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

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Summary

The current and planned size and composition of the Navy, the rate of Navy ship procurement, and the prospective affordability of the Navy's shipbuilding plans have been oversight matters for the congressional defense committees for many years. On December 15, 2016, the Navy released a new force-structure goal that calls for achieving and maintaining a fleet of 355 ships of certain types and numbers. Key points about this new 355-ship force-level goal include the following:

- The 355-ship force-level goal is the result of a new Force Structure Assessment (FSA) conducted by the Navy. 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. The Navy conducts an FSA every few years, as circumstances require, to determine its force-structure goal.
- The new 355-ship force-level goal replaces a 308-ship force-level goal that the Navy released in March 2015. The actual size of the Navy in recent years has generally been between 270 and 290 ships.
- Compared to the previous 308-ship force-level goal, the new 355-ship force-level goal includes 47 additional ships, or about 15% more ships, including 18 attack submarines, 1 aircraft carrier, 16 large surface combatants (i.e., cruisers and destroyers), 4 amphibious ships, and 8 other ships. The 355-ship force-level goal is the largest force-level goal that the Navy has released since a 375-ship force-level goal that was in place in 2002-2004. In the years between that 375-ship goal and the new 355-ship goal, Navy force-level goals were generally in the low 300s.
- The figure of 355 ships appears close to an objective of building toward a fleet of 350 ships that was announced by the Trump campaign organization during the 2016 presidential election campaign. The 355-ship goal, however, reflects the national security strategy and national military strategy that were in place in 2016 (i.e., the Obama Administration's national security strategy and national military strategy). A January 27, 2017, national security presidential memorandum on rebuilding the U.S. armed forces signed by President Trump states: "Upon transmission of a new National Security Strategy to Congress, the Secretary [of Defense] shall produce a National Defense Strategy (NDS). The goal of the NDS shall be to give the President and the Secretary maximum strategic flexibility and to determine the force structure necessary to meet requirements."
- Although the 355-ship plan includes 47 more ships than the previous 308-ship plan, CRS notionally estimates that achieving and maintaining the 355-ship fleet could require adding 57 to 67 ships, including 19 attack submarines and 23 large surface combatants, to the Navy's FY2017 30-year shipbuilding plan, unless the Navy extends the service lives of existing ships beyond currently planned figures and/or reactivates recently retired ships.
- Even with increased shipbuilding rates, achieving certain parts of the 355-ship force-level goal could take many years. For example, the 355-ship force-level goal includes a goal of 12 aircraft carriers. Increasing aircraft carrier procurement from the current rate of one ship every five years to one ship every three years

would achieve a 12-carrier force on a sustained basis by about 2030. As another example, the 355-ship force level includes a goal of 66 attack submarines. Increasing attack submarine procurement to a rate of three attack submarines (or two attack submarines and one ballistic missile submarine) per year could achieve a 65-boat SSN force by the late 2030s.

- CRS estimates that procuring the 57 to 67 ships that might need to be added the 30-year shipbuilding plan to achieve and maintain a 355-ship fleet—a total that equates an average of about 1.9 to 2.2 additional ships per year over the 30-year period—could cost an average of roughly \$4.6 billion to \$5.1 billion per year in additional shipbuilding funds over the 30-year period, using today’s shipbuilding costs. These additional shipbuilding funds are only a fraction of the total additional cost that would be needed to achieve and maintain a 355-ship fleet instead of 308-ship fleet.
- If defense spending in coming years is not increased above the caps established in the Budget Control Act of 2011, or BCA (S. 365/P.L. 112-25 of August 2, 2011), as amended, achieving and maintaining a 355-ship fleet could require reducing funding levels for other DOD programs.
- Navy officials have stated that, in general, the shipbuilding industrial base has the capacity to take on the additional shipbuilding work needed to achieve and maintain a 355-ship fleet, and that building toward the 355-ship goal sooner rather than later would be facilitated by ramping up production of existing ship designs rather than developing and then starting production of new designs.
- Building the additional ships that would be needed to achieve and maintain the 355-ship fleet would likely create additional manufacturing (and other) jobs at shipyards and associated supplier firms.
- Navy officials have indicated that, prior to embarking on a fleet expansion, they would first like to see additional funding provided for overhaul and repair work to improve the readiness of existing Navy ships, particularly conventionally powered surface ships, and for mitigating other shortfalls in Navy readiness.

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Introduction

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 rate of Navy ship procurement, and the prospective affordability of 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 structure and shipbuilding plans. Decisions that Congress makes on this issue can substantially affect Navy capabilities and funding requirements, and the U.S. shipbuilding industrial base.

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

- CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R41129, *Navy Columbia Class (Ohio Replacement) Ballistic Missile Submarine (SSBN[X]) 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 Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL33741, *Navy Littoral Combat Ship (LCS)/Frigate Program: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report R43543, *Navy LX(R) Amphibious Ship Program: Background and Issues for Congress*, by Ronald O'Rourke. (This report also covers the issue of funding for the procurement of San Antonio [LPD-17] class amphibious ships.)
- CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.

Background

Strategic and Budgetary Context

For a discussion of the strategic and budgetary context in which U.S. Navy force structure and shipbuilding plans may be considered, see **Appendix A**.

Navy's New 355-Ship Ship Force-Structure Goal

Overview

On December 15, 2016, the Navy released a new force-structure goal that calls for achieving and maintaining a fleet of 355 ships of certain types and numbers. Key points about this new 355-ship force-level goal include the following:

- The 355-ship force-level goal is the result of a new Force Structure Assessment (FSA) conducted by the Navy. 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.¹ The analysis takes into account Navy capabilities for both warfighting and day-to-day forward-deployed presence. The Navy conducts an FSA every few years, as circumstances require, to determine its force-structure goal.

- The new 355-ship force-level goal replaces a 308-ship force-level goal that the Navy released in March 2015. The actual size of the Navy in recent years has generally been between 270 and 290 ships.
- Compared to the previous 308-ship force-level goal, the new 355-ship force-level goal includes 47 additional ships, or about 15% more ships, including 18 attack submarines, 1 aircraft carrier, 16 large surface combatants (i.e., cruisers and destroyers), 4 amphibious ships, 3 combat logistics force (i.e., resupply) ships, 3 expeditionary support base ships (or ESBs—these were previously called Afloat

¹ The Navy states that

[the] Navy's Force Structure Assessment (FSA) was developed in an effort to determine the right balance of existing forces, the ships we currently have under construction and the future procurement plans needed to address the ever-evolving and increasingly complex threats the Navy is required to counter in the global maritime commons....

The number and mix of ships in the objective force, identified by this FSA, reflects an in-depth assessment of the Navy's force structure requirements—it also includes a level of operational risk that we are willing to assume based on the resource limitations under which the Navy must operate. While the force levels articulated in this FSA are adjudged to be successful in the scenarios defined for Navy combat, that success will likely also include additional loss of forces, and longer timelines to achieve desired objectives, in each of the combat scenarios against which we plan to use these forces. It should not be assumed that this force level is the "desired" force size the Navy would pursue if resources were not a constraint—rather, this is the level that balances an acceptable level of warfighting risk to our equipment and personnel against available resources and achieves a force size that can reasonably achieve success....

In January, the 2016 FSA started with a request to the Combatant Commanders (CCDRs) to provide their unconstrained desire for Navy forces in their respective theaters. In order to fully resource these platform-specific demands, with very little risk in any theater while still supporting enduring missions and ongoing operations, the Navy would be required to double its current annual budget, which is essentially unrealistic in both current and expected future fiscal environments.

After identifying instances where forces were being requested for redundant missions or where enduring force levels were not required, while also looking at areas where we could take some risk in mission success or identify a new way to accomplish the mission, we were able to identify an FSA force level better aligned with resources available....

In order to assess warfighting risk and identify where margins existed that could be reduced, we did an in-depth review and analysis of "what it takes to win", on what timeline, and in which theater, for each major ship class. The goal of this phase of the analysis was to determine the minimum force structure that:

- complies with defense planning guidance directed combinations of challenges for force sizing and shaping;
- meets approved Day 0 and warfighting response timelines; [and]
- delivers future steady state and warfighting requirements, determined by Navy's analytic process, with an acceptable degree of risk (e.g. – does not jeopardize joint force campaign success).

(Source: U.S. Navy, *Executive Summary, 2016 Navy Force Structure Assessment (FSA)*, December 15, 2016, pp. 1-2.)

Forward Staging Bases, or AFSBs), and 2 command and support ships. The 34 additional attack submarines and large surface combatants account for about 72% of the 47 additional ships. The 355-ship force-level goal is the largest force-level goal that the Navy has released since a 375-ship force-level goal that was in place in 2002-2004. In the years between that 375-ship goal and the new 355-ship goal, Navy force-level goals were generally in the low 300s (see **Appendix B**).

- The figure of 355 ships appears close to an objective of building toward a fleet of 350 ships that was announced by the Trump campaign organization during the 2016 presidential election campaign. The 355-ship goal, however, reflects the national security strategy and national military strategy that were in place in 2016 (i.e., the Obama Administration’s national security strategy and national military strategy). A January 27, 2017, national security presidential memorandum on rebuilding the U.S. armed forces signed by President Trump states: “Upon transmission of a new National Security Strategy to Congress, the Secretary [of Defense] shall produce a National Defense Strategy (NDS). The goal of the NDS shall be to give the President and the Secretary maximum strategic flexibility and to determine the force structure necessary to meet requirements.”²
- Although the 355-ship plan includes 47 more ships than the previous 308-ship plan, CRS notionally estimates that achieving and maintaining the 355-ship fleet could require adding 57 to 67 ships, including 19 attack submarines and 23 large surface combatants, to the Navy’s FY2017 30-year shipbuilding plan, unless the Navy extends the service lives of existing ships beyond currently planned figures and/or reactivates recently retired ships. The 42 additional attack submarines and large surface combatants account for about 63% to 74% of the additional 57 to 67 ships. The number of ships that might need to be added to the Navy’s 30-year shipbuilding plan (57 to 67 ships) is larger than the 47-ship difference between the 355-ship and 308-ship force-level goals because the FY2017 30-year shipbuilding plan does not include enough ships to fully populate all elements of the 308-ship fleet across the entire 30-year period, and because some ships that will retire over the 30-year period that would not need to be replaced to maintain the 308-ship fleet would need to be replaced to maintain the 355-ship fleet.
- Even with increased shipbuilding rates, achieving certain parts of the 355-ship force-level goal could take many years. For example, the 355-ship force-level goal includes a goal of 12 aircraft carriers. Increasing aircraft carrier procurement from the current rate of one ship every five years to one ship every three years would achieve a 12-carrier force on a sustained basis by about 2030. As another example, the 355-ship force level includes a goal of 66 attack submarines. Increasing attack submarine procurement to a rate of three attack submarines (or two attack submarines and one ballistic missile submarine) per year could achieve a 65-boat SSN force by the late 2030s.
- CRS estimates that procuring the 57 to 67 ships that might need to be added the 30-year shipbuilding plan to achieve and maintain a 355-ship fleet—a total that equates to an average of about 1.9 to 2.2 additional ships per year over the 30-year period—could cost an average of roughly \$4.6 billion to \$5.1 billion per year in additional shipbuilding funds over the 30-year period, using today’s

² “Presidential Memorandum on Rebuilding the U.S. Armed Forces,” accessed January 31, 2017, at <https://www.whitehouse.gov/the-press-office/2017/01/27/presidential-memorandum-rebuilding-us-armed-forces>.

shipbuilding costs. These additional shipbuilding funds are only a fraction of the total additional cost that would be needed to achieve and maintain a 355-ship fleet instead of 308-ship fleet—additional funding would be needed to procure weapons, embarked aircraft, spare parts and supplies, and fuel for the ships; to provide crews for the ships and their embarked aircraft (CRS estimates that a total of roughly 15,000 additional sailors and aviation personnel might be needed for the 47 additional ships³); and to perform periodic maintenance and modernization work on the ships.

- If defense spending in coming years is not increased above the caps established in the Budget Control Act of 2011, or BCA (S. 365/P.L. 112-25 of August 2, 2011), as amended, achieving and maintaining a 355-ship fleet could require reducing funding levels for other DOD programs.
- Navy officials have stated that, in general, the shipbuilding industrial base has the capacity to take on the additional shipbuilding work needed to achieve and maintain a 355-ship fleet, and that building toward the 355-ship goal sooner rather than later would be facilitated by ramping up production of existing ship designs rather than developing and then starting production of new designs.
- Building the additional ships that would be needed to achieve and maintain the 355-ship fleet would likely create additional manufacturing (and other) jobs at shipyards and associated supplier firms.
- Navy officials have indicated that, prior to embarking on a fleet expansion, they would first like to see additional funding provided for overhaul and repair work for improving the readiness of existing Navy ships, particularly conventionally powered surface ships, and for mitigating other shortfalls in Navy readiness.

Compared to Previous 308-Ship Plan

The table below compares the new 355-ship force-level goal with the previous 308-ship force-level goal, and presents in the final column a notional CRS estimate of the number of additional ships that would need to be added to the Navy's FY2017 30-year shipbuilding plan to achieve and maintain the 355-ship fleet (unless the Navy extends the service lives of existing ships beyond currently planned figures and/or reactivates recently retired ships). The estimated number of ships (57 to 67) that might need to be added to the Navy's FY2017 30-year shipbuilding plan to achieve the 355-ship fleet is larger than the 47-ship difference between the 355-ship and 308-ship force-

³ The rough estimate of 15,000 additional sailors is based on Navy ship crew sizes as shown in the Navy's online Fact File (<http://www.navy.mil/navydata/fact.asp>), and includes the following:

- about 2,376 sailors for 18 additional attack submarines (132 per boat);
- about 4,500 sailors for 1 additional aircraft carrier (including about 3,000 to operate the ship and about 1,500 to operate its embarked air wing);
- about 5,264 sailors for 16 additional destroyers (329 per ship);
- about 1,520 sailors for 4 additional amphibious ships (380 per ship);
- about 18 sailors for 3 additional combat logistics force ships (6 per ship—these ships have mostly civilian crews);
- about 750 sailors for 3 additional expeditionary support base ships (ESBs) (about 250 per ship, depending on the mission—these ships also have 34 additional Military Sealift Command personnel); and
- additional sailors for the 2 additional command and support ships.

The figures above exclude any additional sailors that might be needed ashore in support roles.

level goals because the FY2017 30-year shipbuilding plan does not include enough ships to fully populate all elements of the 308-ship fleet across the entire 30-year period, and because some ships that will retire over the 30-year period that would not need to be replaced to maintain the 308-ship fleet would need to be replaced to maintain the 355-ship fleet.

Table I. New 355-Ship Plan Compared to Previous 308-Ship Plan

Ship type	355-ship plan of December 2016	308-ship plan of March 2015	Difference	Difference (%)	CRS notional estimate of number of ships that would need to be added to FY17 30-year shipbuilding plan
Ballistic missile submarines (SSBNs)	12	12	0	0	0
Attack submarines (SSNs)	66	48	18	37.5	19
Aircraft carriers (CVNs)	12	11	1	9.1	2
Large surface combatants (LSCs) (i.e., cruisers and destroyers)	104	88	16	18.2	23
Small surface combatants (i.e., LCSs, frigates, mine warship ships)	52	52	0	0	8
Amphibious ships	38	34	4	11.8	0 to 5
Combat logistic force (CLF) ships (i.e., resupply ships)	32	29	3	10.3	2 or 3
Expeditionary Fast transports (EPFs)	10	10	0	0	0
Expeditionary Support Base ships (ESBs)	6	3	3	100	3
Command and support ships	23	21	2	9.5	0 to 4
TOTAL	355	308	47	15.3	57 to 67

Source: Table prepared by CRS based on Navy’s FY2017 shipbuilding plan. The CRS estimate shown in the final column assumes no service life extensions of existing Navy ships and no reactivations of retired Navy ships.

Notes: EPFs were previously called Joint High Speed Vessels (JHSVs). ESBs were previously called Afloat Forward Staging Base ships (AFSBs). The 8 additional small surface combatants is the net result of the addition of 12 small surface combatants in the earlier years of the 30-year plan and the removal of 4 small surface combatants from the later years of the 30-year plan.

Reasons for Increasing Force-Level Goal from 308 Ships

The roughly 15% increase in the new 355-ship plan over the previous 308-ship plan can be viewed as a Navy response to, among other things, China’s continuing naval modernization effort;⁴ resurgent Russian naval activity, particularly in the Mediterranean Sea and the North Atlantic Ocean;⁵ and challenges that the Navy has sometimes faced, given the current total

⁴ For more on China’s naval modernization effort, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O’Rourke.

⁵ See, for example, Dave Majumdar, “Chief of Naval Operations Richardson: US Navy is Focusing on Enemy Submarine Threat,” *National Interest*, August 30, 2016; Dmitry Gorenburg, “Black Sea Fleet Projects Power Westward,” *Russian Military Reform*, July 20, 2016; Dave Majumdar, “Russia’s Submarine Force Is Back: How Worried Should America Be?” *National Interest*, July 5, 2016; Sa, LaGrone, “Admiral Warns: Russian Subs Waging Cold War-Style ‘Battle of the Atlantic,’” *USNI News*, June 3, 2016; Jim Sciutto et al., “CNN Visits Nuclear Submarine (continued...)”

number of ships in the Navy, in meeting requests from the various regional U.S. military commanders for day-to-day in-region presence of forward-deployed Navy ships.⁶ To help meet requests for forward-deployed Navy ships, Navy officials in recent years have sometimes extended deployments of ships beyond (sometimes well beyond) the standard length of seven months, leading to concerns about the burden being placed on Navy ship crews and wear and tear on Navy ships.⁷ Navy officials have testified that fully satisfying requests from regional U.S. military commanders for forward-deployed Navy ships would require a fleet of substantially more than 308 ships. For example, Navy officials testified in March 2014 that fully meeting such requests would require a Navy of 450 ships.⁸

In releasing its 355-ship plan on December 15, 2016, the Navy stated that

Since the last full FSA was conducted in 2012, and updated in 2014, the global security environment changed significantly, with our potential adversaries developing capabilities that challenge our traditional military strengths and erode our technological advantage. Within this new security environment, defense planning guidance directed that the capacity and capability of the Joint Force must be sufficient to defeat one adversary while denying the objectives of a second adversary.⁹

(...continued)

As Deep-Sea Tensions with Russia Grow,” *CNN*, May 5, 2016; Eric Schmitt, “Russia Bolsters Its Submarine Fleet, and Tensions With U.S. Rise,” *New York Times*, April 20, 2016; Jim Sciutto, “Top Navy Official: Russian Sub Aggression at Peak Since Cold War,” *CNN*, April 15, 2016; Franz-Stefan Gady, “Russian Sub Combat Patrols Nearly Doubled in 2015,” *The Diplomat*, March 23, 2016; Karl Soper, “Russia Confirms Higher Level of Submarine Activity,” *IHS Jane’s 360*, March 23, 2016; Magnus Nordenman, “Russian Subs Are Reheating a Cold War Chokepoint,” *Defense One*, March 4, 2016; Richard Lardner, “US Commander Says Tracking Russian Subs Is a Key Challenge,” *CNBC*, March 1, 2016; Paul McLeary, “Chinese, Russian Subs Increasingly Worrying the Pentagon,” *Foreign Policy*, February 24, 2016; Thomas Gibbons-Neff, “Report: Russian Sub Activity Returns to Cold War Levels,” *Washington Post*, February 4, 2016; Nicholas de Larrinaga, “Russian Submarine Activity Topping Cold War Levels,” *IHS Jane’s 360*, February 2, 2016.

⁶ See, for example, Justin Doubleday, “CNO: High Optempo Hindering Seven-Month Deployment Goal,” *Inside the Navy*, September 19, 2016; Chris Church, “Analysts: Truman Strike Group Extension Highlights Flaws in Navy’s Deployment Goal,” *Stars and Stripes*, May 5, 2016; David Larter, “Navy Leader Warns Long Deployments Will Harm the Fleet,” *Navy Times*, April 20, 2016; Hope Hodge Seck, “Overtaxed Fleet Needs Shorter Deployments,” *Military.com*, March 19, 2016; David Larter, “Carrier Scramble: CENTCOM, PACOM Face Flattop Gaps This Spring Amid Tensions,” *Navy Times*, January 7, 2016; Bryan Clark and Jesse Sloman, *Deploying Beyond Their Means, America’s Navy and Marine Corps at a Tipping Point*, Center for Strategic and Budgetary Assessments, 2015, 28 pp.; Ryan T. Tewell, “Assessing the U.S. Aircraft Carrier Gap in the Gulf,” Washington Institute for Near East Policy, October 5, 2015.

⁷ See, for example, Hope Hodge Seck, “CNO: Navy to Hit Seven-Month Deployments by End of Year,” *Military.com*, February 12, 2016; Chris Church, “Analysts: Truman Strike Group Extension Highlights Flaws in Navy’s Deployment Goal,” *Stars and Stripes*, May 5, 2016; David Larter, “Navy Leader Warns Long Deployments Will Harm the Fleet,” *Navy Times*, April 20, 2016; Hope Hodge Seck, “Overtaxed Fleet Needs Shorter Deployments,” *Military.com*, March 19, 2016; Bryan Clark and Jesse Sloman, *Deploying Beyond Their Means, America’s Navy and Marine Corps at a Tipping Point*, Center for Strategic and Budgetary Assessments, 2015, 28 pp.; David Larter, “CNO: Shorter Carrier Cruises A Year Away,” *Navy Times*, February 28, 2015; David Larter, “Uneven Burden: Some Ships See Time at Sea Surge; Others Fall Well Below Fleetwide Average,” *Navy Times*, June 16, 2014; Richard Sisk, “Struggle Ahead to Reach 8-Month Sea Deployments,” *Military.com*, April 8, 2016; David Larter, “Navy Fleet Boss: 9-Month Deployments Unsustainable,” *Military Times*, April 8, 2014; Lance M. Bacon, “Fleet’s New Deployment Plan To Lock In 8-Month Cruises,” *Defense News*, April 6, 2014.

⁸ Spoken testimony of Admiral Jonathan Greenert at a March 12, 2014, hearing before the House Armed Services Committee on the Department of the Navy’s proposed FY2015 budget, as shown in transcript of hearing.

⁹ U.S. Navy, *Executive Summary, 2016 Navy Force Structure Assessment (FSA)*, December 15, 2016, p. 1.

Compared to Trump Campaign Organization Goal of 350 Ships

The figure of 355 ships appears close to an objective of building toward a fleet of 350 ships that was announced by the Trump campaign organization during the 2016 presidential election campaign. The 355-ship goal, however, reflects the national military strategy that was in place in 2016 (i.e., the Obama Administration's national military strategy). A January 27, 2017, national security presidential memorandum on rebuilding the U.S. armed forces signed by President Trump states: "Upon transmission of a new National Security Strategy to Congress, the Secretary [of Defense] shall produce a National Defense Strategy (NDS). The goal of the NDS shall be to give the President and the Secretary maximum strategic flexibility and to determine the force structure necessary to meet requirements."¹⁰

The Trump campaign organization's vision for national defense comprised eight elements, one of which was to "Rebuild the U.S. Navy toward a goal of 350 ships, as the bipartisan National Defense Panel has recommended."¹¹ The Trump campaign organization did not delineate the composition of its 350-ship fleet. The figure of 350 ships appeared to be a rounded-off version of a recommendation for a fleet of up to (and possibly more than) 346 ships that was included in the 2014 report of the National Defense Panel (NDP), a panel that provided an independent review of DOD's report on its 2014 Quadrennial Defense Review (QDR).¹²

Four years before that, a fleet of 346 ships was recommended in the 2010 report of the independent panel that reviewed DOD's report on its 2010 QDR. The 2010 independent panel report further specified that the figure of 346 ships included 11 aircraft carriers, 55 attack submarines (SSNs), and 4 guided missile submarines (SSGNs).¹³

Seventeen years earlier, a fleet of 346 ships was recommended in DOD's 1993 report on its Bottom-Up Review (BUR), a major review of U.S. defense strategy, plans, and programs that was prompted by the end of the Cold War.¹⁴ The 2014 NDP report cited above referred explicitly to the BUR in making its recommendation for future fleet size:

We believe the fleet-size requirement to be somewhere between the 2012 Future Year Defense Program (FYDP) goal of 323 ships and the 346 ships enumerated in the [1993] BUR, depending on the desired "high-low mix [of ships],"¹⁵ and an even larger fleet may be necessary if the risk of conflict in the Western Pacific increases.¹⁶

¹⁰ "Presidential Memorandum on Rebuilding the U.S. Armed Forces," accessed January 31, 2017, at <https://www.whitehouse.gov/the-press-office/2017/01/27/presidential-memorandum-rebuilding-us-armed-forces>.

¹¹ "National Defense, Donald J. Trump's Vision," accessed January 19, 2017, at <https://www.donaldjtrump.com/policies/national-defense>.

¹² William J. Perry et al., *Ensuring a Strong U.S. Defense for the Future: The National Defense Panel Review of the 2014 Quadrennial Defense Review*, Washington, 2014, p. 3. The statement appears again on page 49.

¹³ Stephen J. Hadley and William J. Perry, co-chairmen, et al., *The QDR in Perspective: Meeting America's National Security Needs In the 21st Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on pages 58-59.

¹⁴ Department of Defense, Report on the Bottom-Up Review, October 1993, Figure 7 on page 28. For further discussion of the 1993 BUR, see CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

¹⁵ The term *high-low mix* refers to a force structure consisting of some mix of individually more-capable (and more-expensive) units, and individually less-capable (and less-expensive) units.

¹⁶ William J. Perry et al., *Ensuring a Strong U.S. Defense for the Future: The National Defense Panel Review of the 2014 Quadrennial Defense Review*, Washington, 2014, p. 3. The statement appears again on page 49.

Studies on Alternative Fleet Platform Architectures

Fleet platform architecture (fleet architecture for short) is a term that refers to the types of ships and aircraft operated by the Navy, and how those platforms are combined to create naval formations for performing various Navy missions. Section 1067 of the FY2016 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015) requires the Secretary of Defense to provide for three independent studies on alternative fleet platform architectures for the Navy in the 2030 timeframe, and to submit the results of each study to the congressional defense committees by April 1, 2016.¹⁷ In addition, Section 128(d) of the FY2015 National Defense

¹⁷ The text of Section 1067 is as follows:

SEC. 1067. STUDIES OF FLEET PLATFORM ARCHITECTURES FOR THE NAVY.

(a) Independent Studies.--

(1) In general.--The Secretary of Defense shall provide for the performance of three independent studies of alternative future fleet platform architectures for the Navy in the 2030 timeframe.

(2) Submission to congress.--Not later than April 1, 2016, the Secretary shall submit the results of each study to the congressional defense committees.

(3) Form.--Each such study shall be submitted in unclassified form, but may contain a classified annex as necessary.

(b) Entities to Perform Studies.--The Secretary of Defense shall provide for the studies under subsection (a) to be performed as follows:

(1) One study shall be performed by the Department of the Navy and shall include participants from--

(A) the Office of Net Assessment within the Office of the Secretary of Defense; and

(B) the Naval Surface Warfare Center Dahlgren Division.

(2) The second study shall be performed by a federally funded research and development center.

