted to Congress for fiscal years 2017 through 2019....
>
> Of the 254 reports, we identified seven that explicitly cited CRs as posing risks, such as delays and cost increases. When we met with officials, however, we learned that the CRs did not have their predicted effects on these seven programs. We further listed the ways in which DOD managed to avoid the potential problems and cited officials' continued concerns.
>
> For example, we reported that the Navy avoided a problem it faced with its Ship to Shore Connector, which was under production in FY19, but that did not have any planned production in FY20. This gap in production would have meant that any production in FY21 would constitute a "new start" and, therefore, be prohibited under a CR. In this case, Congress authorized the production of a single Ship to Shore Connector during FY20, preventing a production gap. Nonetheless, as we reported, officials also warned there were zero units planned for production in FY21, creating the same risk for FY22.
>
> The key takeaway from our report, therefore, is not that CRs are inconsequential but, rather, that defense officials have found ways to prepare for and respond to the very real constraints they pose.[86]

In connection with the use of a CR to fund the first part of FY2017, a September 29, 2016, press report stated the following:

> The Navy has planned for and can mitigate the effects of [a CR], as long as Congress passes a proper Fiscal Year 2017 budget by Dec. 9, 2016.
>
> The Navy planned for most of its major acquisition milestones to take place in the second quarter of the fiscal year rather than the first quarter, predicting that the year would likely start off with a continuing resolution, Navy spokeswoman Lt. Kara Yingling told USNI News. Under a continuing resolution, the previous year's funding levels carry over, meaning that new budget items are not funded and programs expecting a significant funding boost would continue to operate at the previous year's lower levels.
>
> "The Navy has many new starts and program increases planned in FY '17. However, a CR through December 9th is manageable because more of the initial contracts are scheduled in Quarter 2 [of the fiscal year] and the Navy can take mitigating action for the first three months of FY '17," Yingling said today....

[86] Elizabeth Field, "Defense Officials Find Ways to Operate within Continuing Resolutions—But That Doesn't Mean CRs Are Smooth Sailing," *The Hill*, October 3, 2021.

> Though program managers and Navy acquisition officials often note that stable and sufficient funding would help them better keep their programs on track, Yingling said the service would manage the impact of this six-week CR....
>
> "Due to historical CRs, most FY '17 contracts are planned for Q2," Yingling said, and if the second quarter of the fiscal year is also governed by a CR then the Navy would look at potentially awarding smaller contracts to get programs started—a contracting burden that would cost more and potentially slow down programs' progress.[87]

As another example, in connection with the use of a CR to fund the first part of FY2018, a September 11, 2017, press report stated the following:

> Pentagon plans to ramp up production of about two-dozen major weapon systems in fiscal year 2018 would be largely unaffected by the stopgap spending bill President Trump and congressional leaders hope to enact, funding the federal government from Oct. 1 to Dec. 8.
>
> Nearly all of the big-ticket programs that aim to increase procurement rates in FY-18 compared to FY-17—including deals for a new aircraft carrier, more armored vehicles, tank upgrades, precision munitions and aircraft—have set target dates to execute contract awards after that 10-week window, according to a review of Pentagon budget documents.[88]

Similarly, an October 6, 2017, press report about the use of a CR to fund the first part of FY2018 stated the following: "The Navy tends to avoid planning contract actions in the first quarter of the fiscal year, since the last nine years have begun under a continuing resolution."[89]

At a September 19, 2017, hearing before the Senate Armed Services Committee on recent Navy ship collisions, the following exchange occurred (emphasis added):

> SENATOR JEANNE SHAHEEN (continuing):
>
> ... I wonder if you could talk in detail about the impact of continuing resolutions, budget cycle after budget cycle, and how they affect maintenance and training plans for ships. And are forward deployed ships affected more than ships stateside? Can you—is there any correlation there?
>
> ADMIRAL JOHN M. RICHARDSON, CHIEF OF NAVAL OPERATIONS
>
> Ma'am, as I said, we will prioritize our resources to those forces that are forward deployed and that will deploy forward. And so we will not leave those teams short of resources.
>
> Having said that, **the uncertainty that they can—well actually—it's become actually certain. We're certain that we're not going to get a budget in the first quarter [of the fiscal year]. And so...**
>
> (CROSSTALK)
>
> SHAHEEN:
>
> Which is a sad commentary on the budget situation.
>
> RICHARDSON:

[87] Megan Eckstein, "Navy Can Weather 6-Week Continuing Resolution, But Extension Would Delay Columbia Submarine Class, Other Programs," *USNI News*, September 29, 2016.