(3) The final study shall be conducted by an independent, non-governmental institute which is described in section 501(c)(3) of the Internal Revenue Code of 1986, and exempt from tax under section 501(a) of such Code, and has recognized credentials and expertise in national security and military affairs.

(c) Performance of Studies.--

(1) Independent performance.--The Secretary of Defense shall require the three studies under this section to be conducted independently of each other.

(2) Matters to be considered.--In performing a study under this section, the organization performing the study, while being aware of the current and projected fleet platform architectures, shall not be limited by the current or projected fleet platform architecture and shall consider the following matters:

(A) The National Security Strategy of the United States.

(B) Potential future threats to the United States and to United States naval forces in the 2030 timeframe.

(C) Traditional roles and missions of United States naval forces.

(D) Alternative roles and missions for United States naval forces.

(E) Other government and non-government analyses that would contribute to the study through variations in study assumptions or potential scenarios.

(F) The role of evolving technology on future naval forces, including unmanned systems.

(G) Opportunities for reduced operation and sustainment costs.

(H) Current and projected capabilities of other United States armed forces that could affect force structure capability and capacity requirements of United States naval forces.

(d) Study Results.--The results of each study under this section shall--

(1) present the alternative fleet platform architectures considered, with assumptions and possible scenarios identified for each;

(continued...)

Authorization Act (NDAA) (S. 1356/P.L. 114-92 of November 25, 2015) requires the Secretary of the Navy to submit a report on potential requirements, capabilities, and alternatives for the future development of aircraft carriers that would replace or supplement the new Gerald R. Ford (CVN-78) class aircraft carrier.¹⁸ Depending on its findings or recommendations, it is possible that this report could lead to a change in aircraft carrier design that might in turn lead to a change in fleet architecture. Observers are now awaiting the results of the fleet platform architecture studies and the future aircraft carrier study.¹⁹ Regarding the fleet platform architecture studies, the Navy states that the FSA that led to the 355-ship plan

assumes that the future plans for our Navy, in ship types and numbers of ships, continues to replace the ships we have today with ships of similar capability and in similar numbers as we transition to the future Navy—it does not address potential options that may come

(...continued)

- (2) provide for presentation of minority views of study participants; and
- (3) for the recommended architecture, provide--
 - (A) the numbers, kinds, and sizes of vessels, the numbers and types of associated manned and unmanned vehicles, and the basic capabilities of each of those platforms;
 - (B) other information needed to understand that architecture in basic form and the supporting analysis;
 - (C) deviations from the current Annual Long-Range Plan for Construction of Naval Vessels required under section 231 of title 10, United States Code;
 - (D) options to address ship classes that begin decommissioning prior to 2035; and
 - (E) implications for naval aviation, including the future carrier air wing and land-based aviation platforms.

¹⁸ The text of Section 128(d) is as follows:

SEC. 128. LIMITATION ON AVAILABILITY OF FUNDS FOR U.S.S. JOHN F. KENNEDY (CVN-79).

...

(d) Report on Future Development.--

(1) In general.--Not later than April 1, 2016, the Secretary of the Navy shall submit to the congressional defense committees a report on potential requirements, capabilities, and alternatives for the future development of aircraft carriers that would replace or supplement the CVN-78 class aircraft carrier.

(2) Elements.--The report under paragraph (1) shall include the following:

- (A) A description of fleet, sea-based tactical aviation capability requirements for a range of operational scenarios beginning in the 2025 timeframe.
- (B) A description of alternative aircraft carrier designs that meet the requirements described under subparagraph (A).
- (C) A description of nuclear and non-nuclear propulsion options.
- (D) A description of tonnage options ranging from less than 20,000 tons to greater than 100,000 tons.
- (E) Requirements for unmanned systems integration from inception.
- (F) Developmental, procurement, and lifecycle cost assessment of alternatives.
- (G) A notional acquisition strategy for the development and construction of alternatives.
- (H) A description of shipbuilding industrial base considerations and a plan to ensure opportunity for competition among alternatives.
- (I) A description of funding and timing considerations related to developing the Annual Long-Range Plan for Construction of Naval Vessels required under section 231 of title 10, United States Code.

¹⁹ See, for example, Christopher P. Cavas, “Shaping the Fleet of the Future,” *Defense News*, May 8, 2016.

out of the ongoing review of the potential Future Fleet Architecture studies that were directed by Congress [in the FY2016 NDAA] and completed in October 2016. As we evaluate the options presented in these studies and move to include them in our plans for tomorrow's Navy, this FSA will need to be updated to reflect those changes that are determined to be most beneficial to meeting the Navy's missions of the future.²⁰

Industrial Base Capacity for Taking on Additional Shipbuilding Work

Navy officials have stated that, in general, the shipbuilding industrial base has the capacity to take on the additional shipbuilding work needed to achieve and maintain a 355-ship fleet, and that building toward the 355-ship goal sooner rather than later would be facilitated by ramping up production of existing ship designs rather than developing and then starting production of new designs. A January 13, 2017, press report states:

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 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."²¹

A January 17, 2017, press report states:

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

²⁰ U.S. Navy, *Executive Summary, 2016 Navy Force Structure Assessment (FSA)*, December 15, 2016, p. 1.

²¹ Hope Hodge Seck, "Navy Acquisition Chief: Surge to 355 Ships 'Easily Done,'" *DoD Buzz*, January 13, 2017.

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.”²²

A January 24, 2017, press report states:

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.²³

A January 12, 2017, press report states:

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.²⁴

A revised Navy FY2017 unfunded priorities list (UPL)²⁵ submitted to Congress in January 2017 includes, as line item 36, an unfunded item for \$255 million in military construction (MilCon) and Other Procurement, Navy (OPN) funding for production facilities at the General Dynamics/Electric Boat submarine production facility at Quonset Point, RI, to facilitate increasing the attack submarine procurement rate to three boats per year.²⁶

Most of the above-quoted comments relate to capacity at shipyards; there have been fewer published comments regarding capacity at supplier firms to take on the additional work that would be needed to achieve and maintain a 355-ship fleet.

Manufacturing Employment Impact of Additional Shipbuilding Work

Building the additional ships that would be needed to achieve and maintain the 355-ship fleet would likely create additional manufacturing (and other) jobs at shipyards and associated supplier firms. Consistent with U.S. law, the seven shipyards that build most of the Navy’s major ships are all located in the United States.²⁷ As of 2016, these seven yards reportedly employed a total of

²² Sydney J. Freedberg Jr., “Build More Ships, But Not New Designs: CNO Richardson To McCain,” *Breaking Defense*, January 17, 2017.

²³ Kris Osborn, “Navy: Larger 355-Ship Fleet—‘Executable,’” *Scout Warrior*, January 24, 2017.

²⁴ Marc Selinger, “Navy Needs More Aircraft To Match Ship Increase, Secretary [of the Navy] Says,” *Defense Daily*, January 12, 2017.

²⁵ A UPL (also sometimes called an unfunded requirements list, or URL) is a list of items that are not funded in the service’s budget request that the service has identified as its priorities for receiving any additional funding that Congress might decide to provide to the service as part of its markup of the service’s requested budget.

²⁶ Navy information paper entitled “Revised FY 2017 Unfunded Priorities List,” January 5, 2017, p. 2. The document was posted at DefenseNews.com on January 24, 2017.

²⁷ 10 USC 7309 states:

§7309. Construction of vessels in foreign shipyards: prohibition
(a) Prohibition.—Except as provided in subsection (b), no vessel to be constructed for any of the
(continued...)

more than 66,000 people.²⁸ Production workers account for a sizeable fraction of that figure. (The remainder includes designers and engineers, management and supervisory staff, and administrative and support workers.) Navy shipbuilding additionally supports thousands of manufacturing and other jobs at numerous supplier firms. Navy shipbuilding can also have broader effects on the economy.²⁹

(...continued)

armed forces, and no major component of the hull or superstructure of any such vessel, may be constructed in a foreign shipyard.

(b) Presidential Waiver for National Security Interest.—(1) The President may authorize exceptions to the prohibition in subsection (a) when the President determines that it is in the national security interest of the United States to do so.

(2) The President shall transmit notice to Congress of any such determination, and no contract may be made pursuant to the exception authorized until the end of the 30-day period beginning on the date on which the notice of the determination is received by Congress.

(c) Exception for Inflatable Boats.—An inflatable boat or a rigid inflatable boat, as defined by the Secretary of the Navy, is not a vessel for the purpose of the restriction in subsection (a).

In addition, the paragraph in the annual DOD appropriations act that makes appropriations for the Navy's primary shipbuilding account (the Shipbuilding and Conversion, Navy, or SCN, account) typically includes provisions stating "Provided further, That none of the funds provided under this heading for the construction or conversion of any naval vessel to be constructed in shipyards in the United States shall be expended in foreign facilities for the construction of major components of such vessel: *Provided further*, That none of the funds provided under this heading shall be used for the construction of any naval vessel in foreign shipyards."

²⁸ Two of these seven shipyards—Newport News Shipbuilding of Newport News, VA, and Ingalls Shipbuilding of Pascagoula, MS—are owned by Huntington Ingalls Industries (HII). HII's primary activities are building new submarines and aircraft carriers and performing mid-life refueling overhauls of existing aircraft carriers. HII states that it employed a total of almost 37,000 people as of January 2017. (Source: HII website [<http://www.huntingtoningalls.com/>], accessed January 26, 2017.)

Three of these seven shipyards—Bath Iron Works of Bath, ME; the Electric Boat division of Groton, CT, and Quonset Point, RI; and National Steel and Shipbuilding Company (NASSCO) in San Diego, CA—are owned by General Dynamics (GD). GD reportedly employed a total of roughly 23,600 people at these three shipyards as of 2016, with the breakdown as follows:

- GD/BIW reportedly employed 6,100 people as of September 2016. (Source: Beth Brogan, "Bath Iron Works cuts 160 jobs, including layoff of 30 workers," *Bangor Daily News*, September 23, 2016.)
- GD/EB reportedly employed about 14,000 people as of 2016. (Source: Stephen Singer, "Electric Boat To Hire Thousands As Military Strategy Shifts Back To Subs," *Hartford Courant*, April 18, 2016. The article states: "As many as 850 high-skilled, well-paid manufacturing and other jobs are being filled this year and nearly 4,000 in the next 15 years, establishing a workforce of 18,000 at the submarine manufacturer's sites in Groton and Quonset Point, R.I.")
- GD/NASSCO reportedly employed about 3,500 people as of October 2016. (Source: Chris Jennewein, "NASSCO Warns Employees 700 Layoffs May Be Coming in January," *Times of San Diego*, October 25, 2016.)

The remaining two shipyards are Fincantieri/Marinette Marine of Marinette, WI, and Austal USA of Mobile, AL. Both yards build Littoral Combat Ships (LCSs), and Austal USA additionally builds Expeditionary Fast Transports (EPFs—these ships were previously called Joint High Speed Vessels, or JHSV). As of March 2016, Marinette Marine reportedly employed more than 2,000 people and Austal USA reportedly employed more than 4,000 people. (Source: Allyson Versprille, "LCS Cuts Could Strain Shipbuilding Industry," *National Defense*, March 2016.)

²⁹ Regarding the broader effects of shipbuilding on the economy, see, for example, Maritime Administration (MARAD), *The Economic Importance of the U.S. Shipbuilding and Repairing Industry*, November 2015, 28 pp., and Edward G. Keating et al, *The Economic Consequences of Investing in Shipbuilding, Case Studies in the United States and Sweden*, RAND Corporation, Santa Monica, CA, 2015 (Report RR-1036), 69 pp.

Navy Desire to Improve Ship Readiness Before Expanding Fleet

Navy officials have indicated that, prior to embarking on a fleet expansion, they would first like to see additional funding provided for overhaul and repair work to improve the readiness of existing Navy ships, particularly conventionally powered surface ships, and for mitigating other shortfalls in Navy readiness. A January 11, 2017, press report states:

Speaking at the Surface Navy Association’s annual symposium near Washington, D.C., on Tuesday, Moran said Navy leaders have already told President-elect Donald Trump’s transition team that they want any additional funding that comes available within this fiscal year to go to maintenance first.

“The transition team came around to all of us in the building and asked us what we could do with more money right now,” Moran said. “The answer was not, ‘Buy more ships.’ The answer was, ‘Make sure that the 274 that we had were maintained and modernized to provide 274 ships’ worth of combat time.’ Then, we’ll start buying more ships.”³⁰

Another January 11, 2017, press report similarly states:

The message Navy leaders are sending to President-elect Donald Trump’s team is: We need money to keep the current 274 ships in the fleet maintained and modernized first and then give us the money to buy more ships....

In talking with the press and in his address, he said, “It is really hard to see the light at the end of the tunnel” if maintenance is continuously deferred, causing ships to be in the yards far longer in the yards than expected with costs rising commensurately.

“Deferred maintenance is insidiously taking its toll.”

Not only does this add greater risk and a growing gap between the combatant commanders’ requirements and what the service can deliver, “you can’t buy back that experience” and proficiency sailors lose when they can’t use their skills at sea.

“At some point, we have to dig ourselves out of the hole,” Moran said in his address.³¹

A January 24, 2017, press report states:

The Navy wants \$2 billion in additional funding this year for much-needed ship maintenance and fleet operations, and would also buy two dozen Super Hornets and an additional San Antonio-class amphibious warship if money were made available, according to an early January draft wish list obtained by USNI News.

While the list is not as official as the February 2016 Unfunded Priorities List from which it stems, it is meant to be a conversation-starter with Congress and the new Trump Administration on the Navy’s needs for today and in the near term, a senior service official told USNI News on Tuesday. The main message of that conversation is that current readiness must be addressed first, with acquisitions wishes being addressed afterwards with whatever funding may remain, a senior Navy official told USNI News.

“Our priorities are unambiguously focused on readiness—those things required to get planes in the air, ships and subs at sea, sailors trained and ready,” the official said....

The first section of the updated list addresses afloat readiness, which both the Navy and the new Trump Administration have said would be a primary focus of any FY 2017 supplemental....

³⁰ Hope Hodge Seck, “Navy to Trump Team: Fund Maintenance Before Buying New Ships,” *DoD Buzz*, January 11, 2017.

³¹ John Grady, “Navy to Trump: We Need Maintenance Funded Before New Ships,” *USNI News*, January 11, 2017.

More than \$500 million for air operations and flying hours, as well as \$339 million for ship operations and \$647 for ship depot maintenance, sit atop the wish list. These items were included in the original UPL but have been prioritized first in this most recent version....

Earlier this month Vice Chief of Naval Operations Adm. Bill Moran said that, while President Donald Trump had expressed interest in growing the Navy fleet, readiness needed to be a top priority before growing a larger fleet. “Deferred maintenance is insidiously taking its toll,” he said, and “at some point, we have to dig ourselves out of the hole” that has been created from years of too little funding for operations and maintenance.³²

Another January 24, 2017, press report similarly states:

With no fiscal 2017 defense budget in sight and little chance of an agreement before April—if then—the military services are submitting second and possibly third rounds of unfunded requirements lists to Congress. The lists include items left out of the original budget requests, ranked in order of priority should Congress find a way to fund them.

The latest list from the US Navy was sent to Congress Jan. 5, updating a similar list sent over at the end of February but rejiggered in light of the new 355-ship Force Structure Assessment, changes in requirements and the lateness of the fiscal year, which limit what can be done in the current budget. The new list also reflects what Navy leaders have been saying in recent weeks they need most—maintenance funding. While the late February list lead off with acquisition needs, the new top priorities include \$2 billion in afloat readiness funding....

The maintenance needs reflect Navy decisions in recent years to put off upkeep and protect long-term procurement accounts from successive cuts mandated by the Budget Control Act – also known as sequestration. But recent statements from top Navy brass underscore the need to restore maintenance money.

“Our priorities are unambiguously focused on readiness -- those things required to get planes in the air, ships and subs at sea, sailors trained and ready,” the Navy official declared. “No new starts.”³³

Navy’s FY2017 Five-Year and 30-Year Shipbuilding Plans

FY2017-FY2021 Five-Year Shipbuilding Plan

Table 2 shows the Navy’s FY2017-FY2021 five-year shipbuilding plan, which was intended to support the Navy’s previous 308-ship force-level objective.

³² Megan Eckstein, “Update to Navy Unfunded Priorities List Emphasizes Readiness; Would Add More Super Hornets, Additional Amphib,” *USNI News*, January 24, 2017.

³³ Christopher P. Cavas, “Fix the Fleet! US Navy Makes Maintenance Top Priority,” *Defense News*, January 24, 2017.

Table 2. Navy FY2017-FY2021 Five-Year Shipbuilding Plan
(Battle force ships—i.e., ships that count against 308-ship goal)

Ship type	FY17	FY18	FY19	FY20	FY21	Total
Ohio replacement (SSBNX) ballistic missile submarine					1	1
Ford (CVN-78) class aircraft carrier		1				1
Virginia (SSN-774) class attack submarine	2	2	2	2	1	9
Arleigh Burke (DDG-51) class destroyer	2	2	2	2	2	10
Littoral Combat Ship (LCS)/Frigate	2	1	1	1	2	7
LHA(R) amphibious assault ship	1					1
LX(R) amphibious ship				1		1
Fleet towing, salvage, and rescue ship (TATS)		1	1	1	1	4
TAO-205 (previously TAO[X]) oiler		1	1	1	1	4
TOTAL	7	8	7	8	8	38

Source: Table prepared by CRS based on FY2017 Navy budget submission.

Observations that can be made about the Navy’s proposed FY2017 five-year (FY2017-FY2021) shipbuilding plan include the following:

- **Total of 38 ships.** The plan includes a total of 38 ships, compared to a total of 48 ships in the FY2016-FY2020 five-year shipbuilding plan. Most of the 10-ship reduction in the FY2017-FY2021 plan compared to the FY2016-FY2020 plan is due to a reduction in the annual procurement rate for the Littoral Combat Ship (LCS)/Frigate program that was directed by the Secretary of Defense in December 2015. The FY2016-FY2020 plan included a total of 14 LCSs/Frigates, while the new FY2017-FY2021 plan includes a total of 7.
- **Average of 7.6 ships per year.** The plan includes an average of 7.6 battle force ships per year. The steady-state replacement rate for a fleet of 308 ships with an average service life of 35 years is 8.8 ships per year. In light of how the average shipbuilding rate since FY1993 has been substantially below 8.8 ships per year (see **Appendix J**), shipbuilding supporters for some time have wanted to increase the shipbuilding rate to a steady rate of 10 or more battle force ships per year.
- **7 ships in FY2017.** The plan requests funding for 7 new ships in FY2017, compared to the 10 new ships that were projected for FY2017 under the FY2016 budget submission. The three-ship reduction from the projection under the FY2016 budget submission includes a one-ship reduction in the number of LCSs requested for FY2017 and decisions by Congress, in marking up the Navy’s FY2016 budget, to accelerate from FY2017 to FY2016 the procurement of a Mobile Landing Platform (MLP)/Afloat Forward Staging Base (AFSB) ship (now called an Expeditionary Mobile Base, or ESB, ship), and to also accelerate from FY2017 to FY2016 the procurement the procurement of a fleet towing, salvage, and rescue (TATS) ship.
- **First Ohio replacement submarine in FY2021.** The plan shows the projected procurement of the first Ohio replacement (SSBNX) ballistic missile submarine in FY2021, with advance procurement (AP) funding for this boat beginning in FY2017 and continuing through FY2020. As discussed later in this report, many observers have been concerned about the potential impact of the Ohio replacement program on the Navy’s ability to fund the procurement of the other kinds of ships that it wants to procure.

- **CVN-80 in FY2018.** The CVN-78 class aircraft carrier shown in FY2018 is CVN-80, the third ship in the class. The initial increment of advance procurement (AP) funding for this ship was provided in FY2016. The Navy is requesting an additional increment of advance procurement funding for FY2017. The balance of the ship's procurement cost is to be funded using incremental funding across the six-year period FY2018-FY2023. The fourth ship in the class, CVN-81, is scheduled for procurement in FY2023, with advance procurement (AP) funding scheduled to begin in FY2021.
- **10 Virginia-class attack submarines.** The 10 Virginia-class attack submarines to be procured in FY2014-FY2018 are being procured under a multiyear procurement (MYP) contract.³⁴ Beginning with the second Virginia-class boat to be procured in FY2019, Virginia-class boats are to be built with an additional ship section called the Virginia Payload Module (VPM) that will substantially increase the boats' weapon capacity.
- **10 DDG-51 destroyers.** The 10 DDG-51 destroyers to be procured in FY2013-FY2017 are being procured under a multiyear procurement (MYP) contract. Beginning with the second of the two DDG-51s procured in FY2016, DDG-51s are to be built to the new Flight III version of the DDG-51 design, which is to carry a new and more capable radar called the Air and Missile Defense Radar (AMDR).
- **7 LCSs/Frigates.** As mentioned earlier, reflecting a December 2015 direction by the Secretary of Defense, the annual procurement rate of LCSs/Frigates has been reduced. As a consequence, the FY2017-FY2021 five-year shipbuilding plan includes a total of 7 LCSs/Frigates, compared to 14 LCSs/Frigates in the FY2016-FY2020 five-year shipbuilding plan.
- **LHA-8 amphibious assault ship in FY2017.** The Navy wants to procure an amphibious assault ship called LHA-8 in FY2017, using split funding (i.e., two-year incremental funding) in FY2017 and FY2018.
- **First LX(R) amphibious ship in FY2020.** The Navy wants to procure the first of a new class of amphibious ships, called the LX(R) class, in FY2020. Congress, as part of its action on the Navy's FY2016 budget, provided additional funding to accelerate the production schedule for this ship. The Navy has testified that, as a result of this funding, even though the ship is still shown in the FY2020 column, the Navy will now be able to accelerate the construction schedule of the ship to something more consistent with a ship procured in FY2019.
- **TATS towing, salvage, and rescue ship.** As mentioned above, Congress, as part of its action on the Navy's FY2016 budget, accelerated the procurement of the first TATS ship from FY2017 to FY2016.
- **TAO-205 (previously TAO[X]) class oiler.** The first ship in the TAO-205 class oiler (previously TAO[X]) program was funded in FY2016.

³⁴ For more on MYP contracting, see CRS Report R41909, *Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress*, by Ronald O'Rourke and Moshe Schwartz.

FY2017-FY2046 30-Year Shipbuilding Plan

Table 3 shows the Navy’s FY2017-FY2046 30-year shipbuilding plan, which was intended to support the Navy’s previous 308-ship force-level objective.³⁵ In devising a 30-year shipbuilding plan to move the Navy toward its ship force-structure goal, key assumptions and planning factors include but are not limited to ship construction times and service lives, estimated ship procurement costs, projected shipbuilding funding levels, and industrial-base considerations.

Table 3. Navy FY2017-FY2046 30-Year Shipbuilding Plan

FY	CVN	LSC	SSC	SSN	SSBN	AWS	CLF	Supt	Total
17		2	2	2		1			7
18	1	2	1	2			1	1	8
19		2	1	2			1	1	7
20		2	1	2		1	1	1	8
21		2	2	1	1		1	1	8
22		2	2	2		1	1	2	10
23	1	2	2	2		1	1	2	11
24		2	2	1	1	2	1	2	11
25		2	1	2		1	1	2	9
26		2		1	1	1	1	1	7
27		2		1	1	1	1	1	7
28	1	2		1	1	2	1		8
29		2	1	1	1	1	1	1	8
30		2		1	1	1	1	2	8
31		2	1	1	1	1	1	2	9
32		2	1	1	1	1	1	2	9
33	1	2	1	1	1		1	2	9
34		2	2	1	1			1	7
35		2	2	1	1				6
36		2	2	2		1			7
37		2	3	2					7
38	1	3	4	2					10
39		3	4	2					9
40		3	4	1		2			10
41		2	4	2					8
42		3	4	1		1			9
43	1	2	2	2			1		8
44		3	3	1		2			9
45		2	3	2		1	2		10
46		3	3	1		1	2		10
Total	6	66	58	44	12	23	21	24	254

Source: Table prepared by CRS based on Navy’s FY2017-FY2046 30-year shipbuilding plan.

Key: **FY** = Fiscal Year; **CVN** = aircraft carriers; **LSC** = surface combatants (i.e., cruisers and destroyers); **SSC** = small surface combatants (i.e., Littoral Combat Ships [LCSs]); **SSN** = attack submarines; **SSGN** = cruise missile submarines; **SSBN** = ballistic missile submarines; **AWS** = amphibious warfare ships; **CLF** = combat logistics force (i.e., resupply) ships; **Supt** = support ships.

³⁵ Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2017, April 2016, 14 pp., posted at *Politico Pro* (subscription required) on May 6, 2016, and at *USNI News* on May 9, 2016.

Projected Force Levels Under FY2017 30-Year Shipbuilding Plan

Table 4 shows a projection of ship force levels for FY2017-FY2046 that would result from implementing the FY2017-FY2046 30-year shipbuilding plan shown in Table 3. As noted in the previous section, the FY2017-FY2046 30-year shipbuilding plan was intended to support the Navy’s previous 308-ship force-level goal.

Table 4. Projected Force Levels Resulting from FY2017-FY2046 30-Year Shipbuilding Plan

	CVN	LSC	SSC	SSN	SSGN	SSBN	AWS	CLF	Supt	Total
355-ship plan of 12/16	12	104	52	66	0	12	38	32	39	355
308-ship plan of 3/15	11	88	52	48	0	12	34	29	34	308
FY17	11	90	25	52	4	14	32	29	30	287
FY18	11	91	29	53	4	14	32	29	32	295
FY19	11	94	32	52	4	14	33	29	31	300
FY20	11	95	33	52	4	14	33	29	35	306
FY21	11	97	34	51	4	14	33	30	34	308
FY22	12	98	35	48	4	14	34	30	35	310
FY23	12	99	31	49	4	14	34	30	36	309
FY24	12	100	31	48	4	14	35	30	37	311
FY25	11	100	32	47	4	14	36	30	39	313
FY26	11	99	35	45	2	14	36	30	37	309
FY27	11	99	37	44	1	13	36	30	38	309
FY28	11	100	39	42		13	37	30	38	310
FY29	11	98	40	41		12	37	30	38	307
FY30	11	95	40	42		11	37	30	38	304
FY31	11	91	40	43		11	37	30	36	299
FY32	11	89	40	43		10	37	30	37	297
FY33	11	88	40	44		10	38	30	37	298
FY34	11	86	40	45		10	37	30	37	296
FY35	11	86	40	46		10	35	30	38	296
FY36	11	86	41	47		10	35	29	38	297
FY37	11	87	41	48		10	35	29	37	298
FY38	11	88	42	47		10	34	29	35	296
FY39	11	89	44	47		10	34	29	33	297
FY40	10	88	45	47		10	33	29	32	294
FY41	10	87	43	47		11	34	29	32	293
FY42	10	84	43	49		12	33	29	32	292
FY43	10	83	43	49		12	32	29	32	290
FY44	10	82	43	50		12	32	29	32	290
FY45	10	82	45	50		12	33	29	32	293
FY46	10	80	45	51		12	33	29	32	292

Source: Table prepared by CRS based on Navy’s FY2017-FY2046 30-year shipbuilding plan.

Note: Figures for support ships include five JHSVs transferred from the Army to the Navy and operated by the Navy primarily for the performance of Army missions.

Key: **FY** = Fiscal Year; **CVN** = aircraft carriers; **LSC** = surface combatants (i.e., cruisers and destroyers); **SSC** = small surface combatants (i.e., frigates, Littoral Combat Ships [LCSs], and mine warfare ships); **SSN** = attack submarines; **SSGN** = cruise missile submarines; **SSBN** = ballistic missile submarines; **AWS** = amphibious warfare ships; **CLF** = combat logistics force (i.e., resupply) ships; **Supt** = support ships.

Observations that can be made about the Navy's FY2016 30-year (FY2016-FY2045) shipbuilding plan and resulting projected force levels included the following:

- **Total of 254 ships; average of about 8.5 per year.** The plan includes a total of 264 ships to be procured—10 fewer than the 264 included in last year's FY2016-FY2045 shipbuilding plan. Much of the net 10-ship reduction compared to the FY2016-FY2045 30-year plan can be accounted for by the Secretary of Defense's direction to reduce the LCS/Frigate program from 52 ships to 40 ships. The total of 254 ships equates to an average of about 8.5 ships per year, which is equal to the average procurement rate (sometimes called the steady-state replacement rate) of 8.8 ships per year that would be needed over the long run to achieve and maintain a fleet of 308 ships, assuming an average life of 35 years for Navy ships.
- **Projected shortfalls in attack submarines, large surface combatants, small surface combatants, and amphibious ships.** The FY2017-FY2046 30-year shipbuilding plan, like many previous Navy 30-year shipbuilding plans, does not include enough ships to fully support all elements of the Navy's 308-ship goal over the entire 30-year period. In particular, the Navy projects that the fleet would experience:
 - a shortfall in large surface combatants (i.e., cruisers and destroyers) from FY2034 through FY2037, and from FY2041 through at least FY2046;
 - a shortfall in small surface combatants (i.e., LCSs and frigates) for the entire 30-year period;
 - a shortfall in attack submarines from FY2025 through FY2036; and
 - a shortfall in amphibious ships from FY2017 through FY2021, in FY2040, and from FY2042 through at least FY2046.

The 30-year duration of the shortfall in small surface combatants appears principally due to the December 2015 direction from the Secretary of Defense to reduce the LCS/Frigate program from 52 ships to 40 ships.³⁶

- **Ballistic missile submarine force to be reduced temporarily to 10 or 11 boats.** As a result of a decision in the FY2013 budget to defer the scheduled procurement of the first Ohio replacement (SSBN[X]) ballistic missile submarine by two years, from FY2019 to FY2021, the ballistic missile submarine force is projected to drop to a total of 10 or 11 boats—one or two boats below the 12-boat SSBN force-level goal—during the period FY2029-FY2041. The Navy says this reduction is acceptable for meeting current strategic nuclear deterrence mission requirements, because none of the 10 or 11 boats during these years will be encumbered by long-term maintenance.³⁷

³⁶ See also Sydney J. Freedberg Jr., "LCS Cut Ripples Through Navy's New 30-Year Shipbuilding Plan," *Breaking Defense*, March 14, 2016.

³⁷ For further discussion of this issue, see CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) Ballistic Missile Submarine Program: Background and Issues for Congress*, by Ronald O'Rourke.

Issues for Congress for FY2017

Issues Relating to Navy's New 355-Ship Force-Level Goal

Potential Oversight Questions

The Navy's new 355-ship force-level poses a number of potential oversight issues for Congress, including but not limited to the following:

- **Appropriateness of new 355-ship goal.** Is the Navy's new 355-ship force-level goal appropriate in terms of planned fleet size and composition, given current and projected strategic and budgetary circumstances? For further discussion of some elements of this issue, see the next section.
- **Potential impact of new national security and national military strategies.** As noted earlier, the 355-ship goal reflects the Obama Administration's national security strategy and national military strategy. How might the new national security strategy and national military strategy being developed by the Trump Administration affect the 355-ship goal?
- **Potential impact of fleet platform architecture studies.** As noted earlier, the 355-ship goal does not address potential options that may come out of the ongoing review of the fleet platform architecture studies directed by the FY2016 NDAA. How might the results of those studies affect the 355-ship goal? For further discussion of this issue, see the fleet architecture part of the next section.
- **Time needed to achieve force-level goals within 355-ship fleet.** How long would it take to achieve the force-level goals for the various categories of ships in the 355-ship fleet?
- **Affordability of 355-ship goal.** How much additional shipbuilding funding does the Navy (and CBO) estimate would be needed to build the additional ships needed to achieve and maintain the 355-ship fleet? How much additional Navy funding in total does the Navy (and CBO) estimate would be needed to operate and support a 355-ship fleet rather than today's fleet of 270-plus ships, or the previously planned 308-ship fleet? If defense spending in coming years is not increased above the caps established in the Budget Control Act of 2011, or BCA (S. 365/P.L. 112-25 of August 2, 2011), as amended, how much would achieving and maintaining a 355-ship fleet reduce funding levels for other DOD programs, and what would be the resulting net impact on U.S. military capabilities?
- **Potential for extending service lives and/or reactivating retired ships.** As noted earlier, the notional CRS estimate that achieving and maintaining the 355-ship fleet would require adding 57 to 67 ships to the Navy's FY2017 30-year shipbuilding plan assumes no service life extensions of existing Navy ships, and no reactivations of retired Navy ships. How feasible and (if feasible) cost-effective might such service life extensions or reactivations be, and how might they affect the number of new ships that would need to be added to the Navy's FY2017 30-year shipbuilding plan to achieve and maintain a 355-ship fleet? How much could service life extensions and/or reactivations boost the size of the Navy

in the nearer term, before new-built ships are able to finish construction and enter service?³⁸

- **Industrial base capacity.** What are the potential industrial-base bottlenecks or risk areas of increasing shipbuilding to achieve and maintain the 355-ship fleet? Aside from the earlier-noted \$255 million item for additional submarine-construction facilities at the General Dynamics/Electric Boat facility at Quonset Point, RI, that is included as item 36 in the Navy's revised FY2017 unfunded priorities list, what other investments in shipyard or supplier-firm capacity might be needed to support the additional shipbuilding capacity that would be needed to achieve the 355-ship fleet?
- **Manufacturing employment impact.** How many additional manufacturing (and other) jobs would be created by the additional shipbuilding work that would be needed to achieve and maintain the 355-ship fleet? How does Navy shipbuilding compare to other areas of defense acquisition or other types of federal expenditures in terms of numbers and types of manufacturing (and other) jobs created per dollar spent?

Appropriateness of 355-Ship Goal: Some Elements of the Discussion

Below are brief discussions of some elements of the discussion of the appropriateness of the Navy's new 355-ship force-level goal.

Changing Strategic Circumstances

Changes in strategic and budgetary circumstances in recent years have led to a broad debate over the future size and structure of the military, including the Navy. Regarding changing strategic circumstances, world events have led some observers, starting in late 2013, to conclude that the international security environment has undergone a shift from the familiar post-Cold War era of the past 20-25 years, also sometimes known as the unipolar moment (with the United States as the unipolar power), to a new and different strategic situation that features, among other things, renewed great power competition and challenges to elements of the U.S.-led international order that has operated since World War II.³⁹ For further discussion of changes in strategic circumstances, see **Appendix A**. For additional discussion of the relationship between U.S. strategy and the size and structure of U.S. naval forces, see **Appendix I**.

Navy Planning Factors

The Navy's new 355-ship goal reflects a number of judgments and planning factors (some of which the Navy receives from the Office of the Secretary of Defense), including but not limited to the following:

³⁸ As of September 27, 2016, the Navy's inactive fleet—sometimes referred to informally as the “mothball” fleet—included a total of 50 retired ships, including three Ticonderoga (CG-47) class Aegis cruisers, 22 Oliver Hazard Perry (FFG-7) class frigates, and nine LHA- and LPD-type amphibious ships. Most of the 50 ships in the Navy's inactive fleet were retired upon reaching the ends of their service lives. Many of them are currently designated for eventual sale or transfer to foreign countries, experimental use as targets in Navy ship-sinking exercises, or scrapping.

³⁹ For further discussion, see CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

- U.S. interests and the U.S. role in the world, and the U.S. military strategy for supporting those interests and that role;
- current and projected Navy missions in support of U.S. military strategy, including both wartime operations and day-to-day forward-deployed operations;
- technologies available to the Navy, and the individual and networked capabilities of current and future Navy ships and aircraft;
- current and projected capabilities of potential adversaries, including their anti-access/area-denial (A2/AD) capabilities;
- regional combatant commander (CCDR) requests for forward-deployed Navy forces;
- basing arrangements for Navy ships, including numbers and locations of ships homeported in foreign countries;
- maintenance and deployment cycles for Navy ships; and
- fiscal constraints.

With regard to the fourth point above—regional combatant commander (CCDR) requests for forward-deployed Navy forces—as mentioned earlier, Navy officials testified in March 2014 that a Navy of 450 ships would be required to fully meet CCDR requests for forward-deployed Navy forces.⁴⁰ The difference between a fleet of 450 ships and the current goal for a fleet of 355 ships can be viewed as one measure of operational risk associated with the goal of a fleet of 355 ships. A goal for a fleet of 450 ships might be viewed as a fiscally unconstrained goal.

Navy Force Structures Proposed by Study Groups

Some study groups have made their own proposals for Navy ship force structure that reflect their own perspectives on the bullet points listed above (particularly the first four and the final one). **Appendix F** presents some of these proposals. The proposals shown in **Appendix F** were all published prior to late 2013, when observers began to conclude that the international security environment has undergone a shift from the familiar post-Cold War era of the past 20-25 years to a new and different strategic situation that features, among other things, renewed great power competition and challenges to elements of the U.S.-led international order that has operated since World War II.

Fleet Architecture

Some observers, viewing advancements in technologies for networked operations and unmanned vehicles, have raised the issue of whether the U.S. Navy's current fleet architecture—meaning its current mix of ship types, and how those ships are combined to create Navy formations—should be altered in coming years to make greater use of such technologies:

- Observers viewing advancements in technologies for supporting networked operations speculate (or argue) that fully exploiting networked operations could (or should) lead to a new fleet architecture that incorporates a greater reliance on distributed sensor networks or an architecture that features ship designs that

⁴⁰ Spoken testimony of Admiral Jonathan Greenert at a March 12, 2014, hearing before the House Armed Services Committee on the Department of the Navy's proposed FY2015 budget, as shown in transcript of hearing.

- distribute ship-based sensors and weapon launchers across the fleet in a different pattern from today's ship designs.
- Observers viewing developments in technologies for unmanned air, surface, and underwater vehicles speculate (or argue) that fully exploiting unmanned vehicles that are launched from Navy ships—including vehicles capable of autonomous operations, and vehicles launched in large numbers to operate as coordinated “swarms”—might (or should) lead to new or modified ship designs, and that larger unmanned vehicles with longer cruising ranges that are launched directly from pier (sometimes referred to as unmanned ships) might in the future carry out certain missions currently performed by manned Navy ships.⁴¹

Other observers, viewing China's maritime anti-access/area-denial (A2/AD) forces, have raised the question of whether the U.S. Navy should respond by shifting over time to a more highly distributed fleet architecture featuring a reduced reliance on aircraft carriers and other large ships and an increased reliance on smaller ships. The question of whether the U.S. Navy concentrates too much of its combat capability in a relatively small number of high-value units, and whether it should shift over time to a more highly distributed fleet architecture, has been debated at various times over the years, in various contexts. The issue was examined, for example, in a report by DOD's Office of Force Transformation (OFT) that was submitted to Congress in 2005.⁴²

Supporters of shifting to a more highly distributed fleet architecture argue that the Navy's current architecture, including its force of large aircraft carriers, in effect puts too many of the Navy's combat-capability eggs into a relatively small number of baskets on which an adversary can concentrate its surveillance and targeting systems and its anti-ship weapons. They argue that although a large Navy aircraft carrier can absorb hits from multiple conventional weapons without sinking, a smaller number of enemy weapons might cause damage sufficient to stop the carrier's aviation operations, thus eliminating the ship's primary combat capability and providing the attacker with what is known as a “mission kill.” A more highly distributed fleet architecture, they argue, would make it more difficult for China to target the Navy and reduce the possibility of the Navy experiencing a significant reduction in combat capability due to the loss in battle of a relatively small number of high-value units.

Opponents of shifting to a more highly distributed fleet architecture argue that large carriers and other large ships are not only more capable, but proportionately more capable, than smaller ships, that larger ships are capable of fielding highly capable systems for defending themselves, and that they are much better able than smaller ships to withstand the effects of enemy weapons, due to their larger size, extensive armoring and interior compartmentalization, and extensive damage-control systems. A more highly distributed fleet architecture, they argue, would be less capable or

⁴¹ See, for example, Megan Eckstein, Board Recommends Further Use Of Autonomy In Sea Control, Support Of Ground Troops, *USNI News*, August 24, 2016; Sandra I. Erwin, “Crewless Ships in the Navy: Not If, But When,” *National Defense*, August 14, 2016; Kris Osborn, “New Evolving Navy Drone Strategy Envisions More Autonomy, Faster Processing,” *Scout Warrior*, June 9, 2016. James Hasik, “DARPA's New Robotic Frigate Might Seriously Change Naval Warfare,” *Real Clear Defense*, April 14, 2016; Harry J. Kazianis, “Get Ready, China: Tech Breakthrough Could Turn U.S. Subs into Carriers,” *National Interest*, March 2, 2014; Megan Eckstein, “Navy: Future Undersea Warfare Will Have Longer Reach, Operate With Network of Unmanned Vehicles,” *USNI News*, March 24, 2016.

⁴² OFT's report, along with two other reports on Navy fleet architecture that were submitted to Congress in 2005, are discussed at length in CRS Report RL33955, *Navy Force Structure: Alternative Force Structure Studies of 2005—Background for Congress*, by Ronald O'Rourke. See also Wayne P. Hughes Jr., *The New Navy Fighting Machine: A Study of the Connections Between Contemporary Policy, Strategy, Sea Power, Naval Operations, and the Composition of the United States Fleet*, Monterey (CA), Naval Postgraduate School, August 2009, 68 pp.

more expensive than today's fleet architecture. Opponents of shifting to a more highly distributed fleet architecture could also argue that the Navy has already taken important steps toward fielding a more distributed fleet architecture through its plan to acquire 40 LCSs and 11 EPFs, and through the surface fleet's recently announced concept of distributed lethality, under which offensive weapons are to be distributed more widely across all types of Navy surface ships and new operational concepts for Navy surface ship formations are to be implemented.⁴³

For an excerpt from a 2014 journal article that provides further discussion of the issue of future Navy fleet architecture, see **Appendix G**.

Budgetary Context: Potential Impact on Size and Capability of Navy of Limiting DOD Spending to BCA Caps Through FY2021

Navy officials stated in 2015 that limiting DOD spending through FY2021 to levels at or near the caps established in the Budget Control Act of 2011 (BCA) as amended would lead to a smaller and less capable Navy that would not be capable of fully executing all the missions assigned to it under the defense strategic guidance document of 2012. For additional details, see **Appendix H**.

Issues Relating to Navy's FY2017 Shipbuilding Budget Request

Potential Impact of Continuing Resolution (CR) for Part of FY2017

One issue for Congress relating to the Navy's FY2017 shipbuilding budget request concerns the potential impact on FY2017 shipbuilding programs of using a continuing resolution (CR) to fund DOD programs for the first several months of FY2017. CRs can lead to challenges in program execution 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;
- an increase in procurement quantity for a program compared to that program's procurement quantity in the prior year; and
- the signing of new multiyear procurement (MYP) contracts.⁴⁴

In addition, the Navy's shipbuilding account, known formally as the Shipbuilding and Conversion, Navy (SCN) appropriation account, is written in the annual DOD appropriations act not just with a total appropriated amount for the entire account (like other DOD acquisition

⁴³ Navy surface fleet leaders announced the distributed lethality concept in early 2015. The aim of distributed lethality is to boost the surface fleet's capability for attacking enemy ships and make it less possible for an enemy to cripple the U.S. fleet by concentrating its attacks on a few very-high-value Navy surface ships (particularly the Navy's aircraft carriers). See Thomas Rowden, Peter Gumataotao, and Peter Fanta, "Distributed Lethality," *U.S. Naval Institute Proceedings*, January 2015: 18-23; Sam LaGrone, "SNA: Navy Surface Leaders Pitch More Lethal Ships, Surface Action Groups," *USNI News*, January 14, 2015; Kris Osborn, "Navy Unveils New Surface Warfare Strategy," *Military.com*, January 14, 2015; Sydney J. Freedberg Jr., "'If It Floats, It Fights,': Navy Seeks 'Distributed Lethality,'" *Breaking Defense*, January 14, 2015; Mike McCarthy and Megan Eckstein, "Navy Eyeing A 'Hunter Killer' Surface Fleet, Would Require Upgunning Existing Ship Fleets," *Defense Daily*, January 15, 2015: 1-3; Richard Scott, "Offensive Language: USN Sets Out Surface Firepower Strategy," *Jane's International Defence Review*, May 2015: 42-47; Megan Eckstein, "Navy Studying Implications of Distributed Lethality in Wargames Series," *USNI News*, July 9, 2015; Lara Seligman, "Navy Establishes Task Force To Study Impact of Distributed lethality," *Inside the Navy*, July 10, 2015.

⁴⁴ 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 and Moshe Schwartz.

accounts), but also with specific appropriated amounts at the line-item level. As a consequence, under a CR (which is typically based on the prior year's appropriations act), SCN funding is managed not at the account level (like it 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 misalignments (excesses and shortfalls) in funding for SCN-funded programs, compared to the amounts those programs received in the prior year. The shortfalls in particular can lead to program-execution challenges under an extended or full-year CR.

In addition to the above impacts, a CR might also require the agency (in this case, the Navy) to divide a contract action into multiple actions, which can increase the total cost of the effort by reducing economies of scale and increasing administrative costs.

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.

Navy officials indicated in late-September 2016 that the potential impacts of being funded under a CR during FY2017 could be managed, provided that the situation did not extend beyond the end of the first quarter of FY2017 (i.e., beyond December 31, 2017).⁴⁵

The FY2017 Further Continuing and Security Assistance Appropriations Act (H.R. 2028/P.L. 114-254 of December 10, 2016), which includes a CR that funds the government through April 28, 2017, includes an anomaly that mitigates the impact of the CR on the Columbia-class ballistic missile submarine program⁴⁶—a high-priority program whose execution Navy officials had indicated would be significantly affected if DOD were to continue to be funded under a CR beyond the end of the first quarter of FY2017.⁴⁷

FY2017 Shipbuilding Funding Requests

Another issue for Congress relating to the Navy's FY2017 shipbuilding budget request is whether to approve, reject, or modify the Navy's FY2017 funding requests for its various shipbuilding programs. In assessing this question, Congress may consider various factors, including whether the Navy has accurately priced the work to be funded in FY2017. Among many specific issues for Congress to assess are the following, some of which are discussed in more detail in CRS reports that cover individual shipbuilding programs:

- whether to provide advance procurement (AP) funding in FY2017 for the purchase of materials for the aircraft carrier CVN-81, so as to enable a combined

⁴⁵ Megan Eckstein, "Navy Can Weather 6-Week Continuing Resolution, But Extension Would Delay Columbia Submarine Class, Other Programs," *USNI News*, September 29, 2016. See also Megan Eckstein, "Navy Encouraging Program Offices to be Upfront on Continuing Resolution Impacts," *USNI News*, December 8, 2016.

⁴⁶ The anomaly, located in Section 101 of P.L. 114-254, amends Division C (the CR portion) of a previous law—the Continuing Appropriations and Military Construction, Veterans Affairs, and Related Agencies Appropriations Act, 2017, and Zika Response and Preparedness Act (H.R. 5325/P.L. 114-223 of December 9, 2016—to include a new Section 155 that states: "Sec. 155. Notwithstanding sections 101, 102, and 104 of this Act, from within amounts provided for 'Department of Defense—Procurement—Shipbuilding and Conversion, Navy', funds are provided for 'Ohio Replacement [i.e., Columbia-class] Submarine (AP)' at a rate for operations of \$773,138,000." (AP means advance procurement, a form of procurement funding. Without this anomaly, this \$773.138 million in FY2017 advance procurement funding for the Columbia-class program would not be executable.)

⁴⁷ Megan Eckstein, "Navy Can Weather 6-Week Continuing Resolution, But Extension Would Delay Columbia Submarine Class, Other Programs," *USNI News*, September 29, 2016.

purchase of materials for the aircraft carriers CVN-80 and CVN-81 (the Navy's proposed FY2017 budget does not request any AP funding for the procurement of materials for CVN-81);

- whether to provide any advance procurement (AP) funding in FY2017 to help support the procurement of an additional Virginia-class submarine in FY2021, which could help mitigate the projected attack submarine shortfall (no such FY2017 funding is requested);
- whether to provide some or all of the \$433 million in unrequested procurement funding that is needed to complete the funding for an additional DDG-51 destroyer that was partially funded with \$1 billion in FY2016 (this is the number 2 item on the Navy's FY2017 Unfunded Requirements List, or URL);
- whether to provide any additional research and development funding and/or additional advance procurement (AP) funding for the program in FY2017 to help accelerate the procurement of the first LX(R) amphibious ship from FY2020 to an earlier year, so as to reduce the gap in time between the end of LPD-17 amphibious ship production and the start of LX(R) production;
- whether to accelerate the procurement of the second TAO-205 class oiler from FY2018 to FY2017, with all, or at least most, of the ship's roughly \$600 million procurement cost provided in FY2017;
- whether to provide additional advance procurement funding for the TAO-205 program in FY2017 to finance economic order quantity (EOQ) purchases (i.e., up-front batch purchases) of components for the first six TAO-205s, so as to reduce the cost of the six ships;
- whether to provide the \$75 million in unrequested funding that would be needed to accelerate the procurement of the second TATS towing, salvage, and rescue ship from FY2018 to FY2017 (this is the number 31 item on the Navy's FY2017 Unfunded Requirements List);
- whether to provide the roughly \$225 million in unrequested funding that would be needed to procure an additional Joint High Speed Vessel (JHSV—now called Expeditionary Fast Transport [EPF])—the Navy has a requirement for 10 of these ships, but in earlier years had a requirement for 16 or more; Congress funded an 11th JHSV in FY2015 and a 12th JHSV in FY2016;
- whether to provide \$165 million to procure three additional Ship-to-Shore Connectors (SSCs) (i.e., next-generation air cushioned landing craft) (this is the number 20 item on the Navy's FY2017 URL); and
- whether to provide \$22 million to procure one LCU 1700 class landing craft (this is the number 21 item on the navy's FY2017 URL).

Cruiser Modernization

Another issue for Congress relating to the Navy's FY2017 shipbuilding budget request is whether to approve, reject, or modify a proposal in the Navy's FY2017 budget concerning the modernization of 11 of the Navy's 22 existing Aegis cruisers. Congress in recent years has pushed back against Navy proposals for operating and modernizing these ships. When the Navy in an earlier budget submission proposed retiring seven of the ships years before the end of their service lives, Congress rejected the proposal. When the Navy in a subsequent budget submission proposed taking 11 of the 22 ships temporarily out of service for modernization, and then returning them to service years later as one-for-one replacements for the other 11 ships in the

class, Congress modified the Navy's proposed schedule. In its proposed FY2017 budget, the Navy is once again asking to modernize the 11 ships along the Navy's preferred schedule, rather than the modified schedule directed by Congress.⁴⁸

Proposed Deactivation of Carrier Air Wing

Another issue for Congress relating to the Navy's FY2017 shipbuilding budget request is whether to approve, reject, or modify the Navy's proposal in its FY2017 budget submission to deactivate one of the Navy's 10 carrier air wings. This issue is discussed in detail in CRS Report RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke.

Affordability of 30-Year Shipbuilding Plan

Another issue for Congress relating to the Navy's FY2017 shipbuilding budget request concerns the prospective affordability of the Navy's FY2017 30-year shipbuilding plan. In assessing the prospective affordability of the 30-year plan, key factors that Congress may consider include estimated ship procurement costs and future shipbuilding funding levels. Each of these is discussed below.

Estimated Ship Procurement Costs

If one or more Navy ship designs turn out to be more expensive to build than the Navy estimates, then the projected funding levels shown in the 30-year shipbuilding plan will not be sufficient to procure all the ships shown in the plan. Ship designs that can be viewed as posing a risk of being more expensive to build than the Navy estimates include Gerald R. Ford (CVN-78) class aircraft carriers, Columbia-class (Ohio-replacement) ballistic missile submarines (SSBNXs), the Flight III version of the DDG-51 destroyer, the John Lewis (TAO-205) class oiler, and the LX(R) amphibious ship.

As shown in **Table 5**, the Navy estimates that the FY2016 30-year shipbuilding plan⁴⁹ would cost an average of about \$16.5 billion per year in constant FY2015 dollars to implement, including an average of about \$16.9 billion per year during the first 10 years of the plan, an average of about \$17.2 billion per year during the middle 10 years of the plan, and an average of about \$15.2 billion per year during the final 10 years of the plan.

As also shown in **Table 5**, an October 2015 Congressional Budget Office (CBO) report on the Navy's FY2015 30-year shipbuilding plan estimates that the plan will require 11.5% more funding to implement than the Navy estimates, including 7.7% more than the Navy estimates during the first 10 years of the plan, 11.6% more than the Navy estimates during the middle 10 years of the plan, and 17.1% more than the Navy estimates during the final 10 years of the plan.⁵⁰ Over the years, CBO's estimates of the cost to implement the Navy's 30-year shipbuilding plan have generally been higher than the Navy's estimates.

⁴⁸ For further discussion, see Michael Fabey, "Air Defense Concerns Drive U.S. Navy's Cruiser Plan," *Aerospace Daily & Defense Report*, February 15, 2016: 3; Megan Eckstein, "WEST: Navy Wants Congressional Mandate Preventing Decommissioning Modernized Cruisers," *USNI News*, February 17, 2016; Connor O'Brien, "Overturning Navy Cruiser Plan Would Cost \$3 Billion, Admiral Warns," *Politico*, March 17, 2016.

⁴⁹ Full cost figures for the FY2017 30-year shipbuilding plan are not yet available. They will become available when CBO publishes its full-length report on the cost of the FY2017 30-year shipbuilding plan.

⁵⁰ Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2016 Shipbuilding Plan*, Table 4 on p. 13.

Some of the difference between CBO’s estimates and the Navy’s estimates is due to a difference between CBO and the Navy in how to treat inflation in Navy shipbuilding. This difference compounds over time, making it increasingly important as a factor in the difference between CBO’s estimates and the Navy’s estimates the further one goes into the 30-year period. In other words, other things held equal, this factor tends to push the CBO and Navy estimates further and further apart as one proceeds from the earlier years of the plan to the later years of the plan.