[88] Jason Sherman, "DOD Procurement Plans Largely Safe Under Short-Term FY-18 CR," *Inside the Navy*, September 11, 2017.

[89] Megan Eckstein, "Top Navy Procurement Programs Facing Slow Start In FY 2018 Due to Continuing Resolution," *USNI News*, October 6, 2017.

> **... behaviors have adapted. And so we don't put anything in the important in the first quarter of the [fiscal] year, and we have to compete three out of four quarters of the game.**
>
> And, in addition to just that fact, the—what happens is you have to double your contracting, right? You have to write a tiny little contract for the length of the continuing resolution, and then you have to write another one for the rest of the year. **As you know, nothing new can start, and so we try not to schedule anything new in that first quarter.**
>
> The maintenance and training—those are the hardest things. And so, as those—as the uncertainty, you know, injects itself, it is always—the things on the bubble [i.e., at risk of being affected] are maintenance periods, particularly surface ship maintenance periods.
>
> It is, you know, "How many steaming hours am I going to get? How many flying hours am I going to get? $150 million per month shortfall—how do I manage that?" These are the effects of the continuing resolutions.[90]

A September 28, 2017, press report states the following:

> The Navy has gotten creative in dealing with budget uncertainties and continuing resolutions, developing a new ship maintenance contract structure to keep 11 ship availabilities on track at the beginning of Fiscal Year 2018 that would otherwise face major delays due to the impending CR, the head of surface ship maintenance told USNI News.
>
> Rear Adm. Jim Downey, commander of Navy Regional Maintenance Centers and deputy commander for surface warfare at Naval Sea Systems Command (NAVSEA) told USNI News today that up to a third of the ship maintenance workload can be put at risk when the fiscal year starts with a CR. This year, the Pentagon has already said 11 ship availabilities are at risk....
>
> To avoid these delays, Downey said the Navy is now awarding contracts that are structured differently, to leverage the fact that maintenance work is typically funded with one-year money—use-it-or-lose-it money which must be spent in the year it is appropriated by lawmakers—whereas modernization efforts are typically paid for with three-year money. In essence, the planning and early work for a ship availability can get started as a ship modernization effort, with planning and early activities paid for with three-year money already in the Navy's accounts, and one-year maintenance work can be added in later, once the availability is already underway and Congress eventually gives the Navy its full-year appropriations.
>
> "We've worked very hard on how we structure our funding to get the planning to keep all those ships in play, and to keep them in play to their schedule, expecting that the funding is going to come just in time," Downey said.
>
> "So we do the planning for them. … And then we go ahead and structure that contract to deal with the continuing resolution. So the base work now may be more modernization-related because I have that money, and I'm going to lay the maintenance work in as an option. So I'm going to award you the contract; I may not be 100-percent funded but I am funded for this part. I'm going to award the contract to you—we're currently referring to it as a split-CLIN approach—so that you've got the work and you know that the rest of the work is coming, you're going to be able to bid against it, we're going to exercise those options if we get the budget approved."
>
> Downey told USNI News that he can't change how Congress appropriates money—the Department of Defense has begun every fiscal year since FY 2010 under a continuing resolution, during which time the Navy cannot fund new projects and cannot ramp up spending above the previous year's levels – but he can best set up the Navy to succeed in

[90] Source: Transcript of hearing.

> this kind of new normal. Though the Navy has already largely stopped planning acquisition contract actions during the first quarter of the year, ship maintenance, modernization and repair work must take place throughout the year to maintain even workloads at the yards and to address emergent issues, and therefore required a creative solution to get around the CRs.
>
> "The first issue is, if you don't have all the money, especially with single-year appropriations in maintenance, how do you do that? So we're getting as legally creative as we can. So then you get a repair yard that says, okay, so I'm betting on this other work. Then you go to, historically, when have we not had a budget ultimately? It's going to come through at some point," he said.[91]

Although structuring acquisition programs to avoid, during the first few months of a fiscal year, planned contract signings or other actions that would be prohibited by CRs can mitigate the potential impacts of CRs on the execution of DOD acquisition programs, it might also lead to a risk, from DOD's perspective, of a creating a so-called "moral hazard"—that is, of taking an action that might be well-intentioned, but that, as a consequence of adapting to an undesired behavior by another party (in this case, Congress's use of CRs to fund DOD at the start of fiscal years), might encourage more of that behavior from the other party in the future.

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Disclaimer

[91] Megan Eckstein, "Navy Using 'Legally Creative' Contract Structure to Keep Ship Availabilities On track Despite Continuing Resolutions," *USNI News*, September 28, 2017.