Table 5. Navy and CBO Estimates of Cost of 30-Year Shipbuilding Plan

Funding for new-construction ships, in billions of constant FY2016 or FY2015 dollars

	First 10 years of the plan	Middle 10 years of the plan	Final 10 years of the plan	Entire 30 years of the plan
FY2017 (FY2017-FY2046) 30-Year Shipbuilding Plan (constant FY2016 dollars)				
Navy estimate	n/a	n/a	n/a	17.0
CBO estimate	n/a	n/a	n/a	18.9
% difference between Navy and CBO estimates	n/a	n/a	n/a	11.1%
FY2016 (FY2016-FY2045) 30-Year Shipbuilding Plan (constant FY2015 dollars)				
Navy estimate	16.9	17.2	15.2	16.5
CBO estimate	18.2	19.2	17.8	18.4
% difference between Navy and CBO estimates	7.7%	11.6%	17.1%	11.5%

Source: For FY2017 30-year plan: Congressional Budget Office, *Summary of An Analysis of the navy’s Fiscal year 2017 Shipbuilding Plan*, January 2017, Table 1 on p. 2. (The full-length version of the report was not available as of February 1, 2017.) For FY2016 30-year plan: Congressional Budget Office, *An Analysis of the Navy’s Fiscal Year 2016 Shipbuilding Plan*, Table 4 on p. 13.

Notes: n/a means not available. These figures will become available when CBO publishes the full-length version of its report on the cost of the FY2017 30-year shipbuilding plan.

The shipbuilding program that contributes the most to the difference between the CBO and Navy estimates of the cost of the FY2016 30-year plan is a future destroyer, called the DDG-51 Flight IV, that appears in the final 16 years of the 30-year plan. As shown in the CBO report, this one program accounts for 29% of the total difference between CBO and the Navy on the estimated cost implement the FY2016 30-year shipbuilding plan. The next-largest contributor to the overall difference is the Ohio replacement program, which accounts for 22%, followed by the Flight III version of the DDG-51 destroyer, which accounts for 12%.⁵¹ Together, the Flight III and Flight IV versions of the DDG-51 destroyer account for 41% of the total difference between CBO and the Navy.

The relatively large contribution of the DDG-51 Flight IV destroyer to the overall difference between CBO and the Navy on the cost of the FY2016 30-year shipbuilding plan appears to be due primarily to three factors:

- There are many of these Flight IV destroyers in the FY2016 30-year plan—a total of 37, or 14% of the 264 total ships in the plan.

⁵¹ Congressional Budget Office, *An Analysis of the Navy’s Fiscal Year 2016 Shipbuilding Plan*, October 2015, Table B-1 on page 35.

- There appears to be a basic difference between CBO and the Navy over the likely size (and thus cost) of this ship. The Navy appears to assume that the ship will use the current DDG-51 hull design, whereas CBO believes the growth potential of the current DDG-51 hull design will be exhausted by then, and that the Flight IV version of the ship will require a larger hull design (either a lengthened version of the DDG-51 hull design, or an entirely new hull design).
- These destroyers occur in the final 16 years of the FY2016 30-year plan, where the effects of the difference between CBO and the Navy on how to treat inflation in Navy shipbuilding are the most pronounced.

Future Shipbuilding Funding Levels

In large part due to the statutory requirement for the Navy to annually submit a report on its 30-year shipbuilding plan, it has been known for years that fully implementing the 30-year shipbuilding plan would require shipbuilding budgets in coming years that are considerably greater than those of recent years, and that funding requirements for the Columbia-class (i.e., Ohio-replacement, or OR) ballistic missile submarine (SSBN) program will put particular pressure on the shipbuilding budget during the middle years of the 30-year plan. The Navy's report on the FY2016 30-year plan states:

Within the Navy's traditional Total Obligation Authority (TOA), and assuming that historic shipbuilding resources continue to be available, the OR SSBN would consume about half of the shipbuilding funding available in a given year – and would do so for a period of over a decade. The significant drain on available shipbuilding resources would manifest in reduced procurement quantities in the remaining capital ship programs. Therefore, additional resources for shipbuilding will likely be required during this period.

Since the CVN funding requirements are driven by the statutory requirement to maintain eleven CVNs, and accounting for one OR SSBN per year (starting in FY2026), there would only be about half of the resources normally available to procure the Navy's remaining capital ships. At these projected funding levels, Navy would be limited to on average, as few as two other capital ships (SSN, DDG, CG, LPD, LHA, etc.) per year throughout this decade. In assessing the Navy's ability to reach the higher annual shipbuilding funding levels described above, one perspective is to note that doing so would require the shipbuilding budget to be increased by 30% to 50% from levels in recent years. In a context of constraints on defense spending and competing demands for defense dollars, this perspective can make the goal of increasing the shipbuilding budget to these levels appear daunting....

The cost of the OR SSBN is significant relative to the resources available to DON in any given year. At the same time, the DON will have to address the block retirement of ships procured in large numbers during the 1980s, which are reaching the end of their service lives. The convergence of these events prevents DON from being able to shift resources within the shipbuilding account to accommodate the cost of the OR SSBN.

If DON funds the OR SSBN from within its own resources, OR SSBN construction will divert funding from construction of other ships in the battle force such as attack submarines, destroyers, aircraft carriers and amphibious warfare ships. The resulting battle force will not meet the requirements of the Force Structure Assessment (FSA), National Security Strategy, or the Quadrennial Defense Review (QDR). Additionally, there will be significant impact to the shipbuilding industrial base.⁵²

⁵² U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year* (continued...)

The Navy's report on the FY2017 30-year plan states:

In order to procure [the Ohio replacement boats] without impacting remaining procurement plans, the Navy will continue to need increases in [its budget] topline beyond the FYDP, not unlike those that occurred during construction of the Ohio class in the 1980's....

There are two significant challenges to resourcing the DoN shipbuilding program. First will be funding and delivering the OR SSBN and second addressing the number of ship and submarine retirements as they reach the end of their service lives. The DoN contends that the only way to effectively overcome these challenges while supporting the defense strategy is with increases in DoN top-line funding commensurate with the funding required to procure the OR SSBN and executing the phased maintenance plan for the CGs [cruisers].⁵³

The amount of additional shipbuilding funding that would be needed in coming years to fully implement the Navy's 30-year shipbuilding plan—an average of about \$4.5 billion per year⁵⁴—can be characterized in at least two ways. One is to note that this would equate to a roughly one-third increase in the shipbuilding budget above historical levels. Another is to note that this same amount of additional funding would equate to less than 1% of DOD's annual budget.

Legislative Activity for FY2017

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 RS20643, *Navy Ford (CVN-78) Class Aircraft Carrier Program: Background and Issues for Congress*, by Ronald O'Rourke. (This report also covers the issue of the Navy's proposal in its FY2017 budget submission to deactivate one of the Navy's ten carrier air wings.)
- CRS Report R41129, *Navy Ohio Replacement (SSBN[X]) 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 Report RL32109, *Navy DDG-51 and DDG-1000 Destroyer Programs: Background and Issues for Congress*, by Ronald O'Rourke.
- CRS Report RL33741, *Navy Littoral Combat Ship (LCS)/Frigate Program: Background and Issues for Congress*, by Ronald O'Rourke.

(...continued)

2016, March 2015, pp. 7, 13-14.

⁵³ *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2017*, April 2016, pp. 5 and 7.

⁵⁴ Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2016 Shipbuilding Plan*, October 2015, p. 3.

- CRS Report R43543, *Navy LX(R) Amphibious Ship Program: Background and Issues for Congress*, by Ronald O'Rourke. (This report also covers the issue of funding for the procurement of San Antonio [LPD-17] class amphibious ships.)
- CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: 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 FY2017 Funding Request

The Navy's proposed FY2017 budget requests funding for the procurement of seven new battle force ships—two Virginia-class attack submarines, two DDG-51 class Aegis destroyers, two Littoral Combat Ships (LCSs), and one LHA-type amphibious assault ship. The Navy's proposed FY2016 shipbuilding budget also requests funding for ships that have been procured in prior fiscal years, and ships that are to be procured in future fiscal years.

Table 6 summarizes congressional action on the Navy's FY2017 funding request for Navy shipbuilding. The table shows the amounts requested and congressional changes to those requested amounts. A blank cell indicates no change to the requested amount.

Table 6. Summary of Congressional Action on FY2017 Funding Request

(Millions of dollars, rounded to nearest tenth; a blank cell indicates no change to requested amount; totals may not add due to rounding)

Line number	Program	Request	Congressional changes to requested amounts					
			Authorization			Appropriation		
			HASC	SASC	Conf.	HAC	SAC	Conf.
National Sea-Based Deterrence Fund (NSBDF)								
—	Ohio replacement AP	0	+773.1					
Shipbuilding and Conversion, Navy (SCN) appropriation account								
001	Ohio replacement AP	773.1	-773.1					
002	CVN-78	1,291.8				-20.6	-16.0	
003	CVN-78 AP	1,370.8	+263.0			+263.0		
004	Virginia class	3,188.0						
005	Virginia class AP	1,767.2	+85.0		+85.0	-25.1	+85.0	
006	CVN refueling overhaul	1,743.2				-53.3		
007	CVN refueling overhaul AP	248.6					-15.45	
008	DDG-1000	271.8						
009	DDG-51	3,211.3	+433.0	+49.8	+49.8	+433.0	+403.5	
010	DDG-51 AP	0						
011	LCS	1,125.6	+384.7	-28.0	-28.0	+313.6	+475.0	
012	LCS AP	0						
012A	LX(R)/LPD-29	0	+856.0		+440.0			
013	LX(R)	0		+50.0		+1,550.0	+200.0	

Line number	Program	Request	Congressional changes to requested amounts					
			Authorization			Appropriation		
			HASC	SASC	Conf.	HAC	SAC	Conf.
014	LPD-17	0						
015	ESB (formerly AFSB)	0						
016	LHA-8	1,623.0				-63.8		
017	LHA-8 AP	0						
018	EPF (formerly JHSV)	0						
019	TAO-205 (formerly TAO[X])	0						
020	TAO-205 AP	73.1						
021	TATS	0			-21.1			
022	Moored training ship	624.5						
023	Moored training ship AP	0						
024	LCU 1700 landing craft	0						
025	Outfitting	666.2				-21.1	-26.2	
026	Ship to Shore Connector	128.1	+165.0			+160.0		
027	Service craft	65.2						
028	LCAC SLEP	1.8	+80.3			+80.3		
029	YP craft	21.4						
030	Completion of prior-year shipbuilding programs	160.3						
031	Polar icebreakers						+1,000.0	
XXX	“Classified Programs”	0				+600.0		
TOTAL		18,354.9	+2,267.0	+71.8	+525.7	+3,216.0	+2,105.85	

Source: Table prepared by CRS based on Navy FY2017 budget submission and committee and conference reports. Figures rounded to nearest tenth of a million.

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** is advance procurement funding; **HASC** is House Armed Services Committee; **SASC** is Senate Armed Services Committee; **HAC** is House Appropriations Committee; **SAC** is Senate Appropriations Committee; **Conf.** is conference report.

FY2017 National Defense Authorization Act (H.R. 4909/S. 2943/P.L. 114-328)

House (Committee Report)

The House Armed Services Committee, in its report (H.Rept. 114-537 of May 4, 2016) on H.R. 4909, recommends changes to requested FY2017 funding levels that are shown in the HASC column of **Table 6**. Among other things, these changes would

- complete the funding needed for the procurement of the additional DDG-51 destroyer that was partially funded in FY2016 (this funding was not requested for

FY2017, but was included in the Navy’s FY2017 unfunded requirements list, or URL);

- fund the procurement of an additional LCS (for a total FY2017 procurement of three LCSs, rather than the two that were requested for FY2017);
- authorize and partially fund the procurement of an additional amphibious ship (either the first LX(R) or a 13th LPD-17 class ship; the FY2017 budget did not request the procurement of such a ship in FY2017);
- fund the procurement of three additional Ship to Shore Connector (SSC) landing craft (for a total FY2017 procurement of five SSCs, rather than the two that were requested for FY2017—three additional SSCs were included in the Navy’s FY2017 URL); and
- fund Service Life Extension Program (SLEP) overhauls for four existing LCAC landing craft (the FY2017 budget requested no LCAC SLEPs for FY2017).

Section 123 of H.R. 4909 as reported states:

SEC. 123. Design and construction of LHA replacement ship designated LHA 8.

(a) In general.—The Secretary of the Navy may enter into a contract, beginning with the fiscal year 2017 program year, for the design and construction of the LHA Replacement ship designated LHA 8 using amounts authorized to be appropriated for the Department of Defense for Shipbuilding and Conversion, Navy.

(b) Use of incremental funding.—With respect to the contract entered into under subsection (a), the Secretary may use incremental funding to make payments under the contract.

(c) Condition for out-year contract payments.—The contract entered into under subsection (a) shall provide that any obligation of the United States to make a payment under such contract for any fiscal year after fiscal year 2017 is subject to the availability of appropriations for that purpose for such fiscal year.

Section 125 of H.R. 4909 as reported states:

SEC. 125. Ship to shore connector program.

(a) Contract authority.—Notwithstanding section 2306b of title 10, United States Code, the Secretary of the Navy may enter into a contract to procure up to 45 Ship to Shore Connector craft.

(b) Liability.—Any contract entered into under subsection (a) shall provide that any obligation of the United States to make a payment under the contract is subject to the availability of appropriations for that purpose, and that the total liability to the Government for termination of any contract entered into shall be limited to the total amount of funding obligated at time of termination.

Section 1024 of H.R. 4909 as reported states:

SEC. 1024. Availability of funds for retirement or inactivation of Ticonderoga-class cruisers or dock landing ships.

(a) Limitation on retirement or inactivation.—None of the funds authorized to be appropriated by this Act or otherwise made available for the Department of Defense for fiscal year 2017 may be obligated or expended—

(1) to retire, prepare to retire, or inactivate a cruiser or dock landing ship; or

(2) to place in a modernization status more than six cruisers and one dock landing ship identified in section 1026(a)(2) of the Carl Levin and Howard P. “Buck” McKeon

National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 128 Stat. 3490).

(b) Hull, mechanical, and electrical modernization.—Not more than 75 percent of the funds made available for the Office of the Secretary of Defense for fiscal year 2017 may be obligated until the Secretary of the Navy—

(1) enters into a contract for the modernization industrial period associated with four cruisers and one dock landing ship referred to in section 1026(a)(2) of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 128 Stat. 3490); and

(2) enters into a contract for the procurement of combat systems upgrades associated with six such cruisers and one such dock landing ship.

Regarding Section 1024, a statement of Administration policy on H.R. 4909 as reported states:

Availability of Funds for Retirement or Inactivation of Ticonderoga-Class Cruisers or Dock Landing Ships: The Administration strongly objects to section 1024, which would prohibit obligating or expending FY 2017 funds to retire, prepare to retire, inactivate, or place in storage more than six cruisers and one dock landing ship. This provision would prevent the Navy from executing its phased modernization approach for maintaining an effective cruiser and dock landing ship force structure while balancing scarce operations and maintenance funding. It also would significantly reduce planned savings, accelerate the retirement of all Ticonderoga-Class cruisers, and create obsolescence of Air Defense Commander platforms resulting in a significant surface combatant shortfall in 2030. When compared to the cruiser phased modernization plan proposed in the FY 2017 President’s Budget, the proposed language of this section would require an additional \$3.2 billion across the Future Years Defense Program (FYDP) to fund manpower, maintenance, modernization, and operations.

In addition, the prohibition on obligating more than 75 percent of funds made available for the Office of the Secretary of Defense (OSD) until the Secretary of the Navy enters into ship modernization contracts would require significant reductions in manpower over and above the 25 percent reduction planned in the FY 2017 President’s Budget for OSD, as well as curtailed spending for joint force readiness programs such as the Commanders Exercise and Engagement Training Transformation and the Readiness and Environment Protection Integration Program.⁵⁵

Section 1042 of H.R. 4909 as reported states:

SEC. 1042. Limitation on retirement, deactivation, or decommissioning of mine countermeasures ships.

Section 1090 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 111–92; 129 Stat. 1016) is amended by striking subsection (b) and inserting the following:

“(b) Limitation on retirement of MCM ships.—

“(1) IN GENERAL.—None of the funds authorized to be appropriated by this Act or otherwise made available for the Department of the Navy for fiscal year 2017 may be obligated or expended to retire, deactivate, decommission, to prepare to retire, deactivate, decommission, or to place in storage backup inventory or reduced operating status any MCM-1 class ship.

⁵⁵ Executive Office of the President, *Statement of Administration Policy, H.R. 4909—National Defense Authorization Act for Fiscal Year 2017*, May 16, 2016, pp. 4-5.

“(2) WAIVER AUTHORITY.—

“(A) IN GENERAL.—The Secretary of the Navy may waive the limitation under paragraph (1) with respect to any MCM-1 class ship if the Secretary provides to the congressional defense committees certification that the operational test and evaluation for replacement capabilities for the ship is complete and such capabilities are available in sufficient quantities to ensure sufficient mine countermeasures capacity is available to meet requirements as set forth in the Joint Strategic Capabilities Plan, the campaign plans of the combatant commanders, and the Navy’s Force Structure Assessment.

“(B) REPORT.—The first time the Secretary of the Navy exercises the waiver authority under subparagraph (A), the Secretary shall submit to the congressional defense committees a report that includes—

“(i) the recommendations of the Secretary regarding MCM force structure;

“(ii) the recommendations of the Secretary regarding how to ensure the operational effectiveness of the surface MCM force through 2025 based on current capabilities and capacity, replacement schedules, and service life extensions or retirement schedules;

“(iii) an assessment of the MCM vessels, including the decommissioned MCM-1 and MCM-2 ships and the potential of such ships for reserve operating status; and

“(iv) an assessment of the Littoral Combat Ship MCM mission package increment one performance against the initial operational test and evaluation criteria.”

Section 1061 of H.R. 4909 as reported states (see parts in bold):

SEC. 1061. Temporary continuation of certain Department of Defense reporting requirements.

(a) Exceptions to reports termination provision.—Section 1080 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1000; 10 U.S.C. 111 note) does not apply to any report required to be submitted to Congress by the Department of Defense, or by any officer, official, component, or element of the Department, pursuant to a provision of law specified in this section, notwithstanding the enactment of the reporting requirement by an annual national defense authorization Act or the inclusion of the report in the list of reports prepared by the Secretary of Defense pursuant to subsection (c) of such section 1080.

(b) Final termination date for submittal of exempted reports.—

(1) IN GENERAL.—Except as provided in paragraph (2), each report required pursuant to a provision of law specified in this section that is still required to be submitted to Congress as of January 31, 2021, shall no longer be required to be submitted to Congress after that date.

(2) REPORTS EXEMPTED FROM TERMINATION.—The termination dates specified in paragraph (1) and section 1080 of the National Defense Authorization Act for Fiscal Year 2016 do not apply to the following...

(c) Reports required by title 10, United States Code.—Subject to subsection (b), subsection (a) applies to reporting requirements contained in the following sections of title 10, United States Code...

(9) Section 231, relating to submission of naval vessel construction plan and related certification....

(d) Reports required by National Defense Authorization Act for Fiscal Year 2015.—Subject to subsection (b), subsection (a) applies to reporting requirements contained in the following sections of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291)....

(4) Section 1026(d) (128 Stat. 3490), relating to a report on the status of the modernization of Ticonderoga-class cruisers and dock landing ships....

(i) Reports required by Other laws.—Subject to subsection (b), subsection (a) applies to reporting requirements contained in the following provisions of law:

(j) Conforming amendment.—Section 1080(a) of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1000; 10 U.S.C. 111 note) is amended—

(1) by striking “on the date that is two years after the date of the enactment of this Act” and inserting “November 25, 2017”; and

(2) by striking “effective”.

Section 3112 of H.R. 4909 as reported states:

SEC. 3112. Research and development of advanced naval nuclear fuel system based on low-enriched uranium.

(a) Prohibition.—Except as provided in subsection (b), none of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 for the Department of Energy may be obligated or expended to plan or carry out research and development of an advanced naval nuclear fuel system based on low-enriched uranium.

(b) Exception.—Of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 for defense nuclear nonproliferation, as specified in the funding table in division D, not more than \$5,000,000 shall be made available to the Deputy Administrator for Naval Reactors for initial planning and early research and development of an advanced naval nuclear fuel system based on low-enriched uranium.

(c) Budget matters.—Section 3118 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1196) is amended—

(1) by striking paragraph (2) of subsection (c) and inserting the following new paragraph:

“(2) BUDGET REQUESTS.—If the Secretaries determine under paragraph (1) that research and development of an advanced naval nuclear fuel system based on low-enriched uranium should continue, the Secretaries shall ensure that each budget of the President submitted to Congress under section 1105(a) of title 31, United States Code, for fiscal year 2018 and each fiscal year thereafter in which such research and development is carried out includes in the budget line item for the ‘Defense Nuclear Nonproliferation’ account amounts necessary to carry out the conceptual plan under subsection (b).”; and

(2) in subsection (d), by striking “for material management and minimization”.

Regarding Section 3112, H.Rept. 114-537 states:

Section 3112—Research and Development of Advanced Naval Nuclear Fuel System Based on Low-Enriched Uranium

This section would provide that none of the funds authorized to be appropriated by this Act for the Department of Energy may be used for research and development (R&D) of an advanced naval nuclear fuel system based on low-enriched uranium (LEU). However, this section would also authorize, from within amounts authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 for defense nuclear nonproliferation, \$5.0 million for the Deputy Administrator for Naval Reactors to commence initial planning and early R&D of an advanced naval nuclear fuel system based on LEU for aircraft carriers and submarines.

This section would also amend section 3118 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92) to clarify that, if the Secretary of Energy and the Secretary of the Navy jointly determine to pursue R&D of an advanced naval nuclear

fuel system based on LEU, the Secretaries shall ensure that funding for such efforts is requested in fiscal year 2018 and any future fiscal years only within a budget line within defense nuclear nonproliferation.

The committee notes that the Secretary of Energy and the Secretary of the Navy have not yet submitted the determination, which was due in February 2016, as required by section 3118 of Public Law 114–92, regarding whether or not to continue to pursue this R&D program. The committee expects the Secretaries to submit this statutorily required determination expeditiously. The committee also expects that, if the Secretaries make a determination to continue the program, they carry it out only using funding from within the defense nuclear nonproliferation account. The committee believes such a program would need to fully explore whether an LEU-based fuel could meet military requirements, and assess the implications of such an LEU-based fuel for fleet size and logistics, costs, benefits to nonproliferation goals, lowered security costs, and enabling cutting-edge research for nuclear fuel scientists. The committee is aware of estimates that indicate that developing an LEU naval fuel and determining its viability could cost an estimated \$2.00 billion and take at least 10 to 15 years, and that at least another 10 years (and potentially additional time and funding) beyond that would be required to deploy an operational naval nuclear reactor with this fuel. The committee recognizes the potential benefits of this R&D program, but also notes that resultant costs and operational impacts of such a fuel are also unknown but likely considerable. The committee believes the Secretaries and Congress should carefully weigh the potential opportunities and benefits, as well as the potential risks and costs of this path. (Page 406)

H.Rept. 114-537 also states:

Cruiser replacement strategy

The committee notes that the Secretary of the Navy’s reluctance to implement congressional direction regarding modernization of the guided missile Ticonderoga-class cruisers is jeopardizing the long-term viability and recapitalization of these ships. Specifically, the committee is concerned that the Secretary’s request to obviate the “2–4–6” cruiser modernization plan is hindering efforts to develop a replacement capability for these cruisers, which the Navy has assessed will begin to retire in 2035. The committee supports the Navy’s Future Surface Combatant Capability Based Assessment that has been proposed for funding in Cross Platform System Development Research, Development, Test, and Evaluation, Navy PE 0603563N. Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services by March 1, 2017, regarding the overall timeline to develop a replacement strategy for the Ticonderoga-class cruisers in accordance with the retirement timelines included in the “2–4–6” cruiser modernization strategy. (Page 20)

H.Rept. 114-537 also states:

Expeditionary Mobile Base ship

The committee notes that the flexible capabilities of the recently renamed Expeditionary Mobile Base (ESB, formerly AFSB) class of ships are increasingly important to Navy and Marine Corps leaders and planners, as is the attractive affordability of this platform. USNS Lewis B. Puller, the first ESB, was delivered in 2015 and represents a flexible platform for a wide-range of missions, including U.S. Marine Corps Special Purpose Marine Air Ground Task Force-Crisis Response (SPMAGTF–CR) and special operations. Three AFSB–ESBs have been funded to date, in addition to two Mobile Landing Platforms (MLPs), formally renamed Expeditionary Transfer Docks. Therefore, the committee directs the Secretary of the Navy to provide a briefing to the House Committee on Armed Services by March 1, 2017, as to how the procurement of additional ships of this class would provide multiple mission requirements around the globe including SPMAGTF–CR and special operations. The committee specifically

requests additional analysis as to how this capability is integrated into the overall Navy force structure assessment. (Page 21)

H.Rept. 114-537 also states:

Landing Craft Air Cushion Service Life Extension Program

The budget request contained no funds for the Landing Craft Air Cushion (LCAC) Service Life Extension Program. The committee notes that the Department of the Navy budget request for fiscal year 2016 anticipated four craft from the Landing Craft Air Cushion Service Life Extension Program would be included in the budget request for fiscal year 2017, but due to budgetary constraints the craft were removed during budget deliberations. The committee is concerned about the Department of the Navy's amphibious lift capacity and believes that additional service life extension of existing LCAC assets is warranted. The committee recommends \$80.3 million for the Landing Craft Air Cushion Service Life Extension Program. (Pages 21-22)

H.Rept. 114-537 also states:

Service Craft

The committee notes that the budget request for fiscal year 2017 included \$65.2 million for "Service Craft," which consists of \$39.0 million for one Auxiliary Personnel Lighter and \$26.2 million for two Harbor Tugs. The committee is pleased to note the Department of the Navy is addressing the need for Auxiliary Personnel Lighter Berthing Barges and Harbor Tugs. The committee encourages the Navy to consider appropriate small business set-asides for these efforts to maintain the small shipyard industrial base.

Ship to Shore Connector

The budget request included \$128.1 million for two Ship to Shore Connectors.

The committee notes that the Department of the Navy budget request for fiscal year 2016 anticipated five Ship to Shore Connectors being requested to support an efficient construction build strategy in fiscal year 2017. However, the committee notes that this program was reduced in the fiscal year 2017 budget request because of budgetary constraints. The committee is concerned about the Department of the Navy's amphibious lift capacity and believes that additional Ship to Shore Connectors are warranted. The committee notes that an additional three Ship to Shore Connectors were also included in the Chief of Naval Operations' unfunded requirements list.

Therefore, the committee recommends \$293.1 million, an increase of \$165.0 million, for procurement of five Ship to Shore Connectors. (Page 23)

House (Floor Consideration)

On May 18, 2016, as part of its consideration of H.R. 4909, the House agreed to by voice vote H.Amdt. 1048, an en bloc amendment that included, inter alia, amendment 113 printed in H.Rept. 114-571 of May 17, 2016, a rule providing for further consideration of H.R. 4909. The text of the amendment is as follows:

At the end of subtitle C of title XXXI, add the following new section:

SEC. 311I. BRIEFING ON THE INFORMATION-INTERCHANGE OF LOW-ENRICHED URANIUM.

(a) BRIEFING.—Not later than 120 days after the date of the enactment of this Act, the Secretary of Defense, the Secretary of Energy, and the Secretary of State shall provide a briefing to the appropriate congressional committees on the feasibility and potential benefits of a dialogue between the United States and France on the use of low-enriched uranium in naval reactors.

(b) APPROPRIATE CONGRESSIONAL COMMITTEES.—In this section, the term “appropriate congressional committees” means—

- (1) the congressional defense committees;
- (2) the Committee on Foreign Affairs of the House of Representatives and the Committee on Foreign Relations of the Senate;
- (3) the Permanent Select Committee on Intelligence of the House of Representatives and the Select Committee on Intelligence of the Senate; and
- (4) the Committee on Energy and Commerce of the House of Representatives and the Committee on Energy and Natural Resources of the Senate.

Senate

The Senate Armed Services Committee, in its report (S.Rept. 114-255 of May 18, 2016) on S. 2943, recommends changes to requested FY2017 funding levels that are shown in the SASC column of **Table 6**.

Section 121 of S. 2943 as reported states:

SEC. 121. Incremental funding for detail design and construction of LHA replacement ship designated LHA 8.

(a) Authority to use incremental funding.—The Secretary of the Navy may enter into and incrementally fund a contract for detail design and construction of the LHA Replacement ship designated LHA 8 and, subject to subsection (b), funds for payments under the contract may be provided from amounts authorized to be appropriated for the Department of Defense for Shipbuilding and Conversion, Navy, for fiscal years 2017 and 2018.

(b) Condition for out-year contract payments.—A contract entered into under subsection (a) shall provide that any obligation of the United States to make a payment under the contract for any subsequent fiscal year is subject to the availability of appropriations for that purpose for such subsequent fiscal year.

Section 124 of S. 2943 as reported states:

SEC. 124. Limitation on the use of sole source shipbuilding contracts.

(a) Limitation.—None of the funds authorized to be appropriated by this Act or otherwise made available for the Department of Defense for Joint High Speed Vessels (JHSV) or Expeditionary Fast Transports (EPF) may be used to enter into or prepare to enter into a sole source contract unless the Secretary of the Navy submits to the congressional defense committees the certification described in subsection (b) and the report described in subsection (c).

(b) Certification.—A certification described in this subsection is a certification by the Secretary of the Navy that a contract for one or more Joint High Speed Vessels (JHSV) or Expeditionary Fast Transports (EPF)—

- (1) is in the national security interest of the United States;
- (2) will not result in exceeding the requirement for the ship class, as delineated in the most recent Navy Force Structure Assessment;
- (3) will use a fixed-price contract;
- (4) will include a fair and reasonable contract price, as determined at the discretion of the Service Acquisition Executive; and
- (5) will provide for government purpose data rights of the ship design.

(c) Report.—A report described in this subsection is a report that contains the following elements:

- (1) The basis for awarding a non-competitive sole source contract.
- (2) A description of courses of action to achieve competitive ship or component-level contract awards in the future, should additional ships in the class be procured, including for each such course of action, a notional implementation schedule and associated cost savings, as compared to a sole source award.

Regarding Section 124, S.Rept. 114-255 states:

Limitation on the use of sole source shipbuilding contracts (sec. 124)

The committee recommends a provision that would prohibit funds from being used to enter into or prepare to enter into sole source contracts for one or more Joint High Speed Vessels (JHSV) or Expeditionary Fast Transports (EPF) unless the Secretary of the Navy submits to the congressional defense committees a certification and a report.

The committee notes appropriations have been made in the past 2 years for JHSVs (now called EPFs) that were not requested by the President's budget or authorized by a National Defense Authorization Act. Since 2011, the Navy requirement for EPFs has been 10 ships. In 2013, this requirement was met with the procurement of the tenth EPF and the Navy planned to shut down the production line. Without an authorization or request in the President's budget, procurement of an eleventh EPF at a cost of \$200.0 million was inserted in the Department of Defense Appropriations Act for Fiscal Year 2015 (Public Law 113-235). Again without an authorization or request in the President's budget, a twelfth EPF was inserted at a cost of \$225.0 million in the Department of Defense Appropriations Act for Fiscal Year 2016 (Public Law 114-113). Both of these EPFs were awarded to a single shipbuilder with no competition on a sole source contract.

Therefore, this provision would require the Secretary of the Navy to submit a certification that, beginning with the EPF designated EPF 11, a sole source contract for one or more EPFs: (1) is in the national security interest of the United States; (2) will not result in exceeding the requirement for the ship class, as delineated in the most recent Navy Force Structure Assessment that currently stands at 308 ships, including 10 EPFs; (3) will use a fixed price contract; (4) will include a fair and reasonable contract price as determined at the discretion of the Service Acquisition Executive; and (5) will provide for government purpose data rights of the ship design.

In addition, the Secretary of the Navy would also be required to submit a report that includes: (1) the basis for awarding a noncompetitive sole source contract and (2) a description of courses of action to achieve competitive ship or component-level contract awards in the future, should additional ships in the class be procured, including for each such course of action, a notional implementation schedule and associated cost savings, as compared to a sole source award. (Page 10)

Section 1011 of S. 2943 as reported states:

SEC. 1011. Availability of funds for retirement or inactivation of cruisers or dock landing ships.

(a) Limitation on availability of funds.—Except as provided in subsections (b) through (g), none of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 may be obligated or expended to retire, prepare to retire, or inactivate a TICONDEROGA-class cruiser, WHIDBEY ISLAND-class dock landing ship, or HARPERS FERRY-class dock landing ship.

(b) Certification of requirement for operational cruisers and dock landing ships.—The Chief of Naval Operations shall certify to the congressional defense committees the Navy requirement for operational cruisers and dock landing ships, as provided under subsection

(d)(1), from fiscal year 2017 through fiscal year 2030. The certification shall also state the requirement for basic (BMD 3.X), intermediate (BMD 4.X), and advanced (BMD 5.X) ballistic missile defense capability on operational cruisers from fiscal year 2017 through fiscal year 2030.

(c) Ship modernization, operations, and sustainment fund (smosf).—Funds within the Ship Modernization, Operations, and Sustainment Fund (SMOSF) shall only be used for 11 TICONDEROGA-class cruisers (CG–63 through CG–73) and 3 WHIDBEY ISLAND-class dock landing ships (LSD–41, LSD–42, and LSD–46).

(d) Phased modernization.—The Secretary of the Navy shall retain the current inventory of 22 TICONDEROGA-class cruisers and 12 WHIDBEY ISLAND- or HARPERS FERRY-class dock landing ships until the end of their service lives, as follows:

(1) OPERATIONAL FORCES.—Through fiscal year 2030, the Navy shall maintain not less than the Chief of Naval Operations’ requirement for operational cruisers certified under subsection (b) or 11 operational cruisers, whichever is greater. The Navy shall maintain no less than the Chief of Naval Operations’ requirement for dock landing ships certified under subsection (b) or 9 operational dock landing ships, whichever is greater.

(2) PHASED MODERNIZATION.—The Navy is authorized to conduct phased modernization of not more than 11 cruisers and 3 dock landing ships. During the phased modernization period, the Navy may reduce manning on these ships to the minimal level necessary to ensure safety and security of the ship and to retain critical skills. Only the ships listed in subsection (c) may undergo phased modernization. Ships undergoing phased modernization shall comply with subsection (e).

(3) TRANSITION FROM PHASED MODERNIZATION TO OPERATIONAL FORCES.—Each of the cruisers described under paragraph (1) may be decommissioned at the end of its service life concurrent with being replaced by a cruiser that completes phased modernization pursuant to paragraph (2). After being reintroduced into the operational fleet, each of the cruisers modernized pursuant to paragraph (2) may be decommissioned upon reaching its expected service life.

(4) AVAILABILITY FOR WORLDWIDE DEPLOYMENT.—For purposes of this subsection, an operational cruiser or dock landing ship is available for worldwide deployment other than during routine or scheduled maintenance or repair.

(e) Requirements and limitations on phased modernization.—

(1) IN GENERAL.—During the period of phased modernization authorized under subsection (d), the Secretary of the Navy shall—

(A) continue to maintain the ships in a manner that will ensure the ability of the ships to re-enter the operational fleet in accordance with paragraph (3) of such subsection;

(B) conduct planning activities to ensure scheduled and deferred maintenance and modernization work items are identified and included in maintenance availability work packages;

(C) conduct hull, mechanical, and electrical (HM&E) and combat system modernization necessary to achieve a service life of 40 years;

(D) conduct basic (BMD 3.X), intermediate (BMD 4.X), and advanced (BMD 5.X) ballistic missile defense capability upgrades to meet or exceed the Chief of Naval Operations’ requirement certified under subsection (b); and

(E) complete maintenance and modernization of the cruisers, including required testing and crew training, to allow for a one-for-one replacement of operational cruisers in accordance with subsection (d)(3).

(2) **RESTRICTED ACTIVITIES.**—During the period of phased modernization authorized under subsection (d), the Secretary of the Navy may not—

(A) permit removal or cannibalization of equipment or systems, unless planned for full replacement or upgrade during phased modernization, other than equipment or systems explicitly identified as—

(i) rotatable pool equipment; or

(ii) necessary to support urgent operational requirements approved by the Secretary of Defense;

(B) make any irreversible modifications that will prohibit the ship from re-entering the operational fleet;

(C) through fiscal year 2030, reduce the quantity of operational cruisers below the number certified to be required by the Chief of Naval Operations under subsection (b) or 11 operational cruisers, whichever is greater;

(D) through fiscal year 2030, reduce the quantity of operational dock landing ships below the number certified to be required by the Chief of Naval Operations under subsection (b) or 9 operational dock landing ships, whichever is greater; and

(E) through fiscal year 2030, reduce the basic, intermediate, or advanced ballistic missile defense capability on operational cruisers below the quantities certified to be required by the Chief of Naval Operations under subsection (b).

(f) **Report required.**—The Secretary of the Navy shall submit to the congressional defense committees an annual report on the status of the phased modernization program. This report shall accompany the budget of the President submitted to Congress under section 1105(a) of title 31, United States Code. The report shall include, with respect to the ships undergoing phased modernization pursuant to subsection (d)(2), the following information:

(1) The status of modernization efforts, by vessel, including availability schedules, equipment procurement schedules, and annual funding requirements from the fiscal year of induction into the phased modernization program through the fiscal year of planned re-entry into the operational fleet.

(2) Each vessel’s current readiness, operational, and manning status.

(3) An assessment of each vessel’s current materiel condition.

(4) A list of rotatable pool equipment that is identified across the classes of cruisers and dock landing ships as necessary to support operations on a continuing basis.

(5) A list of equipment, other than rotatable pool equipment, removed from each vessel, including a justification for the removal, the disposition of the equipment, and plan for restoration of the equipment.

(6) A list of planned obligations and expenditures, by vessel, for the fiscal year of the budget of the President submitted to Congress.

(g) **Notification required.**—The Secretary of the Navy shall notify the congressional defense committees in writing 30 days prior to executing any deviations to the plans provided pursuant to paragraphs (1) and (6) of subsection (f) of the most recent report required under such subsection.

Regarding Section 1011, S.Rept. 114-255 states:

Availability of funds for retirement or inactivation of cruisers or dock landing ships (sec. 1011)

The committee recommends a provision that would prohibit fiscal year 2017 funds from being used to retire, prepare to retire, or inactivate a Ticonderoga-class cruiser, Whidbey Island-class dock landing ship, or Harpers Ferry-class dock landing ship, unless prescribed criteria are met.

First, the Chief of Naval Operations would be required to certify to the congressional defense committees the requirement for operational cruisers, dock landing ships, and ballistic missile defense-capable cruisers from fiscal year 2017 through 2030.

Second, funds within the Ship Modernization, Operations, and Sustainment Fund (SMOSF) could only be used for 11 Ticonderoga-class cruisers (CG-63 through CG-73) and 3 Whidbey Island-class dock landing ships (LSD-41, LSD-42, and LSD-46).

Third, the Secretary of the Navy would be required to retain the current inventory of 22 cruisers and 12 dock landing ships until the end of their service lives with the following restrictions. Through fiscal year 2030, the Navy would be required to maintain not less than the Chief of Naval Operations' requirement for operational cruisers or 11 operational cruisers, whichever is greater. The Navy would be required to maintain no less than the Chief of Naval Operations' requirement for dock landing ships or 9 operational dock landing ships, whichever is greater. The Navy would be authorized to conduct phased modernization of not more than 11 cruisers and 3 dock landing ships.

Fourth, the Secretary of the Navy would be required to adhere to five requirements and five restrictions during the phased modernization period.

Fifth, the Secretary of the Navy would be required to submit an annual report with the President's budget on the status of the phased modernization program.

Sixth, the Secretary of the Navy would be required to notify the congressional defense committees in writing 30 days prior to executing any deviations to the plans provided in the most recent annual report.

The committee does not support a smaller fleet and notes the Navy stands at 272 ships this year, far below the 308 ship requirement. However, the committee does recognize the fiscal pressure the Navy is under to maintain the readiness of the current force while continuing to modernize for future threats, including the requirement to procure the Ohio-class replacement submarine program. The committee also notes the Navy has fully funded this budget request's phased modernization plan, unlike past budget submissions. The committee would not be supportive of any effort to decommission any cruiser or dock landing ship earlier than provided for in this provision and views this provision as necessary to ensure the ships that enter phased modernization are returned to service. (Pages 264-265)

S.Rept. 114-255 also states:

Shipbuilding guarantees

The committee is concerned with the efficacy of the Navy's use of guarantees in its shipbuilding contracts. In March 2016, the Government Accountability Office (GAO) found that as a result of the Navy's contract type and terms, the government is paying shipbuilders profit to repair defects that were determined to be the shipbuilders' responsibility. The GAO recommended several actions aimed at improving the use of guarantees in Navy shipbuilding, including limiting profit for the correction of shipbuilder responsible defects.

The committee understands the Navy agreed to study the issues in the GAO report and publish a complete response coordinated with the Office of the Secretary of Defense by September 30, 2016. The committee directs the Secretary of the Navy to provide the congressional defense committees the complete response at the same time this study is provided to the GAO. Further, as recommend by the GAO, in arrangements where the

shipbuilder is paid to correct defects, the committee directs the Secretary of the Navy to structure contract terms such that shipbuilders do not earn profit for correcting construction deficiencies following delivery that are determined to be the shipbuilder's responsibility. (Pages 37-38)

S.Rept. 114-255 also states:

Public shipyard funding and capital investment to support defense operations

The committee notes that ongoing operational demands for Navy ships remain high and continue to increase, with some key current demands going unmet. The committee recognizes that the Navy is working to maximize the operational availability of the existing fleet and rebuild its warfighting readiness after more than a decade of continued deployments. The Navy has identified shipyard performance—namely the ability to complete maintenance availabilities on time—as one of the key risks to its plans to maximize the availability of the fleet.

The committee notes that any delay in completing a maintenance availability results in lost operational days for Navy ships, which in turn compresses time available for training and reduces ships' operational availability to combatant commanders. Maintenance delays also can lead to unsustainable risk mitigation strategies such as deferring maintenance and extending deployments which can jeopardize reaching ships' service lives and retention of the force.

In the late 1990s, the Navy converted its shipyards from financing under the Navy Working Capital Fund to funding through direct appropriations, referred to as "mission funding". In 2010, the Government Accountability Office found that the Navy had experienced unfunded shore readiness that contributed to growth in the backlog of capital investments at the shipyards and noted that the average age of facilities and drydocks was 61 and 81 years old, respectively. The ability of the shipyards to meet their mission—keeping the fleet operational—depends on maintaining the shipyards' infrastructure and equipment, and to do this the Navy and the committee need an accurate picture of whether the Navy has the means to accomplish this so the committee can best exercise oversight and make knowledgeable funding decisions.

Accordingly, the committee directs the Comptroller General of the United States to evaluate: (1) the impact, if any, the change from working capital funding to mission funding has had on shipyard capital investment and performance and (2) the extent, if any, the Navy's shipyard planning has addressed its restoration and modernization needs to support operational readiness. The Comptroller General may also include other related matters as deemed appropriate.

The committee further directs the Comptroller General to brief the Committees on Armed Services of the Senate and the House of Representatives no later than March 30, 2017, on preliminary findings of the Comptroller General's evaluation with a report to follow by May 15, 2017. (Page 121)

Conference Report

The conference report (H.Rept. 114-840 of November 30, 2016) on S. 2943/P.L. 114-328 of December 23, 2016, recommends changes to requested FY2017 funding levels that are shown in the authorization conference column of **Table 6**.

Section 121 of S. 2943 as enacted states:

SEC. 121. Determination of vessel delivery dates.

(a) Determination of vessel delivery dates.—

(1) IN GENERAL.—Chapter 633 of title 10, United States Code, is amended by inserting after section 7300 the following new section:

“§ 7301. Determination of vessel delivery dates

“(a) In general.—The delivery of a covered vessel shall be deemed to occur on the date on which—

“(1) the Secretary of the Navy determines that the vessel is assembled and complete; and

“(2) custody of the vessel and all systems contained in the vessel transfers to the Navy.

“(b) Inclusion in budget and acquisition reports.—The delivery dates of covered vessels shall be included—

“(1) in the materials submitted to Congress by the Secretary of Defense in support of the budget of the President for each fiscal year (as submitted to Congress under section 1105(a) of title 31, United States Code); and

“(2) in any relevant Selected Acquisition Report submitted to Congress under section 2432 of this title.

“(c) Covered vessel defined.—In this section, the term ‘covered vessel’ means any vessel of the Navy that is under construction on or after the date of the enactment of this section using amounts authorized to be appropriated for the Department of Defense for shipbuilding and conversion, Navy.”.

(2) CLERICAL AMENDMENT.—The table of sections at the beginning of such chapter is amended by inserting after the item relating to section 7300 the following new item:

“7301. Determination of vessel delivery dates.”.

(b) Certification.—

(1) IN GENERAL.—Not later than January 1, 2017, the Secretary of the Navy shall certify to the congressional defense committees that the delivery dates of the following vessels have been adjusted in accordance with section 7301 of title 10, United States Code, as added by subsection (a):

(A) The U.S.S. John F. Kennedy (CVN–79).

(B) The U.S.S. Zumwalt (DDG–1000).

(C) The U.S.S. Michael Monsoor (DDG–1001).

(D) The U.S.S. Lyndon B. Johnson (DDG–1002).

(E) Any other vessel of the Navy that is under construction on the date of the enactment of this Act.

(2) CONTENTS.—The certification under paragraph (1) shall include—

(A) an identification of each vessel for which the delivery date was adjusted; and

(B) the delivery date of each such vessel, as so adjusted.

Section 122 of S. 2943 as enacted states:

SEC. 122. Incremental funding for detail design and construction of LHA replacement ship designated LHA 8.

(a) Authority To use incremental funding.—The Secretary of the Navy may enter into and incrementally fund a contract for detail design and construction of the LHA Replacement ship designated LHA 8 and, subject to subsection (b), funds for payments

under the contract may be provided from amounts authorized to be appropriated for the Department of Defense for Shipbuilding and Conversion, Navy, for fiscal years 2017 and 2018.

Section 124 of S. 2943 as enacted states:

SEC. 124. Limitation on use of sole-source shipbuilding contracts for certain vessels.

(a) Limitation.—None of the funds authorized to be appropriated by this Act or otherwise made available for the Department of Defense for fiscal year 2017 for joint high speed vessels or expeditionary fast transports may be used to enter into or prepare to enter into a contract on a sole-source basis for the construction of such vessels or transports unless the Secretary of the Navy submits to the congressional defense committees the certification described in subsection (b) and the report described in subsection (c).

(b) Certification.—The certification described in this subsection is a certification by the Secretary of the Navy that—

(1) awarding a contract for the construction of one or more joint high speed vessels or expeditionary fast transports on a sole-source basis is in the national security interests of the United States;

(2) the construction of the vessels or transports will not result in exceeding the requirement for the ship class, as described in the most recent Navy force structure assessment;

(3) the contract will be a fixed-price contract;

(4) the price of the contract will be fair and reasonable, as determined by the service acquisition executive of the Navy; and

(5) the contract will provide for the United States to have Government purpose rights in the data for the ship design.

(c) Report.—The report described in this subsection is a report that includes—

(1) an explanation of the rationale for awarding a contract for the construction of joint high speed vessels or expeditionary fast transports on a sole-source basis; and

(2) a description of—

(A) actions that may be carried out to ensure that, if additional ships in the class are procured after the award of the contract referred to in paragraph (1), the contracts for the ships shall be awarded using competitive procedures; and

(B) with respect to each such action, an implementation schedule and any associated cost savings, as compared to a contract awarded on a sole-source basis

(b) Condition for out-year contract payments.—A contract entered into under subsection (a) shall provide that any obligation of the United States to make a payment under the contract for any subsequent fiscal year is subject to the availability of appropriations for that purpose for such subsequent fiscal year.

Section 1022 of S. 2943 as enacted states:

SEC. 1022. Warranty requirements for shipbuilding contracts.

(a) Warranty requirements.—

(1) IN GENERAL.—Chapter 633 of title 10, United States Code, is amended by adding at the end the following new section:

“§ 7318. Warranty requirements for shipbuilding contracts

“(a) Requirement.—A contracting officer for a contract for new construction for which funds are expended from the Shipbuilding and Conversion, Navy account shall require, as a condition of the contract, that the work performed under the contract is covered by a warranty for a period of at least one year.

“(b) Waiver.—If the contracting officer for a contract covered by the requirement under subsection (a) determines that a limited liability of warranted work is in the best interest of the Government, the contracting officer may agree to limit the liability of the work performed under the contract to a level that the contracting officer determines is sufficient to protect the interests of the Government and in keeping with historical levels of warranted work on similar vessels.”.

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

“7318. Warranty requirements for shipbuilding contracts.”.

(b) Effective date.—Section 7318 of title 10, United States Code, as added by subsection (a), shall take effect on the later of the following dates:

(1) The date of the enactment of the National Defense Authorization for Fiscal Year 2018.

(2) September 30, 2017.

Regarding Section 1022, H.Rept. 114-840 states:

Warranty requirements for shipbuilding contracts (sec. 1022)

The House amendment contained a provision (sec. 1022) that would require shipbuilding contracts to include warranty of work for a period of at least 1 year. A contracting officer may waive this requirement if a limited liability of warranted work is in the best interest of the government.

The Senate bill contained no similar provision.

The Senate recedes with an amendment that would limit this provision to new construction contracts in the Shipbuilding and Conversion, Navy account, as well as establish the effective date of this provision as the date of the enactment of the National Defense Authorization for Fiscal Year 2018 or September 30, 2017, whichever occurs later.

The conferees direct the Secretary of the Navy to submit two reports to the congressional defense committees:

(1) A report describing the status of the Department of the Navy policy being developed to implement this provision shall be submitted not later than March 30, 2017; and

(2) A report describing the final or draft Department of the Navy policy to implement this provision shall be submitted not later than June 30, 2017. (Pages 1148-1149)

Section 1024 of S. 2943 as enacted states:

SEC. 1024. Availability of funds for retirement or inactivation of Ticonderoga-class cruisers or dock landing ships.

None of the funds authorized to be appropriated by this Act or otherwise made available for the Department of Defense for fiscal year 2017 may be obligated or expended—

(1) to retire, prepare to retire, or inactivate a cruiser or dock landing ship; or

(2) to place more than six cruisers and one dock landing ship in the modernization program under section 1026(a)(2) of the Carl Levin and Howard P. “Buck” McKeon

National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 128 Stat. 3490).

Regarding Section 1024, H.Rept. 114-840 states:

Availability of funds for retirement or inactivation of Ticonderoga-class cruisers or dock landing ships (sec. 1024)

The House amendment contained a provision (sec. 1024) that would prohibit the Secretary of the Navy from using funds authorized to be appropriated by this Act to retire a cruiser or dock landing ship or to place in a modernization status more than six cruisers and one dock landing ship. Furthermore, the Secretary of Defense would be prohibited from obligating more than 75 percent of the funds made available for the Office of the Secretary of Defense until the Secretary of the Navy enters into a contract for the modernization of four cruisers and one dock landing ship and enters into a contract for the procurement of combat systems upgrades associated with six such cruisers.

The Senate bill contained a similar provision (sec. 1011).

The Senate recedes with an amendment that would prohibit the retirement, preparation for retirement, inactivation, or placement in storage of any Ticonderoga-class cruisers or Whidbey Island-class amphibious ships, except to allow the modernization and upgrades for those ships to continue in accordance with section 1026 of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for Fiscal Year 2015 (P.L. 113-291).

The conferees continue to support a cruiser modernization plan consistent with the “2–4–6” plan that allows the Secretary of the Navy to induct two cruisers per year into a modernization period of up to four years with no more than six cruisers in this prolonged modernization status at any one time. (Pages 1149-1150)

Section 1045 of S. 2943 as enacted states:

SEC. 1045. Prohibition on use of funds for retirement of legacy maritime mine countermeasures platforms.

(a) Prohibitions.—Except as provided under subsection (b), none of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 for the Navy may be obligated or expended to—

- (1) retire, prepare to retire, transfer, or place in storage any AVENGER-class mine countermeasures ship or associated equipment;
- (2) retire, prepare to retire, transfer, or place in storage any SEA DRAGON (MH–53) helicopter or associated equipment;
- (3) make any reductions to manning levels with respect to any AVENGER-class mine countermeasures ship; or
- (4) make any reductions to manning levels with respect to any SEA DRAGON (MH–53) helicopter squadron or detachment.

(b) Waiver.—The Secretary of the Navy may waive the limitations under subsection (a) if the Secretary certifies to the congressional defense committees that the Secretary has—

- (1) identified a replacement capability and the necessary quantity of such systems to meet all combatant commander mine countermeasures operational requirements that are currently being met by the AVENGER-class ships and SEA DRAGON helicopters to be retired, transferred, or placed in storage;
- (2) achieved initial operational capability of all systems described in paragraph (1); and

(3) deployed a sufficient quantity of systems described in paragraph (1) that have achieved initial operational capability to continue to meet or exceed all combatant commander mine countermeasures operational requirements currently being met by the AVENGER-class ships and SEA DRAGON helicopters.

Regarding 10 U.S.C. 231, the provision in the U.S. Code that requires the annual submission of a 30-yr shipbuilding plan, **Section 1061** of S. 2943 as enacted states in part:

SEC. 1061. Temporary continuation of certain Department of Defense reporting requirements.

(a) Exceptions to reports termination provision.—Section 1080 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1000; 10 U.S.C. 111 note) does not apply to any report required to be submitted to Congress by the Department of Defense, or by any officer, official, component, or element of the Department, pursuant to a provision of law specified in this section, notwithstanding the enactment of the reporting requirement by an annual national defense authorization Act or the inclusion of the report in the list of reports prepared by the Secretary of Defense pursuant to subsection (c) of such section 1080.

(b) Final termination date for submittal of exempted reports.—

(1) IN GENERAL.—Except as provided in paragraph (2), each report required pursuant to a provision of law specified in this section that is still required to be submitted to Congress as of December 31, 2021, shall no longer be required to be submitted to Congress after that date.

(2) REPORTS EXEMPTED FROM TERMINATION.—The termination dates specified in paragraph (1) and section 1080 of the National Defense Authorization Act for Fiscal Year 2016 do not apply to the following: ...

(c) Reports required by title 10, United States Code.—Subject to subsection (b), subsection (a) applies to reporting requirements contained in the following sections of title 10, United States Code: ...

(15) Section 231. ...

Section 1088 of S. 2943 as enacted states:

SEC. 1088. Sense of Congress regarding Connecticut’s Submarine Century.

(a) Findings.—Congress makes the following findings:

(1) On March 2, 1867, Congress enacted a naval appropriations Act that authorized the Secretary of the Navy to “receive and accept a deed of gift, when offered by the State of Connecticut, of a tract of land with not less than one mile of shore front on the Thames River near New London, Connecticut, to be held by the United States for naval purposes”.

(2) The people of Connecticut and the towns and cities in the southeastern region of Connecticut subsequently gifted land to establish a military installation to fulfil the Nation’s need for a naval facility on the Atlantic coast.

(3) On April 11, 1868, the Navy accepted the deed of gift of land from Connecticut to establish a naval yard and storage depot along the eastern shore of the Thames River in Groton, Connecticut.

(4) Between 1868 and 1912, the New London Navy Yard supported a diverse range of missions, including berthing inactive Civil War era ironclad warships and serving as a coaling station for refueling naval ships traveling in New England waters.

(5) Congress rejected the Navy's proposal to close New London Navy Yard in 1912, following an impassioned effort by Congressman Edwin W. Higgins, who stated that "this action proposed is not only unjust but unreasonable and unsound as a military proposition".

(6) The outbreak of World War I and the enemy use of submarines to sink allied military and civilian ships in the Atlantic sparked a new focus on developing submarine capabilities in the United States.

(7) October 18, 1915, marked the arrival at the New London Navy Yard of the submarines G-1, G-2, and G-4 under the care of the tender USS Ozark and the arrival of submarines E-1, D-1, and D-3 under the care of the tender USS Tonopah. November 1, 1915, marked the arrival of the first ship built as a submarine tender, the USS Fulton (AS-1).

(8) On June 21, 1916, Commander Yeates Stirling assumed the command of the newly designated Naval Submarine Base New London, the New London Submarine Flotilla, and the Submarine School.

(9) In the 100 years since the arrival of the first submarines to the base, Naval Submarine Base New London has grown to occupy more than 680 acres along the east side of the Thames River, with more than 160 major facilities, 15 nuclear submarines, and more than 70 tenant commands and activities, including the Submarine Learning Center, Naval Submarine School, the Naval Submarine Medical Research Laboratory, the Naval Undersea Medical Institute, and the newly established Undersea Warfighting Development Center.

(10) In addition to being the site of the first submarine base in the United States, Connecticut was home to the foremost submarine manufacturers of the time, the Lake Torpedo Boat Company in Bridgeport and the Electric Boat Company in Groton, which later became General Dynamics Electric Boat.

(11) General Dynamics Electric Boat, its talented workforce, and its Connecticut-based and nationwide network of suppliers have delivered more than 200 submarines from its current location in Groton, Connecticut, including the first nuclear-powered submarine, the USS Nautilus (SSN 571), and nearly half of the nuclear submarines ever built by the United States.

(12) The Submarine Force Museum, located adjacent to Naval Submarine Base New London in Groton, Connecticut, is the only submarine museum operated by the United States Navy and today serves as the primary repository for artifacts, documents, and photographs relating to the bold and courageous history of the Submarine Force and highlights as its core exhibit the Historic Ship Nautilus (SSN 571) following her retirement from service.

(13) Reflecting the close ties between Connecticut and the Navy that began with the gift of land that established the base, the State of Connecticut has set aside \$40,000,000 in funding for critical infrastructure investments to support the mission of the base, including construction of a new dive locker building, expansion of the Submarine Learning Center, and modernization of energy infrastructure.

(14) On September 29, 2015, Connecticut Governor Dannel Malloy designated October 2015 through October 2016 as Connecticut's Submarine Century, a year-long observance that celebrates 100 years of submarine activity in Connecticut, including the Town of Groton's distinction as the Submarine Capital of the World, to coincide with the centennial anniversary of the establishment of Naval Submarine Base New London and the Naval Submarine School.

(15) Whereas Naval Submarine Base New London still proudly proclaims its motto of "The First and Finest".

(16) Congressman Higgins' statement before Congress in 1912 that "Connecticut stands ready, as she always has, to bear her part of the burdens of the national defense" remains true today.

(b) Sense of Congress.—Congress—

(1) commends the longstanding dedication and contribution to the Navy and submarine force by the people of Connecticut, both through the initial deed of gift that established what would become Naval Submarine Base New London and through their ongoing commitment to support the mission of the base and the Navy personnel assigned to it;

(2) honors the submariners who have trained and served at Naval Submarine Base New London throughout its history in support of the Nation's security and undersea superiority;

(3) recognizes the contribution of the industry and workforce of Connecticut in designing, building, and sustaining the Navy's submarine fleet; and

(4) encourages the recognition of Connecticut's Submarine Century by Congress, the Navy, and the American people by honoring the contribution of the people of Connecticut to the defense of the United States and the important role of the submarine force in safeguarding the security of the United States for more than a century.

Section 3120 of S. 2943 as enacted states:

SEC. 3120. Research and development of advanced naval nuclear fuel system based on low-enriched uranium.

(a) Prohibition.—Except as provided in subsection (b), none of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 for the Department of Energy may be obligated or expended to plan or carry out research and development of an advanced naval nuclear fuel system based on low-enriched uranium.

(b) Exception.—Of the funds authorized to be appropriated by this Act or otherwise made available for fiscal year 2017 for defense nuclear nonproliferation, as specified in the funding table in division D, not more than \$5,000,000 shall be made available to the Deputy Administrator for Naval Reactors of the National Nuclear Security Administration for initial planning and early research and development of an advanced naval nuclear fuel system based on low-enriched uranium.

(c) Budget matters.—Section 3118 of the National Defense Authorization Act for Fiscal Year 2016 (Public Law 114–92; 129 Stat. 1196) is amended—

(1) in subsection (c), by striking paragraph (2) and inserting the following new paragraph:

“(2) BUDGET REQUESTS.—If the Secretaries determine under paragraph (1) that research and development of an advanced naval nuclear fuel system based on low-enriched uranium should continue, the Secretaries shall ensure that each budget of the President submitted to Congress under section 1105(a) of title 31, United States Code, for fiscal year 2018 and each fiscal year thereafter in which such research and development is carried out includes in the budget line item for the ‘Defense Nuclear Nonproliferation’ account amounts necessary to carry out the conceptual plan under subsection (b).”; and

(2) in subsection (d), by striking “for material management and minimization”.

Section 3133 of S. 2943 as enacted states:

SEC. 3133. Report on the use of highly-enriched uranium for naval reactors.

(a) Report.—Not later than 120 days after the date of the enactment of this Act, the Director of National Intelligence, in consultation with the Secretary of Defense, the Secretary of Energy, and the Secretary of State, shall, in accordance with the protection

of sources and methods, submit to the appropriate congressional committees a report that includes the following:

(1) An assessment on the current and anticipated intentions of countries producing or using highly-enriched uranium in naval reactors or considering the development of naval reactors.

(2) An evaluation of the security measures each country producing or using highly-enriched uranium in naval reactors has in place.

(3) An evaluation of the potential effects on nuclear nonproliferation efforts and the naval reactor programs and related actions of other countries if the United States pursued the development of an advanced low-enriched uranium fuel for certain United States naval reactors as described in the report of the Director of Naval Reactors to Congress, dated July 2016 and entitled “Conceptual Research and Development Plan for Low-Enriched Uranium Naval Fuel”.

(4) Such other information or updates as the Director of National Intelligence, the Secretary of Defense, the Secretary of Energy, and the Secretary of State consider appropriate.

(b) Form.—The report required by subsection (a) shall be submitted in unclassified form, but may include a classified annex.

(c) Appropriate congressional committees defined.—In this section, the term “appropriate congressional committees” means—

(1) the congressional defense committees;

(2) the Select Committee on Intelligence of the Senate and the Permanent Select Committee on Intelligence of the House of Representatives; and

(3) the Committee on Foreign Relations of the Senate and the Committee on Foreign Affairs of the House of Representatives.

FY2017 DOD Appropriations Act (H.R. 5293/S. 3000)

House

The House Appropriations Committee, in its report (H.Rept. 114-577 of May 19, 2016) on S. 2943, recommends changes to requested FY2017 funding levels that are shown in the HAC column of **Table 6**. Among other things, these changes would

- complete the funding needed for the procurement of the additional DDG-51 destroyer that was partially funded in FY2016 (this funding was not requested for FY2017, but was included in the Navy’s FY2017 unfunded requirements list, or URL);
- fund the procurement of an additional LCS (for a total FY2017 procurement of three LCSs, rather than the two that were requested for FY2017);
- fund the procurement of an LX(R) amphibious ship (the FY2017 budget did not request the procurement of such a ship in FY2017);
- fund the procurement of three additional Ship to Shore Connector (SSC) landing craft (for a total FY2017 procurement of five SSCs, rather than the two that were requested for FY2017—three additional SSCs were included in the Navy’s FY2017 URL);

- fund Service Life Extension Program (SLEP) overhauls for four existing LCAC landing craft (the FY2017 budget requested no LCAC SLEPs for FY2017); and
- provide \$600 million in additional funding for “classified programs.”

Section 8069 of H.R. 5293 as reported appropriates funding for completion of prior-year shipbuilding programs (i.e., line 030 of **Table 6**).

Section 8124 of H.R. 5293 as reported states:

SEC. 8124. Of the funds previously appropriated for the “Ship Modernization, Operations and Sustainment Fund”, the Secretary of the Navy may transfer such funds to appropriations for research, development, test and evaluation; and procurement, only for the purposes of sustaining, equipping, and modernizing the Ticonderoga-class guided missile cruisers CG-63, CG-64, CG-65, CG-66, CG-67, CG-68, CG-69, CG-70, CG-71, CG-72, CG-73, and the Whidbey Island-class dock landing ships LSD-41, LSD-42, and LSD-46: Provided, That funds transferred shall be merged with and be available for the same purposes and for the same time period as the appropriation to which they are transferred: Provided further, That the transfer authority provided herein shall be in addition to any other transfer authority provided in the Act: Provided further, That the Secretary of the Navy shall, not less than 30 days prior to making any transfer from the “Ship Modernization, Operations and Sustainment Fund”, notify the congressional defense committees in writing of the details of such transfer: Provided further, That the Secretary of the Navy shall transfer and obligate funds from the “Ship Modernization, Operations and Sustainment Fund” for modernization of not more than two Ticonderoga-class guided missile cruisers: Provided further, That no more than six Ticonderoga-class guided missile cruisers shall be in a phased modernization at any time: Provided further, That the Secretary of the Navy shall contract for the required modernization equipment in the year prior to in ducting a Ticonderoga-class cruiser for modernization: Provided further, That the prohibition in section 2244a(a) of title 10, United States Code, shall not apply to the use of any funds transferred pursuant to this section.

In connection with Section 8124, H.Rept. 114-577 states:

CRUISER MODERNIZATION

The Committee is disappointed that the Navy’s fiscal year 2017 budget request is once again attempting to renegotiate the terms for the modernization of the 22 remaining Ticonderoga-class cruisers. The position of this Committee, as well as the entire Congress, is very clear and has been stated repeatedly over the last four years. The Committee remains adamant that the Navy will not lay up half of the remaining cruisers for an extended period of time. The Navy’s own stated requirement for guided missile cruisers in the 30 year shipbuilding plan remains steady at 22. The requirement is not for eleven cruisers in an extended lay-up status while eleven others continue to operate. The Secretary of the Navy has repeatedly stated his desire to increase the size of the fleet, yet placing half of the Navy’s cruisers, the centerpiece of area air defense for the Navy’s carrier battlegroups, would seem to contradict any desire to build up the fleet. Therefore, the bill once again contains a provision that provides the Secretary of the Navy explicit direction for how to conduct the cruiser modernization program—no more than two cruisers may enter a modernization period each year, the modernization period for each cruiser may last no longer than four years, and there can only be a maximum of six ships in a modernization period at any one time. The Committee understands that the Navy has sufficient funding remaining in the Ship Modernization, Operations, and Sustainment Fund to further these efforts in fiscal year 2017. Further, the Committee directs the Secretary of the Navy to brief the congressional defense committees quarterly on the status of each of the 22 Ticonderoga class cruisers to ensure that these ships are being operated appropriately and as a way for the committees to ensure that the Navy is not

attempting to sidestep the intent of the committees by keeping the ships in extended alongside availabilities.

Additionally, the Committee expects the Secretary of the Navy to comply with these statutorily directed rules for cruiser modernization in future budget submissions. (Page 156)

Regarding Section 8124, a June 14, 2016, statement of Administration policy on H.R. 5293 as reported states:

Availability of Funds for Retirement or Inactivation of Ticonderoga-Class Cruisers or Dock Landing Ships. The Administration strongly objects to section 8124 of the bill, which would prohibit the Navy from executing its phased modernization approach for maintaining an effective cruiser and dock landing ship force structure while balancing scarce operating and maintenance funding. It also would significantly reduce planned savings and accelerate the retirement of all Ticonderoga-Class cruisers. The Navy's current requirement for active large surface combatants includes 11 Air Defense Commander ships, one assigned to each of the active carrier strike groups. This requirement is met by the modernization plan proposed in the FY 2017 Budget request. Furthermore, section 8124 would require an additional \$3.2 billion across the Future Years Defense Program (FYDP) to fund manpower, maintenance, modernization, and operations when compared to the FY 2017 Budget request.⁵⁶

Senate

The Senate Appropriations Committee, in its report (S.Rept. 114-263 of May 26, 2016) on S. 3000, recommends changes to requested FY2017 funding levels that are shown in the SAC column of **Table 6**. Among other things, these changes would

- complete the funding needed for the procurement of the additional DDG-51 destroyer that was partially funded in FY2016 (this funding was not requested for FY2017, but was included in the Navy's FY2017 unfunded requirements list, or URL);
- fund the procurement of an additional LCS (for a total FY2017 procurement of three LCSs, rather than the two that were requested for FY2017); and
- fund the procurement of a polar icebreaker for the Coast Guard.⁵⁷

S.Rept. 114-263 states:

SHIP MODERNIZATION, OPERATIONS AND SUSTAINMENT FUND

The Department of Defense Appropriations Act, 2013 (Public Law 112–175) established the Ship Modernization, Operations and Sustainment Fund [SMOSF] and provided full funding, as identified by the Navy, for the succeeding two fiscal years to man, operate, sustain, upgrade, equip, and modernize seven cruisers and two dock landing ships. At the time, the Congress was concerned with the Navy's proposal to prematurely retire capable and relevant ships and supported a temporary bridge fund for these ships until the Navy could budget for the routine costs to operate and modernize them in subsequent budgets. Congressional direction limited the \$2,378,000,000 provided in fiscal year 2013 to only those ships or hull numbers that the Navy proposed for premature retirement in the

⁵⁶ Executive Office of the President, *Statement of Administration Policy, H.R. 5293—Department of Defense Appropriations Act, 2017*, June 14, 2016, p. 3.

⁵⁷ For more on the polar icebreaker program, see CRS Report RL34391, *Coast Guard Polar Icebreaker Modernization: Background and Issues for Congress*, by Ronald O'Rourke.

budget submission. According to the Navy, their retirement proposal was strictly driven by fiscal constraints. Despite the additional funding and strong congressional direction, the Navy failed to obligate within 2 years the majority of SMOSF resources provided in Public Law 112–175.

With submission of the fiscal year 2015 budget request, the Navy included a new proposal to remove 11 Ticonderoga-class guided missile cruisers and three amphibious dock landing ships from the operational fleet and lay them up for several years under a phased modernization plan. The Department of Defense Appropriations Act, 2015 (Public Law 113–235) rejected this proposal and instead recommended a modified modernization plan that was consistent the Navy’s proposal to expand application of unobligated SMOSF resources to four additional cruisers and an additional dock landing ship. In addition, the fiscal year 2015 agreement included an increase of \$540,000,000 in the SMOSF to support this new direction. The Committee notes, however, that the Navy continues to obligate funds at a slower than expected rate.

The Navy’s fiscal year 2017 budget submission, once again, deviates from congressional direction and proposes to change the modernization lay-up and phasing plan while continuing to utilize SMOSF resources. Given that the Navy has repeatedly ignored congressional direction over the past 4 years and continues to make changes to how SMOSF resources are applied, the Committee rescinds \$1,317,300,000 from funds remaining available for obligation in the SMOSF account. The Committee recommends an increase of \$183,000,000 in the Operation and Maintenance, Navy account and \$101,500,000 in the Other Procurement, Navy account to support cruiser and dock landing ship modernization efforts in fiscal year 2017. The Committee expects the Navy to utilize these funds for their congressionally directed purpose during fiscal year 2017 and to fully fund for all manpower, readiness, and modernization activities associated with cruiser and dock landing ships in the traditional appropriations accounts with the fiscal year 2018 budget request. (Pages 10-11)

S.Rept. 114-263 also states:

Expeditionary Fast Transport [EFT].—The Department of Defense Appropriations Act, 2016 (Public Law 114–113) provided funds for a 12th Expeditionary Fast Transport ship, formerly known as the Joint High Speed Vessel. The Committee has supported the construction of additional EFTs and notes a previous requirement for 18 ships. The Department decided to assume risk with the overall ship requirement due to fiscal constraints and reduced the program procurement objective when it submitted its budget for fiscal year 2013. As these ships are deployed, the Committee understands that Combatant and Fleet Commanders are identifying additional missions for the ships since they provide a means for fast intra-theater transportation of troops, military vehicles and equipment which thereby free up the more limited high-end platforms for more appropriate missions. While the Committee does not recommend funding for an additional ship in fiscal year 2017, the Committee supports a Navy reassessment of the overall procurement objective to determine if there is a requirement for more ships to meet Fleet demand. (Page 99)

Appendix A. Strategic and Budgetary Context

This appendix presents some brief comments on elements of the strategic and budgetary context in which U.S. Navy force structure and shipbuilding plans may be considered.

Shift in International Security Environment

World events have led some observers, starting in late 2013, to conclude that the international security environment has undergone a shift over the past several years from the familiar post-Cold War era of the past 20-25 years, also sometimes known as the unipolar moment (with the United States as the unipolar power), to a new and different strategic situation that features, among other things, renewed great power competition and challenges to elements of the U.S.-led international order that has operated since World War II. This situation is discussed further in another CRS report.⁵⁸

Declining U.S. Technological and Qualitative Edge

Department of Defense (DOD) officials have expressed concern that the technological and qualitative edge that U.S. military forces have had relative to the military forces of other countries is being narrowed by improving military capabilities in other countries. China's improving military capabilities are a primary contributor to that concern.⁵⁹ Russia's rejuvenated military capabilities are an additional contributor. DOD in recent years has taken a number of actions to arrest and reverse the decline in the U.S. technological and qualitative edge.⁶⁰

Challenge to U.S. Sea Control and U.S. Position in Western Pacific

Observers of Chinese and U.S. military forces view China's improving naval capabilities as posing a potential challenge in the Western Pacific to the U.S. Navy's ability to achieve and maintain control of blue-water ocean areas in wartime—the first such challenge the U.S. Navy has faced since the end of the Cold War.⁶¹ More broadly, these observers view China's naval capabilities as a key element of an emerging broader Chinese military challenge to the long-standing status of the United States as the leading military power in the Western Pacific.

U.S. Grand Strategy

Discussion of the above-mentioned shift in the international security environment has led to a renewed emphasis in discussions of U.S. security and foreign policy on grand strategy and geopolitics. From a U.S. perspective, grand strategy can be understood as strategy considered at a global or interregional level, as opposed to strategies for specific countries, regions, or issues.

⁵⁸ CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

⁵⁹ For more on China's naval modernization effort, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

⁶⁰ For more on these initiatives, see CRS Report R43838, *A Shift in the International Security Environment: Potential Implications for Defense—Issues for Congress*, by Ronald O'Rourke.

⁶¹ The term "blue-water ocean areas" is used here to mean waters that are away from shore, as opposed to near-shore (i.e., littoral) waters. Iran is viewed as posing a challenge to the U.S. Navy's ability to quickly achieve and maintain sea control in littoral waters in and near the Strait of Hormuz. For additional discussion, see CRS Report R42335, *Iran's Threat to the Strait of Hormuz*, coordinated by Kenneth Katzman.

Geopolitics refers to the influence on international relations and strategy of basic world geographic features such as the size and location of continents, oceans, and individual countries.

From a U.S. perspective on grand strategy and geopolitics, it can be noted that most of the world's people, resources, and economic activity are located not in the Western Hemisphere, but in the other hemisphere, particularly Eurasia. In response to this basic feature of world geography, U.S. policymakers for the past several decades have chosen to pursue, as a key element of U.S. national strategy, a goal of preventing the emergence of a regional hegemon in one part of Eurasia or another, on the grounds that such a hegemon could represent a concentration of power strong enough to threaten core U.S. interests by, for example, denying the United States access to some of the other hemisphere's resources and economic activity. Although U.S. policymakers have not often stated this key national strategic goal explicitly in public, U.S. military (and diplomatic) operations in recent decades—both wartime operations and day-to-day operations—can be viewed as having been carried out in no small part in support of this key goal.

The traditional U.S. goal of preventing the emergence of a regional hegemon in one part of Eurasia or another is a major reason why the U.S. military have been structured with force elements that enable it to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival. Force elements associated with this goal include, among other things, an Air Force with significant numbers of long-range bombers, long-range surveillance aircraft, long-range airlift aircraft, and aerial refueling tankers, and a Navy with significant numbers aircraft carriers, nuclear-powered attack submarines, large surface combatants, large amphibious ships, and underway replenishment ships. This issue is discussed further in a CRS In Focus publication,⁶² and in **Appendix I**.

U.S. Strategic Rebalancing to Asia-Pacific Region

For decades, the Western Pacific has been a major operational area (i.e., operational “hub”) for forward-deployed U.S. Navy forces. In coming years, the importance of the Western Pacific as an operational hub for forward-deployed U.S. Navy forces may grow further: A 2012 DOD strategic guidance document⁶³ and DOD's report on the 2014 Quadrennial Defense Review (QDR)⁶⁴ state that U.S. military strategy will place an increased emphasis on the Asia-Pacific region (meaning, for the U.S. Navy, the Western Pacific in particular). Although Administration officials state that this U.S. strategic rebalancing toward the Asia-Pacific region, as it is called, is not directed at any single country, many observers believe it is in no small part intended as a response to China's military (including naval) modernization effort and its assertive behavior regarding its maritime territorial claims. As one reflection of the U.S. strategic rebalancing to the Asia-Pacific region, Navy plans call for increasing over time the number of U.S. Navy ships that are deployed to the region on a day-to-day basis.

⁶² CRS In Focus IF10485, *Defense Primer: Geography, Strategy, and U.S. Force Design*, by Ronald O'Rourke.

⁶³ Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, January 2012, 8 pp. For additional discussion, see CRS Report R42146, *Assessing the January 2012 Defense Strategic Guidance (DSG): In Brief*, by Catherine Dale and Pat Towell.

⁶⁴ Department of Defense, *Quadrennial Defense Review 2014*, 64 pp. For additional discussion, see CRS Report R43403, *The 2014 Quadrennial Defense Review (QDR) and Defense Strategy: Issues for Congress*, by Catherine Dale.

Continued Operations in Persian Gulf/Indian Ocean

In announcing the U.S. strategic rebalancing to the Asia-Pacific region, DOD officials noted that the United States would continue to maintain a forward-deployed military presence in the Middle East (meaning, for the U.S. Navy, primarily the Persian Gulf/Indian Ocean region). U.S. military operations to counter the Islamic State organization and other terrorist organizations in the Middle East are reinforcing demands for forward-deploying U.S. military forces, including U.S. naval forces, to that region.

Potential Increased Demand for U.S. Naval Forces Around Europe

During the Cold War, the Mediterranean was one of three major operational hubs for forward-deployed U.S. Navy forces (along with the Western Pacific and the Persian Gulf/Indian Ocean region). Following the end of the Cold War, the Mediterranean was deemphasized as an operating hub for forward-deployed U.S. Navy forces. This situation might be changing once again: Russia's seizure and annexation of Crimea in March 2014, Russia's actions in Eastern Ukraine, operations by Russian military forces around the periphery of Europe and in the Arctic, and developments in North Africa and Syria are once again focusing U.S. policymaker attention on U.S. military operations in Europe and its surrounding waters, and in the Arctic (meaning, for the U.S. Navy, potentially increased operations in the Mediterranean and perhaps the Norwegian Sea and the Arctic).

Longer Ship Deployments

U.S. Navy officials have testified that fully meeting requests from U.S. regional combatant commanders (CCDRs) for forward-deployed U.S. naval forces would require a Navy much larger than today's fleet. For example, Navy officials testified in March 2014 that a Navy of 450 ships would be required to fully meet CCDR requests for forward-deployed Navy forces.⁶⁵ CCDR requests for forward-deployed U.S. Navy forces are adjudicated by DOD through a process called the Global Force Management Allocation Plan. The process essentially makes choices about how to best to apportion a finite number forward-deployed U.S. Navy ships among competing CCDR requests for those ships. Even with this process, the Navy has lengthened the deployments of some ships in an attempt to meet policymaker demands for forward-deployed U.S. Navy ships. Although Navy officials are aiming to limit ship deployments to seven months, Navy ships in recent years have frequently been deployed for periods of eight months or more.

Limits on Defense Spending in Budget Control Act of 2011 as Amended

Limits on the "base" portion of the U.S. defense budget established by Budget Control Act of 2011, or BCA (S. 365/P.L. 112-25 of August 2, 2011), as amended, combined with some of the considerations above, have led to discussions among observers about how to balance competing demands for finite U.S. defense funds, and about whether programs for responding to China's military modernization effort can be adequately funded while also adequately funding other defense-spending priorities, such as initiatives for responding to Russia's actions in Ukraine and elsewhere in Europe and U.S. operations for countering the Islamic State organization in the

⁶⁵ Spoken testimony of Admiral Jonathan Greenert at a March 12, 2014, hearing before the House Armed Services Committee on the Department of the Navy's proposed FY2015 budget, as shown in transcript of hearing.

Middle East. U.S. Navy officials have stated that if defense spending remains constrained to levels set forth in the BCA as amended, the Navy in coming years will not be able to fully execute all the missions assigned to it under the 2012 DOD strategic guidance document.⁶⁶

⁶⁶ See, for example, Statement of Admiral Jonathan Greenert, U.S. navy, Chief of Naval Operations, Before the Senate Armed Services Committee on the Impact of Sequestration on National Defense, January 28, 2015, particularly page 4 and Table 1, entitled “Mission Impacts to a Sequestered Navy.”

Appendix B. 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 B-1. Earlier Goals Navy Force-Structure Goals Dating Back to 2001

Ship type	308-ship plan of March 2015	306-ship plan of January 2013	~310-316 ship plan of March 2012	Revised 313-ship plan of September 2011	Changes to February 2006 313-ship plan announced through mid-2011	February 2006 Navy plan for 313-ship fleet	Early-2005 Navy plan for fleet of 260-325 ships		2002-2004 Navy plan for 375-ship Navy ^a	2001 QDR plan 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

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

Note: QDR is Quadrennial Defense Review. The “~” symbol means approximately.

- Initial composition. Composition was subsequently modified.
- 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 Class (Ohio Replacement) Ballistic Missile Submarine (SSBN[X]) Program: Background and Issues for Congress*, by Ronald O'Rourke.
- 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 zero.
- 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-I 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 Support 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 plan 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-I class cargo ships, and three Mobile Landing Platform (MLP) ships—that were previously intended for the planned (but now canceled) MPF(F) squadron.

Appendix C. Comparison of First 10 Years of 30-Year Plans

Table C-1 and **Table C-2** below show the first 10 years of planned annual ship procurement quantities and projected Navy force sizes in Navy 30-year shipbuilding plans dating back to the first such plan, which was submitted in 2000 in conjunction with the FY2001 budget. By reading vertically down each column, one can see how the ship procurement quantity or Navy force size projected for a given fiscal year changed as that year drew closer to becoming the current budget year.

Table C-1. Ship Procurement Quantities in First 10 Years of 30-Year Shipbuilding Plans

Years shown are fiscal years

FY of 30-year plan (year submitted)	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26
FY01 plan (2000)	8	8	8	8	7	5	6	6	6	7																
FY02 plan (2001)		6	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a															
FY03 plan (2002)			5	5	7	7	11	n/a	n/a	n/a	n/a															
FY04 plan (2003)				7	8	7	7	9	14	15	13	14	15													
FY05 plan (2004)					9	6	8	9	17	14	15	14	16	15												
FY06 plan (2005)						4	7	7	9	10	12	n/a	n/a	n/a	n/a											
FY07 plan (2006)							7	7	11	12	14	13	12	11	11	10										
FY08 plan (2007)								7	11	12	13	12	12	10	12	11	6									
FY09 plan (2008)									7	8	8	12	12	13	13	12	12	13								
FY10 plan (2009)										8	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a						
FY11 plan (2010)											9	8	12	9	12	9	12	9	13	9						
FY12 plan (2011)												10	13	11	12	9	12	10	12	8	9					
FY13 plan (2012)													10	7	8	9	7	11	8	12	9	12				
FY14 plan (2013)														8	8	7	9	9	10	10	10	11	14			
FY15 plan (2014)															7	8	11	10	8	11	8	11	11	13	10	
FY16 plan (2015)																9	10	10	9	10	9	11	13	12	10	
FY17 plan (2016)																	7	8	7	8	8	10	11	11	9	7

Source: Navy 30-year shipbuilding plans supplemented by annual Navy budget submissions (including 5-year shipbuilding plans) for fiscal years shown. *n/a* means not available—see notes below.

Notes: The FY2001 30-year plan submitted in 2000 was submitted under a one-time-only legislative provision, Section 1013 of the FY2000 National Defense Authorization Act (S. 1059/P.L. 106-65 of October 5, 1999). No provision required DOD to submit a 30-year shipbuilding plan in 2001 or 2002, when Congress considered DOD’s proposed FY2002 and FY2003 DOD budgets. (In addition, no FYDP was submitted in 2001, the first year of the George W. Bush Administration.) Section 1022 of the FY2003 Bob Stump National Defense Authorization Act (H.R. 4546/P.L. 107-314 of December 2, 2002) created a requirement to submit a 30-year

shipbuilding plan each year, in conjunction with each year's defense budget. This provision was codified at 10 U.S.C. 231. The first 30-year plan submitted under this provision was the one submitted in 2003, in conjunction with the proposed FY2004 DOD budget. For the next several years, 30-year shipbuilding plans were submitted each year, in conjunction with each year's proposed DOD budget. An exception occurred in 2009, the first year of the Obama Administration, when DOD submitted a proposed budget for FY2010 with no accompanying FYDP or 30-year Navy shipbuilding plan. Section 1023 of the FY2011 Ike Skelton National Defense Authorization Act (H.R. 6523/P.L. 111-383 of January 7, 2011) amended 10 U.S.C. 231 to require DOD to submit a 30-year shipbuilding plan once every four years, in the same year that DOD submits a Quadrennial Defense Review (QDR). Consistent with Section 1023, DOD did not submit a new 30-year shipbuilding plan at the time that it submitted the proposed FY2012 DOD budget. At the request of the House Armed Services Committee, the Navy submitted the FY2012 30-year (FY2012-FY2041) shipbuilding plan in late-May 2011. Section 1011 of the FY2012 National Defense Authorization Act (H.R. 1540/P.L. 112-81 of December 31, 2011) amended 10 U.S.C. 231 to reinstate the requirement to submit a 30-year shipbuilding plan each year, in conjunction with each year's defense budget.

Table C-2. Projected Navy Force Sizes in First 10 Years of 30-Year Shipbuilding Plans

Years shown are fiscal years

FY of 30-year plan (year submitted)	01	02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	
FY01 plan (2000)	316	315	313	313	313	311	311	304	305	305																	
FY02 plan (2001)		316	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a															
FY03 plan (2002)			314	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a															
FY04 plan (2003)				292	292	291	296	301	305	308	313	317	321														
FY05 plan (2004)					290	290	298	303	308	307	314	320	328	326													
FY06 plan (2005)						289	293	297	301	301	306	n/a	n/a	305	n/a												
FY07 plan (2006)							285	294	299	301	306	315	317	315	314	317											
FY08 plan (2007)								286	289	293	302	310	311	307	311	314	322										
FY09 plan (2008)									286	287	289	290	293	287	288	291	301	309									
FY10 plan (2009)										287	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a						
FY11 plan (2010)											284	287	287	285	285	292	298	305	311	315							
FY12 plan (2011)												290	287	286	286	297	301	311	316	322	324						
FY13 plan (2012)													285	279	276	284	285	292	300	295	296	298					
FY14 plan (2013)														282	270	280	283	291	300	295	296	297	297				
FY15 plan (2014)															274	280	286	295	301	304	304	306	311	313			
FY16 plan (2015)																282	284	294	300	304	306	309	310	315	317		
FY17 plan (2016)																	287	295	300	306	308	310	309	311	313	309	

Source: Navy 30-year shipbuilding plans supplemented by annual Navy budget submissions (including 5-year shipbuilding plans) for fiscal years shown. **n/a** means not available—see notes below.

Notes: The FY2001 30-year plan submitted in 2000 was submitted under a one-time-only legislative provision, Section 1013 of the FY2000 National Defense Authorization Act (S. 1059/P.L. 106-65 of October 5, 1999). No provision required DOD to submit a 30-year shipbuilding plan in 2001 or 2002, when Congress considered DOD’s proposed FY2002 and FY2003 DOD budgets. Section 1022 of the FY2003 Bob Stump National Defense Authorization Act (H.R. 4546/P.L. 107-314 of December 2, 2002) created a requirement to submit a 30-year shipbuilding plan each year, in conjunction with each year’s defense budget. This provision was codified at

10 U.S.C. 231. The first 30-year plan submitted under this provision was the one submitted in 2003, in conjunction with the proposed FY2004 DOD budget. For the next several years, 30-year shipbuilding plans were submitted each year, in conjunction with each year's proposed DOD budget. An exception occurred in 2009, the first year of the Obama Administration, when DOD submitted a proposed budget for FY2010 with no accompanying FYDP or 30-year Navy shipbuilding plan. The FY2006 plan included data for only selected years beyond FY2011. Section 1023 of the FY2011 Ike Skelton National Defense Authorization Act (H.R. 6523/P.L. 111-383 of January 7, 2011) amended 10 U.S.C. 231 to require DOD to submit a 30-year shipbuilding plan once every four years, in the same year that DOD submits a Quadrennial Defense Review (QDR). Consistent with Section 1023, DOD did not submit a new 30-year shipbuilding plan at the time that it submitted the proposed FY2012 DOD budget. At the request of the House Armed Services Committee, the Navy submitted the FY2012 30-year (FY2012-FY2041) shipbuilding plan in late-May 2011. Section 1011 of the FY2012 National Defense Authorization Act (H.R. 1540/P.L. 112-81 of December 31, 2011) amended 10 U.S.C. 231 to reinstate the requirement to submit a 30-year shipbuilding plan each year, in conjunction with each year's defense budget.

Appendix D. Comparing Past Ship Force Levels to Current or Potential Future Ship Force 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 FY1987,⁶⁷ and as of February 2, 2017, included a total of 274 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 multi-theater NATO-Warsaw Pact conflict, while the February 2017 fleet is intended to meet a considerably different set of mission requirements centered on influencing events ashore by countering both land- and sea-based military forces of potential regional threats other than Russia, including improved Chinese military forces and non-state terrorist organizations. In addition, the Navy of FY1987 differed substantially from the February 2017 fleet in areas such as profusion of precision-guided air-delivered weapons, numbers of Tomahawk-capable ships, and the sophistication of C4ISR systems and networking capabilities.⁶⁸

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 274-ship fleet of February 2017 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.

⁶⁷ 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.

⁶⁸ C4ISR stands for command and control, communications, computers, intelligence, surveillance, and reconnaissance.

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.

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 271-ship Navy of September 2015 was appropriately sized for meeting the mission requirements of 2015, even though there were differences of opinion among observers on that question (as reflected, for example, in **Table F-1**), simply because a figure of 271 ships appears in the historical records for 2014, 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 J-1**.

Previous Navy force structure plans, such as those shown in **Table B-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 plan 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.⁶⁹

⁶⁹ Navy force structure plans that predate those shown in **Table B-1** include the Reagan-era 600-ship plan 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.
(continued...)

Appendix E. Independent Panel Assessment of 2010 QDR

The law that once required DOD to perform Quadrennial Defense Reviews (QDRs) once every four years (10 U.S.C. 118) stated that the results of each QDR were to be assessed by an independent panel.⁷⁰ The report of the independent panel that assessed the 2010 QDR was released on July 29, 2010. The independent panel's report recommended a Navy of 346 ships, including 11 aircraft carriers and 55 attack submarines.⁷¹ The report stated the following, among other things:

- “The QDR should reflect current commitments, but it must also plan effectively for potential threats that could arise over the next 20 years.... we believe the 2010 QDR did not accord sufficient priority to the need to counter anti-access challenges, strengthen homeland defense (including our defense against cyber threats), and conduct post-conflict stabilization missions.” (Page 54)
- “In this remarkable period of change, global security will still depend upon an American presence capable of unimpeded access to all international areas of the Pacific region. In an environment of ‘anti-access strategies,’ and assertions to create unique ‘economic and security zones of influence,’ America’s rightful and historic presence will be critical. To preserve our interests, the United States will need to retain the ability to transit freely the areas of the Western Pacific for security and economic reasons. Our allies also depend on us to be fully present in the Asia-Pacific as a promoter of stability and to ensure the free flow of commerce. A robust U.S. force structure, largely rooted in maritime strategy but including other necessary capabilities, will be essential.” (Page 51)
- “The United States will need agile forces capable of operating against the full range of potential contingencies. However, the need to deal with irregular and hybrid threats will tend to drive the size and shape of ground forces for years to come, whereas the need to continue to be fully present in Asia and the Pacific and other areas of interest will do the same for naval and air forces.” (Page 55)

(...continued)

- a. Commonly referred to as 450-ship plan, 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.

⁷⁰ Section 1072(a)(1) of the Carl Levin and Howard P. “Buck” McKeon National Defense Authorization Act for FY2015 (H.R. 3979/P.L. 113-291 of December 19, 2014) amended 10 USC 118 generally, substituting provisions relating to a once-every-four-years defense strategy review for provisions that had related to a QDR.

⁷¹ Stephen J. Hadley and William J. Perry, co-chairmen, et al., *The QDR in Perspective: Meeting America’s National Security Needs In the 21st Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on page 58.

- “The force structure in the Asia-Pacific needs to be increased. In order to preserve U.S. interests, the United States will need to retain the ability to transit freely the areas of the Western Pacific for security and economic reasons. The United States must be fully present in the Asia-Pacific region to protect American lives and territory, ensure the free flow of commerce, maintain stability, and defend our allies in the region. A robust U.S. force structure, one that is largely rooted in maritime strategy and includes other necessary capabilities, will be essential.” (Page 66)
- “Force structure must be strengthened in a number of areas to address the need to counter anti-access challenges, strengthen homeland defense (including defense against cyber threats), and conduct post-conflict stabilization missions: First, as a Pacific power, the U.S. presence in Asia has underwritten the regional stability that has enabled India and China to emerge as rising economic powers. The United States should plan on continuing that role for the indefinite future. The Panel remains concerned that the QDR force structure may not be sufficient to assure others that the United States can meet its treaty commitments in the face of China’s increased military capabilities. Therefore, we recommend an increased priority on defeating anti-access and area-denial threats. This will involve acquiring new capabilities, and, as Secretary Gates has urged, developing innovative concepts for their use. Specifically, we believe the United States must fully fund the modernization of its surface fleet. We also believe the United States must be able to deny an adversary sanctuary by providing persistent surveillance, tracking, and rapid engagement with high-volume precision strike. That is why the Panel supports an increase in investment in long-range strike systems and their associated sensors. In addition, U.S. forces must develop and demonstrate the ability to operate in an information-denied environment.” (Pages 59-60)
- “To compete effectively, the U.S. military must continue to develop new conceptual approaches to dealing with operational challenges, like the Capstone Concept for Joint Operations (CCJO). The Navy and Air Force’s effort to develop an Air-Sea Battle concept is one example of an approach to deal with the growing anti-access challenge. It will be necessary to invest in modernized capabilities to make this happen. The Chief of Naval Operations and Chief of Staff of the Air Force deserve support in this effort, and the Panel recommends the other military services be brought into the concept when appropriate.” (Page 51; a similar passage appears on page 67)

In recommending a Navy of 346 ships, the independent panel’s report cited the 1993 Bottom-Up Review (BUR) of U.S. defense plans and policies. **Table E-1** compares the Navy’s 355-ship goal of December 2016 to the 346-ship Navy recommended in the 1993 BUR (as detailed partly in subsequent Navy testimony and publications) and the ship force levels recommended in the independent panel report.

Table E-1. Comparison of Navy’s 355-ship goal, Navy Plan from 1993 BUR, and Navy Plan from 2010 QDR Review Panel

Ship Type	Navy’s 355-ship goal of December 2016	Bottom-Up Review (BUR) (1993)	2010 QDR Independent Review Panel (July 2010)
SSBNs	12	18 (SSBN force was later reduced to 14 as a result of the 1994 Nuclear Posture Review)	14
SSGNs	0	0 (SSGN program did not yet exist)	4
SSNs	66	45 to 55 (55 in FY99, with a long-term goal of about 45)	55
Aircraft carriers	12	11 active + 1 operational/reserve	11 active
Surface combatants	156	124 (114 active + 10 frigates in Naval Reserve Force; a total of 110-116 active ships was also cited)	n/a
Large surface combatants (i.e., cruisers and destroyers)	104	n/a	n/a
Small surface combatants (i.e., LCSs and frigates)	52	10 frigates in Naval Reserve Force	n/a
Amphibious ships	38 (34 operational ships needed to lift 2.0 MEBs)	41 (Enough to lift 2.5 MEBs)	n/a
Dedicated mine warfare ships	0 (to be replaced by LCSs)	26 (LCS program did not exist)	n/a
CLF ships	32	43	n/a
Support ships	39	22	n/a
TOTAL ships	355	346 (numbers above add to 331-341)^a	346

Source: Table prepared by CRS. **Sources for 1993 Bottom-Up Review:** Department of Defense, *Report on the Bottom-Up Review*, October 1993, Figure 7 on page 28; Department of the Navy, *Highlights of the FY 1995 Department of the Navy Budget*, February 1994, p. 1; Department of the Navy, *Force 2001, A Program Guide to the U.S. Navy*, 1994 edition, p. 15; Statement of VADM T. Joseph Lopez, U.S. Navy, Deputy Chief of Naval Operations (Resources, Warfare Requirements & Assessments), Testimony to the Military Forces and Personnel Subcommittee of the House Armed Services Committee, March 22, 1994, pp. 2-5. **Source for independent panel report:** Stephen J. Hadley and William J. Perry, co-chairmen, et al., *The QDR in Perspective: Meeting America’s National Security Needs In the 21st Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on pages 58-59.

Notes: **n/a** is not addressed in the report. **SSBN** is nuclear-powered ballistic missile submarine; **SSGN** is nuclear-powered cruise missile and special operations forces submarine; **SSN** is nuclear-powered attack submarine; **LCS** is Littoral Combat Ship; **MPF(F)** is Maritime Prepositioning Force (Future) ship; **CLF** is combat logistics force (i.e., resupply) ship; **MEB** is Marine Expeditionary Brigade.

- a. The Navy testified in 1994 that the planned number was adjusted from 346 to 330 to reflect reductions in numbers of tenders and early retirements of some older amphibious ships.

In a letter dated August 11, 2010, Secretary of Defense Robert Gates provided his comments on the independent panel’s report. The letter stated in part:

I completely agree with the Panel that a strong navy is essential; however, I disagree with the Panel’s recommendation that DoD should establish the 1993 Bottom Up Review’s (BUR’s) fleet of 346 ships as the objective target. That number was a simple projection of the then-planned size of [the] Navy in FY 1999, not a reflection of 21st century, steady-state requirements. The fleet described in the 2010 QDR report, with its overall target of 313 to 321 ships, has roughly the same number of aircraft carriers, nuclear-powered attack submarines, surface combatants, mine warfare vessels, and amphibious ships as the larger BUR fleet. The main difference between the two fleets is in the numbers of combat logistics, mobile logistics, and support ships. Although it is true that the 2010 fleet includes fewer of these ships, they are all now more efficiently manned and operated by the Military Sealift Command and meet all of DoD’s requirements....

I agree with the Panel’s general conclusion that DoD ought to enhance its overall posture and capabilities in the Asia-Pacific region. As I outlined in my speech at the Naval War College in April 2009, “to carry out the missions we may face in the future... we will need numbers, speed, and the ability to operate in shallow waters.” So as the Air-Sea battle concept development reaches maturation, and as DoD’s review of global defense posture continues, I will be looking for ways to meet plausible security threats while emphasizing sustained forward presence – particularly in the Pacific.⁷²

⁷² Letter dated August 11, 2010, from Secretary of Defense Robert Gates to the chairmen of the House and Senate Armed Services and Appropriations Committees, pp. 3 and 4. The ellipsis in the second paragraph appears in the letter.

Appendix F. Pre-2013 Proposals by Study Groups for Navy Force Structure

Table F-1 shows examples of proposals for Navy force structure made in recent years by various study groups, all of which were published prior to late 2013, when observers began to conclude that the international security environment has undergone a shift from the familiar post-Cold War era of the past 20-25 years, also sometimes known as the unipolar moment (with the United States as the unipolar power), to a new and different strategic situation that features, among other things, renewed great power competition and challenges to elements of the U.S.-led international order that has operated since World War II. For reference purposes, **Table F-1** also shows the Navy's 355-ship goal of December 2016.

Table F-1. Recent Study Group Proposals for Navy Ship Force Structure

Ship type	Navy's 308-ship goal of December 2016	Project on Defense Alternatives (PDA) (November 2012)	Heritage Foundation (April 2011)	Cato Institute (September 2010) ^a	Independent Panel Assessment of 2010 QDR (July 2010)	Sustainable Defense Task Force (June 2010)	Center for a New American Security (CNAS) (November 2008)	Center for Strategic and Budgetary Assessments (CSBA) (2008) ^b
<i>Submarines</i>								
SSBN	12	7	14 ^c	6	14	7	14	12
SSGN	0	6-7	4	0	4	4	0	2
SSN	66	42	55	40	55	37	40	41
<i>Aircraft carriers</i>								
CVN	12	9	11	8	11	9	8	11
CVE	0	0	0	0	0	0	0	4
<i>Surface combatants</i>								
Cruiser	104	72-74	88	22	n/a	85	18	14
Destroyer				65	n/a		56	73
Frigate		2-7 ⁱ	28 ^d	14	n/a	0	0	9 ^e
LCS	52	12 ⁱ		4	n/a	25	48	55
SSC		i	0	0	n/a	0	40	0 ^f
<i>Amphibious and Maritime Prepositioning Force (Future) (MPF[F]) ships</i>								
Amphibious ships	38	≥23	37	23	n/a	27	36	33
MPF(F) ships	0	n/a	0	0	n/a	n/a	0	3 ^g
LSD station ships	0	0	0	0	0	0	0	7 ^h
<i>Other: Mine warfare (MIW) ships; Combat Logistics Force (CLF) ships (i.e., at-sea resupply ships), and support ships</i>								
MIW	0	14 ⁱ	14	11	0	0	0	0
CLF ships	32	n/a	33	21	n/a			31
Support ships	39	n/a	25	27	n/a	36	40	31
TOTAL battle force ships	355	230	309	241	346	230	300	326ⁱ

Source: Table prepared by CRS based on the following sources: **For Heritage Foundation:** *A Strong National Defense[.] The Armed Forces America Needs and What They Will Cost*, Heritage Foundation, April 5, 2011, pp. 25-26. **For Cato Institute:** Benjamin H. Friedman and Christopher Preble, *Budgetary Savings from Military Restraint*, Washington, Cato Institute, September 23, 2010 (Policy Analysis No. 667), pp. 6, 8-10, and additional information provided by Cato Institute to CRS by email on September 22, 2010. **For Independent Panel Assessment:** Stephen J. Hadley and William J. Perry, co-chairmen, et al., *The QDR in Perspective: Meeting America's National Security Needs In the 21st Century, The Final Report of the Quadrennial Defense Review Independent Panel*, Washington, 2010, Figure 3-2 on pages 58-59. **For Sustainable Defense Task Force:** *Debt, Deficits, and Defense, A Way Forward[.] Report of the Sustainable Defense Task Force*, June 11, 2010, pp. 19-20. **For CNAS:** Frank Hoffman, *From Preponderance to Partnership: American Maritime Power in the 21st Century*. Washington, Center for a New American Security, November 2008. p. 19 (Table 2). **For CSBA:** Robert O. Work, *The US Navy[.] Charting a Course for Tomorrow's Fleet*. Washington, Center for Strategic and Budgetary Assessments, 2008. p. 81 (Figure 5). **For PDA:** Carl Conetta, *Reasonable Defense*, Project on Defense Alternatives, November 14, 2012, 31 pp.

Notes: *n/a* is not addressed in the report. **SSBN** is nuclear-powered ballistic missile submarine; **SSGN** is nuclear-powered cruise missile and special operations forces submarine; **SSN** is nuclear-powered attack submarine; **CVN** is large nuclear-powered aircraft carrier; **CVE** is medium-sized aircraft carrier; **LCS** is Littoral Combat Ship; **SSC** (an acronym created by CRS for this table) is small surface combatant of 1,000+ tons displacement—a ship similar to late-1990s Streetfighter concept; **MPF(F)** is Maritime Prepositioning Force (Future) ship; **LSD** is LSD-41/49 class amphibious ship operating as a station ship for a formation like a Global Fleet Station (GFS); **MIW** is mine warfare ship; **CLF** is combat logistics force (i.e., resupply) ship.

- a. Figures shown are for the year 2020; for subsequent years, reductions from these figures would be considered.
- b. Figures shown are for the year 2028.
- c. The report calls for a force of 280 SLBMs, which appears to equate to a force of 14 SSBNs, each with 20 SLBM tubes.
- d. The report calls for a force of 28 small surface combatants, and appears to use the term small surface combatants the same way that the Navy does in the 30-year shipbuilding plan—as a way of collectively referring to frigates and LCSs. The small surface combatants (SSCs) called for in the November 2008 CNAS report are separate from and smaller than the LCS.
- e. Maritime Security Frigates.
- f. Plan includes 28 patrol craft (PCs) of a few hundred tons displacement each, as well as 29 boat detachments and seven riverine squadrons.
- g. Plan shows three Mobile Landing Platform (MLP) ships that the Navy currently plans for the MPF(F) squadron, plus 16 existing current-generation maritime prepositioning force (MPF) ships and 17 existing prepositioning ships for Army and other service/agency equipment. Plan also shows 67 other DOD sealift ships.
- h. T-LSDs, meaning LSDs operated by the Military Sealift Command (MSC) with a partly civilian crew.
- i. The CSBA report shows a total of 488 units by including 162 additional force units that do not count toward the 308-ship goal under the battle force ships counting method that has been used since the early 1980s for public policy discussions of the size of the Navy. These 162 additional force units include 16 existing current-generation maritime prepositioning force (MPF) ships and 17 existing prepositioning ships for Army and other service/agency equipment, 67 other DOD sealift ships, 28 PCs, 29 boat detachments, and certain other small-scale units. The CSBA report proposes a new counting method for naval/maritime forces that includes units such as these in the total count.
- j. The report “prescribes ending procurement of the LCS with the 12 already purchased. The *Reasonable Defense* model foresees a future cohort of 28 to 33 small surface combatants, including a mix of the 12 LCS that have already been procured, 14 Mine Counter Measure (MCM) ships already in the fleet, and small frigates or ocean-going corvettes. As the MCM ships age and leave the fleet, the LCS should assume their role. The would leave a post-MCM requirement for 16 to 21 additional small surface combatants. For this, the Navy needs a simpler, less expensive alternative to the LCS.”

Appendix G. 2014 Journal Article on Fleet Architecture

As additional information on the question of future fleet architecture, one observer—a person who for many years was the Navy’s lead force-structure planner—stated the following in 2014 regarding the Navy’s approach to fleet design:

It is time to rethink how we will design the future Fleet in a way that rebalances affordability, platform capability, and deployment processes. We must build it as a whole instead of continuing to “let it happen” one platform requirements decision at a time....

Today the Navy operates about 50 different types of ships and aircraft with individual design-service lives of 20 to 50 years. On average, about two classes of ship or aircraft annually come up for a decision on replacement at the end of their service lives. Each of these decisions, a multi-year joint bureaucratic process with dozens of participating organizations, is made individually. Typically, as a starting point, the new platform must do everything the old one did, except in the more challenging threat environment of the future. All of the decision-making organizations generally advocate for the next-generation platform to have the desired capabilities unmet by the old one—particularly since any additional unit cost is not their bill. It is no surprise that this process leads to steadily increasing platform and overall Fleet cost....

The future Fleet is being designed ad hoc, one platform at a time, and we cannot afford this. How can we change the trend toward an ever-smaller Fleet of ever-better platforms while maintaining the capability superiority needed to execute our missions? It will take a top-down design to provide a structure in which individual platform requirements can be shaped and disciplined despite all of the pressures. We will have to consider distributing capabilities to a greater extent across a force that is securely networked, at least within line of sight, rather than putting as many as possible on each individual platform and continuing to drive up its size and cost.

We will have to consider separating weapon magazines from the sensors that direct the weapons rather than putting both on the same platform. Another option is increasing reliance on deep-magazine directed energy systems, and on force-wide coordinated soft-kill and counter-targeting techniques, rather than on engaging each threat with ever-larger and more expensive kinetic weapons. We can also think about increasing reliance on penetrating high-threat areas with longer-range weapons or with preprogrammed unmanned systems rather than with manned platforms. Few of these options would rise to the top in the requirements decision-making process for any individual platform. They only start to make sense when considered and competed at a Fleet-wide level.

Developing an overall fleet design to structure and discipline individual platform requirements is no small task. Simply constraining platform cost without dealing with how capabilities might be delivered differently is not sufficient. This is not a once-and-done process, as changes in threat and in our own technology options will never stop. But neither can it be a process that changes the design in some fundamental way every year or two—it will have to influence platform requirements for a long period of time to affect a significant number of new platform designs.

We cannot afford to retire legacy platforms prematurely simply because they are not optimized within our new Fleet design, which will take time to implement and have to be done incrementally. Real and fundamental change in the roles, missions, and interdependencies among platform types, and in the balance between manned and unmanned and between platform and payload, is an inevitable outcome of a Fleet design process. That is the point. Change is hard, and it will have to be authorized and directed by the Navy’s leadership or risk not happening.

A number of ideas for a new Fleet design have been offered recently from outside the Navy's decision-making mainstream. However, all have had significant flaws, so they have not received serious consideration. They have assumed things such as beyond line-of-sight networking that has no survivable future in the face of adversary counter-space capability; autonomy of unmanned vehicles in executing lethal missions that is beyond the projected capability of software and U.S. rules of engagement to support; and the use of platforms too small to be capable of global deployment and sustained sea-based operations, which is how the U.S. Navy must deliver global naval power. The future Fleet design must be grounded in technical and operational reality, and it has to come from inside the Navy system....

Developing a rich list of operationally-realistic options supported by rigorous analysis of cost and feasibility is foundational. It could include:

- The use of a common large aviation-ship hull for Navy sea-control/power-projection air wings and for Marine Corps vertical-raid/assault-air wings, reconfigurable between the two missions between the deployments;
- Surface combatants with smaller vertical-launch magazines that can reload at sea from logistic ships or remotely fire weapons carried in supplementary magazines on logistic ships;
- Separate classes of surface combatants optimized for air defense or antisubmarine warfare within a common hull type that can self-defend in peacetime but aggregate to fight offensively in wartime;
- Tactical-combat aircraft that are optimized for endurance and carriage of long-range weapons rather than for penetrating sophisticated defenses carrying short-range weapons;
- Large shore-launched unmanned undersea vehicles that take the place of submarines for preprogrammed missions such as covert surveillance or mine-laying;
- Use of a common hull type for all of the large non-combatant ship missions such as command ships, tenders, hospital ships, ground vehicle delivery, and logistics; and
- Elimination of support models that are based on wartime reliance on reach-back access to unclassified cyber networks connected by vulnerable communications satellites or to an indefensible global internet....

The Navy's long-term force structure requirement is a 306-ship Fleet of the currently-planned designs, of which about 120 (or 40 percent of the force) would be deployed day-to-day. It would also be able to surge an additional 75 ships (another 25 percent) within two months to meet warfighting capacity requirements. In other words, about 65 percent is employed or rapidly employable.

This sounds good, but the reality is that 30 of these 120 deployed ships would be permanently homeported overseas; 26 would be LCSs that use the rotation of their small military crews to keep 50 percent of that class forward deployed; and 40 would be Military Sealift Command support ships that use rotational civilian mariner crewing to keep the ships deployed 75 percent of the time. The remaining 25 of the forward-deployed force will be large and complex multibillion dollar warships with all-military crews, supported out of a rotation base of 140 such ships.

In other words, we plan to buy and operate five of our most expensive ships to keep one deployed. This is not an efficient way to operate. In times of reduced funding our design must address ways to meet our deployment goals with a smaller rotation base while preserving wartime surge capacity.

Many studies and trials have been done over the years on options for reducing the total number of ships needed to sustain the Navy's robust peacetime forward-deployed posture. Increasing forward homeporting in other nations always comes up as the first

choice. While it is a good one, few countries beyond those that currently support this (Japan, Spain, Italy, and Bahrain) are willing to tolerate a permanent new U.S. shore footprint. Building new shore-support infrastructure in foreign countries to back this results in a large bill for construction jobs outside the United States, which Congress normally finds unappetizing.

Using rotational crews to keep ships forward for extended periods without long deployments for their sailors is an efficient option that works for ships with small crews like LCSs, legacy mine-warfare ships, or Military Sealift Command support ships. Experiments in which this has been done with military crews on large complex warships have not turned out well. This was due both to the logistics of moving large crews overseas for turnovers and the difficulty of maintaining exact configuration commonality within ships of a class so that a crew arriving on a ship overseas has trained before deployment on an identical ship (or simulator) at home. Conversions of ships from military manning to Military Sealift Command civilian mariner crews that routinely rotate individual crewmembers to sustain ships forward are limited by the law of war concerning what military actions civilians can perform, and there are few legal options left for further expansion of this approach.

What is left in the force-generation model of our current Fleet is a force of our most complex warships—aircraft carriers, submarines, destroyers, and amphibious ships—operating with permanently-assigned military crews in the “Fleet Readiness Program” cycle of maintain-train-deploy with a deployed output of one in five. Future designs must address this model and find ways to get more deployed time out of these expensive ships and crews—without exceeding the current objective of having military crewmembers spend no more than 50 percent of their time away from homeport over a complete multi-year operating cycle. The current limiting factor is the period required to train the crew as a team before deployment following the inactivity and crew turnover of the shipyard maintenance period.

Naval aviation is steadily moving toward the increased use of high-fidelity single and multi-aircraft simulation as a means of developing and sustaining operational proficiency with reduced use of expensive live flying. These simulators are funded as part of the overall fielding plan for the aircraft and were also built for the ballistic-missile submarine force to support its Blue-Gold crew manning concept. There is no equivalent model or set of off-ship simulators for major sections of the crews of conventional surface warships (other than the LCS) for nuclear-aircraft carriers or for attack submarines. A Fleet design that bought such simulation capability as part of its ship production programs—the way that aircraft programs do—would have significant potential for improving operational output by reducing the time to train for deployment after maintenance periods.

Today’s Fleet design is the product of many separate and disconnected decisions about the required capabilities of 50 different types of ships and aircraft. While not ineffective, it is definitely too expensive. The budget constraints facing the Navy for the next 20 years are not matched by a projected reduction in the quantity or capability of forces that must be delivered forward every day or surged forward in wartime.

The only way to meet these demands within available resources is to develop a design that provides a structure within which the capabilities of future platforms can be shaped to meet the Fleet’s missions efficiently as an overall force. Doing this will require a systems-level approach to defining what it must be able to do, and will mean abandoning some cherished traditions of what each type of platform should do. The alternative is a Navy no longer large or capable enough to do the nation’s business.⁷³

⁷³ Arthur H. Barber, “Rethinking The Future Fleet,” *U.S. Naval Institute Proceedings*, May 2014: 48-52.

Appendix H. Potential Impact on Size and Capability of Navy of Limiting DOD Spending to CBA Caps Through FY2021

This appendix presents additional details on the potential impact on the size and capability of the Navy of limiting DOD spending to the BCA caps through FY2021.

January 2015 Navy Testimony

In testimony on this issue to the Senate Armed Services Committee on January 28, 2015, then-Chief of Naval Operations Admiral Jonathan Greenert stated:

A return to sequestration in FY 2016 would necessitate a revisit and revision of the DSG [Defense Strategic Guidance document of January 2012]. Required cuts will force us to further delay critical warfighting capabilities, reduce readiness of forces needed for contingency response, forego or stretch procurement of ships and submarines, and further downsize weapons capability. We will be unable to mitigate the shortfalls like we did in FY2013 [in response to the sequester of March 1, 2013] because [unobligated] prior-year investment balances [which were included in the funds subject to the sequester] were depleted under [the] FY 2013 sequester [of March 1, 2013].

The revised discretionary caps imposed by sequestration would be a reduction of about \$10 billion in our FY 2016 budget alone, as compared to PB-2015. From FY 2016-2020, the reduction would amount to approximately \$36 billion. If forced to budget at this level, it would reduce every appropriation, inducing deep cuts to Navy Operation and Maintenance (O&M), investment, and modernization accounts. The Research, Development, Test and Evaluation (RDT&E) accounts would likely experience a significant decline across the FYDP, severely curtailing the Navy's ability to develop new technologies and asymmetric capabilities.

As I testified to this committee in November 2013, any scenario to address the fiscal constraints of the revised discretionary caps must include sufficient readiness, capability and manpower to complement the force structure capacity of ships and aircraft. This balance would need to be maintained to ensure each unit will be effective, even if the overall fleet is not able to execute the DSG. There are many ways to balance between force structure, readiness, capability, and manpower, but none that Navy has calculated that enable us to confidently execute the current defense strategy within dictated budget constraints.

As detailed in the Department of Defense's April 2014 report, "Estimated Impacts of Sequestration-Level Funding," one potential fiscal and programmatic scenario would result in a Navy of 2020 that would be unable to execute two of the ten DSG missions due to the compounding effects of sequestration on top of pre-existing FY 2013, 2014, and 2015 resource constraints. Specifically, the cuts would render us unable to sufficiently Project Power Despite Anti-Access/Area Denial Challenges and unable to Deter and Defeat Aggression. In addition, we would be forced to accept higher risk in five other DSG missions: Counter Terrorism and Irregular Warfare; Defend the Homeland and Provide Support to Civil Authorities; Provide a Stabilizing Presence; Conduct Stability and Counterinsurgency Operations; and Conduct Humanitarian, Disaster Relief, and Other Operations. (Table 2 provides more detail on mission risks.) In short, a return to sequestration in FY 2016 will require a revision of our defense strategy.

Critical assumptions I have used to base my assessments and calculate risk:

- Navy must maintain a credible, modern, and survivable sea-based strategic deterrent

- Navy must man its units
- Units that deploy must be ready
- People must be given adequate training and support services
- Readiness for deployed forces is a higher priority than contingency response forces
- Capability must be protected, even at the expense of some capacity
- Modernized and asymmetric capabilities (advanced weapons, cyber, electronic warfare) are essential to projecting power against evolving, sophisticated adversaries
- The maritime industrial base is fragile—damage can be long-lasting, hard to reverse

The primary benchmarks I use to gauge Navy capability and capacity are DoD Global Force Management Allocation Plan presence requirements, Combatant Commander Operation and Contingency Plans, and Defense Planning Guidance Scenarios. Navy's ability to execute DSG missions is assessed based on capabilities and capacity resident in the force in 2020.

The following section describes specific sequestration impacts to presence and readiness, force structure investments, and personnel under this fiscal and programmatic scenario:

Presence and Readiness

A return to sequestration would reduce our ability to deploy forces on the timeline required by Global Combatant Commands in the event of a contingency. Of the Navy's current battle force, we maintain roughly 100 ships forward deployed, or 1/3 of our entire Navy. Included among the 100 ships are two CSG and two ARG forward at all times. CSGs and ARGs deliver a significant portion of our striking power, and we are committed to keeping, on average, three additional CSGs and three additional ARGs in a contingency response status, ready to deploy within 30 days to meet operation plans (OPLANs). However, if sequestered, we will prioritize the readiness of forces forward deployed at the expense of those in a contingency response status. We cannot do both. We will only be able to provide a response force of one CSG and one ARG. Our current OPLANs require a significantly more ready force than this reduced surge capacity could provide, because they are predicated on our ability to respond rapidly. Less contingency response capacity can mean higher casualties as wars are prolonged by the slow arrival of naval forces into a combat zone. Without the ability to respond rapidly enough, our forces could arrive too late to affect the outcome of a fight.

Our PB-2015 base budget funded ship and aviation depot maintenance to about 80 percent of the requirement in FY 2016-2019. This is insufficient in maintaining the Fleet and has forced us to rely upon Overseas Contingency Operations (OCO) funding to address the shortfall. Sequestration would further aggravate existing Navy backlogs. The impacts of these growing backlogs may not be immediately apparent, but will result in greater funding needs in the future to make up for the shortfalls each year and potentially more material casualty reports (CASREPs), impacting operations. For aviation depot maintenance, the growing backlog will result in more aircraft awaiting maintenance and fewer operational aircraft on the flight line, which would create untenable scenarios in which squadrons would only get their full complement of aircraft just prior to deployment. The situation will lead to less proficient aircrews, decreased combat effectiveness of naval air forces, and increased potential for flight and ground mishaps.

Critical to mission success, our shore infrastructure provides the platforms from which our Sailors train and prepare. However, due the shortfalls over the last three years, we have been compelled to reduce funding in shore readiness since FY 2013 to preserve the operational readiness of our fleet. As a result, many of our shore facilities are degrading. At sequestration levels, this risk will be exacerbated and the condition of our shore infrastructure, including piers, runways, and mission-critical facilities, will further erode.

This situation may lead to structural damage to our ships while pierside, aircraft damage from foreign object ingestion on deteriorated runways, and degraded communications within command centers. We run a greater risk of mishaps, serious injury, or health hazards to personnel.

Force Structure Investments

We must ensure that the Navy has the required capabilities to be effective, even if we cannot afford them in sufficient capacity to meet the DSG. The military requirements laid out in the DSG are benchmarked to the year 2020, but I am responsible for building and maintaining capabilities now for the Navy of the future. While sequestration causes significant near-term impacts, it would also create serious problems that would manifest themselves after 2020 and would be difficult to recover from.

In the near term, the magnitude of the sequester cuts would compel us to consider reducing major maritime and air acquisition programs; delaying asymmetric capabilities such as advanced jammers, sensors, and weapons; further reducing weapons procurement of missiles, torpedoes, and bombs; and further deferring shore infrastructure maintenance and upgrades. Because of its irreversibility, force structure cuts represent options of last resort for the Navy. We would look elsewhere to absorb sequestration shortfalls to the greatest extent possible.

Disruptions in naval ship design and construction plans are significant because of the long-lead time, specialized skills, and extent of integration needed to build military ships. Because ship construction can span up to nine years, program procurement cancelled in FY 2016 will not be felt by the Combatant Commanders until several years later when the size of the battle force begins to shrink as those ships are not delivered to the fleet at the planned time. Likewise, cancelled procurement in FY 2016 will likely cause some suppliers and vendors of our shipbuilding industrial base to close their businesses. This skilled, experienced and innovative workforce cannot be easily replaced and it could take years to recover from layoffs and shutdowns; and even longer if critical infrastructure is lost. Stability and predictability are critical to the health and sustainment of this vital sector of our Nation's industrial capacity.

Personnel

In FY 2013 and 2014, the President exempted all military personnel accounts from sequestration out of national interest to safeguard the resources necessary to compensate the men and women serving to defend our Nation and to maintain the force levels required for national security. It was recognized that this action triggered a higher reduction in non-military personnel accounts.

If the President again exempts military personnel accounts from sequestration in FY 2016, then personnel compensation would continue to be protected. Overall, the Navy would protect personnel programs to the extent possible in order to retain the best people. As I testified in March 2014, quality of life is a critical component of the quality of service that we provide to our Sailors. Our Sailors are our most important asset and we must invest appropriately to keep a high caliber all-volunteer force. We will continue to fund Sailor support, family readiness, and education programs. While there may be some reductions to these programs if sequestered in FY 2016, I anticipate the reductions to be relatively small. However, as before, this would necessitate higher reductions to the other Navy accounts.

Conclusion

Navy is still recovering from the FY 2013 sequestration in terms of maintenance, training, and deployment lengths. Only 1/3 of Navy contingency response forces are ready to deploy within the required 30 days. With stable and consistent budgets, recovery is possible in 2018. However, if sequestered, we will not recover within this FYDP.

For the last three years, the Navy has been operating under reduced top-lines and significant shortfalls: \$9 billion in FY 2013, \$5 billion in FY 2014 and \$11 billion in FY 2015, for a total shortfall of about \$25 billion less than the President's budget request. Reverting to revised sequester-level BCA caps would constitute an additional \$5-10 billion decrement each year to Navy's budget. With each year of sequestration, the loss of force structure, readiness, and future investments would cause our options to become increasingly constrained and drastic. The Navy already shrank 23 ships and 63,000 personnel between 2002 and 2012. It has few options left to find more efficiencies.

While Navy will do its part to help the Nation get its fiscal house in order, it is imperative we do so in a coherent and thoughtful manner to ensure appropriate readiness, warfighting capability, and forward presence—the attributes we depend upon for our Navy. Unless naval forces are properly sized, modernized at the right pace, ready to deploy with adequate training and equipment, and capable to respond in the numbers and at the speed required by Combatant Commanders, they will not be able to carry out the Nation's defense strategy as written. We will be compelled to go to fewer places, and do fewer things. Most importantly, when facing major contingencies, our ability to fight and win will neither be quick nor decisive.

Unless this Nation envisions a significantly diminished global security role for its military, we must address the growing mismatch in ends, ways, and means. The world is becoming more complex, uncertain, and turbulent. Our adversaries' capabilities are diversifying and expanding. Naval forces are more important than ever in building global security, projecting power, deterring foes, and rapidly responding to crises that affect our national security. A return to sequestration would seriously weaken the United States Navy's ability to contribute to U.S. and global security.⁷⁴

Greenert's testimony concluded with the following table:

⁷⁴ Statement of Admiral Jonathan Greenert, U.S. Navy, Chief of Naval Operations, Before the Senate Armed Services Committee on the Impact of Sequestration on National Defense, January 28, 2015, pp. 4-9.

Figure H-1. Navy Table on Mission Impacts of Limiting Navy’s Budget to BC Levels

Quadrennial Defense Review Objectives		Mission Impacts to a Sequestered Navy	
	Defense Strategic Guidance Missions		Navy Ability to Execute
Project Power and Win Decisively	Project power against a technologically capable adversary		Major challenges to achieve warfighting objectives in denied areas: <ul style="list-style-type: none"> - Inadequate power projection capacity - Too few strike fighter, command/control, electronic warfare assets - Limited advanced radar and missile capacity - Insufficient munitions
	Execute large-scale ops in one region, deter another adversary's aggression elsewhere		Limited ready capacity to execute two simultaneous large scale ops: <ul style="list-style-type: none"> - 2/3 of required contingency response force (2 of 3 Carrier Strike Groups and 2 of 3 Amphibious Readiness Groups) not ready to deploy within 30 days
	Conduct limited counterinsurgency and other stability operations		Increased risk due to: <ul style="list-style-type: none"> - Reduced funding to Navy Expeditionary Combat Command - Reduced ISR capacity (especially tactical rotary wing drones)
	Operate effectively in space and cyber space		This mission is fully executable in a sequestered environment <ul style="list-style-type: none"> - Navy continues to prioritize cyber capabilities
Protect the Homeland	Conduct globally-distributed counter terrorism and irregular warfare operations		Increased risk due to: <ul style="list-style-type: none"> - Fewer sea base options and less ISR capacity (drones) - Reduced funding to Navy Expeditionary Combat Command
	Conduct humanitarian assistance and disaster relief		Increased risk due to: <ul style="list-style-type: none"> - Reduction in operations, maintenance, and flying hour accounts
	Defend the Homeland and provide support to civil authorities		Increased risk due to: <ul style="list-style-type: none"> - Reduction in operations, maintenance, and flying hour accounts
	Maintain a safe, secure, effective nuclear deterrent		This mission is fully executable in a sequestered environment <ul style="list-style-type: none"> - Navy's top budget priority in any fiscal scenario
	Prevent the proliferation and use of nuclear, biological, and chemical weapons		This mission is fully executable in a sequestered environment
Build Security Globally	Provide a stabilizing presence to influence events, reassure allies, and respond to crises		Increased risk due to: <ul style="list-style-type: none"> - Less ships forward - Decline of steady state presence & contingency response forces

Table 2: Mission Impacts to a Sequestered Navy

Source: Statement of Admiral Jonathan Greenert, U.S. Navy, Chief of Naval Operations, Before the Senate Armed Services Committee on the Impact of Sequestration on National Defense, January 28, 2015.

March 2015 Navy Report

The Navy’s March 2015 report to Congress on its FY2016 30-year shipbuilding plan states:

Long Term Navy Impact of Budget Control Act (BCA) Resource Level

The BCA is essentially a ten-percent reduction to DOD’s TOA. With the CVN [aircraft carrier] and OR [Ohio replacement] SSBN programs protected from this cut, as described above, there would be a compounding effect on the remainder of the Navy’s programs. The shortage of funding could potentially reverse the Navy’s progress towards recapitalizing a 308 ship battle force and could damage an already fragile shipbuilding industry. There are many ways to balance between force structure, readiness, capability, and manpower, but none that Navy has calculated that enable us to confidently execute the current defense strategy within BCA level funding.

If the BCA is not rescinded, it may impact Navy’s ability to procure those ships we intend to procure between now and FY2020. Although Navy would look elsewhere to absorb sequestration shortfalls because of the irreversibility of force structure cuts, a result might be that a number of the ships reflected in the current FYDP may be delayed to the future. The unintended consequence of these potential delays would be the increased costs of restoring these ships on top of an already stretched shipbuilding account that is trying to deal with the post FY2021 OR SSBN costs.

As previously articulated, barring changes to the Fleet's operational requirements, the annual impact of sequestration level funding may require Navy to balance resources to fund readiness accounts to keep what we have operating, manned, and trained. The net result of these actions could potentially create a smaller Navy that is limited in its ability to project power around the world and simply unable to execute the nation's defense strategy. A decline would not be immediate due to the ongoing shipbuilding projects already procured but would impact the future fleet size. Disruptions in naval ship design and construction plans are significant because of the long-lead time, specialized skills, and integration needed to build military ships. The extent of these impacts would be directly related to the length of time we are under a BCA and the TOA reductions that are apportioned to the Navy.⁷⁵

⁷⁵ U.S. Navy, *Report to Congress on the Annual Long-Range Plan for Construction of Naval Vessels for Fiscal Year 2016*, March 2015, pp. 7-8.

Appendix I. U.S. Strategy and the Size and Structure of U.S. Naval Forces

This appendix presents some observations on the relationship between U.S. strategy and the size and structure of U.S. naval forces that can form part of the context for assessing Navy force structure goals and shipbuilding plans.⁷⁶

Strategic considerations that can be considered in assessing Navy force structure goals and shipbuilding plans include, among other things, the U.S. strategic rebalancing toward the Asia-Pacific region,⁷⁷ China's modernization of its maritime military capabilities,⁷⁸ Russia's resurgent naval (particularly submarine) operations, and requests from U.S. regional combatant commanders (CCDRs) for forward-deployed U.S. naval forces that the Navy testified in 2014 would require a Navy of about 450 ships to fully meet.⁷⁹

More broadly, from a strategic perspective it can be noted that that U.S. naval forces, while not inexpensive, give the United States the ability to convert the world's oceans—a global commons that covers more than two-thirds of the planet's surface—into a medium of maneuver and operations for projecting U.S. power ashore and otherwise defending U.S. interests around the world. The ability to use the world's oceans in this manner—and to deny other countries the use of the world's oceans for taking actions against U.S. interests—constitutes an immense asymmetric advantage for the United States. This point would be less important if less of the world were covered by water, or if the oceans were carved into territorial blocks, like the land. Most of the world, however, is covered by water, and most of those waters are international waters, where naval forces can operate freely. The point, consequently, is not that U.S. naval forces are intrinsically special or privileged—it is that they have a certain value simply as a consequence of the physical and legal organization of the planet.

An additional point that can be noted in relating U.S. naval forces to U.S. national strategy is that most of the world's people, resources, and economic activity are located not in the Western Hemisphere, but in the other hemisphere, particularly Eurasia. In response to this basic feature of world geography, U.S. policymakers for the last several decades have chosen to pursue, as a key element of U.S. national strategy, a goal of preventing the emergence of a regional hegemon in one part of Eurasia or another, on the grounds that such a hegemon could represent a concentration of power strong enough to threaten core U.S. interests by, for example, denying the United States access to some of the other hemisphere's resources and economic activity. Although U.S. policymakers have not often stated this key national strategic goal explicitly in public, U.S. military operations in recent decades—both wartime operations and day-to-day operations—have been carried out in no small part in support of this key goal.

⁷⁶ A similar discussion can be found in CRS In Focus IF10485, *Defense Primer: Geography, Strategy, and U.S. Force Design*, by Ronald O'Rourke.

⁷⁷ For more on the strategic rebalancing, see CRS Report R42146, *Assessing the January 2012 Defense Strategic Guidance (DSG): In Brief*, by Catherine Dale and Pat Towell; and CRS Report R42448, *Pivot to the Pacific? The Obama Administration's "Rebalancing" Toward Asia*, coordinated by Mark E. Manyin.

⁷⁸ For more on China's modernization of its maritime military capabilities, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

⁷⁹ Navy officials testified in March 2014 that a Navy of 450 ships would be required to fully meet CCDR requests for forward-deployed Navy forces. (Spoken testimony of Admiral Jonathan Greenert at a March 12, 2014, hearing before the House Armed Services Committee on the Department of the Navy's proposed FY2015 budget, as shown in transcript of hearing.)

The traditional U.S. goal of preventing the emergence of a regional hegemon in one part of Eurasia or another has been a major reason why the U.S. military is structured with force elements that enable it to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival. Force elements associated with this goal include, among other things, an Air Force with significant numbers of long-range bombers, long-range surveillance aircraft, long-range airlift aircraft, and aerial refueling tankers, and a Navy with significant numbers aircraft carriers, nuclear-powered attack submarines, large surface combatants, large amphibious ships, and underway replenishment ships.

The United States is the only country in the world that has designed its military to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival. The other countries in the Western Hemisphere do not design their forces to do this because they cannot afford to, and because the United States has been, in effect, doing it for them. Countries in the other hemisphere do not design their forces to do this for the very basic reason that they are already in the other hemisphere, and consequently instead spend their defense money on forces that are tailored largely for influencing events in their own local region.

The fact that the United States has designed its military to do something that other countries do not design their forces to do—cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival—can be important to keep in mind when comparing the U.S. military to the militaries of other nations. For example, in observing that the U.S. Navy has 11 aircraft carriers while other countries have no more than one or two, it can be noted other countries do not need a significant number of aircraft carriers because, unlike the United States, they are not designing their forces to cross broad expanses of ocean and air space and then conduct sustained, large-scale military operations upon arrival.

As another example, it is sometimes noted, in assessing the adequacy of U.S. naval forces, that U.S. naval forces are equal in tonnage to the next dozen or more navies combined, and that most of those next dozen or more navies are the navies of U.S. allies. Those other fleets, however, are mostly of Eurasian countries, which do not design their forces to cross to the other side of the world and then conduct sustained, large-scale military operations upon arrival. The fact that the U.S. Navy is much bigger than allied navies does not necessarily prove that U.S. naval forces are either sufficient or excessive; it simply reflects the differing and generally more limited needs that U.S. allies have for naval forces. (It might also reflect an underinvestment by some of those allies to meet even their more limited naval needs.)

Countries have differing needs for naval and other military forces. The United States, as a country located in the Western Hemisphere that has adopted a goal of preventing the emergence of a regional hegemon in one part of Eurasia or another, has defined a need for naval and other military forces that is quite different from the needs of allies that are located in Eurasia. The sufficiency of U.S. naval and other military forces consequently is best assessed not through comparison to the militaries of other countries, but against U.S. strategic goals.

Appendix J. Size of the Navy and Navy Shipbuilding Rate

Size of the Navy

Table J-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.⁸⁰ The Navy fell below 300 battle force ships in August 2003 and as of February 2, 2017, included 274 battle force ships.

As discussed in **Appendix D**, 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.

⁸⁰ 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 J-1. Total Number of Ships in the 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	
1951	980	1973	584	1995	373		
1952	1,097	1974	512	1996	356		
1953	1,122	1975	496	1997	354		
1954	1,113	1976	476	1998	333		
1955	1,030	1977	464	1999	317		
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	291		
1961	897	1983	514	2005	282		
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	547	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 J-2 shows past (FY1982-FY2016) and requested or programmed (FY2017-FY2021) rates of Navy ship procurement.

Table J-2. Battle Force Ships Procured or Requested/Programmed, FY1982-FY2021
(Procured FY1982-FY2016; requested or programmed FY2017-FY2021)

82	83	84	85	86	87	88	89	90	91	92	93	94	95	96	97	98	99	00	01
17	14	16	19	20	17	15	19	15	11	11	7	4	4	5	4	5	5	6	6
02	03	04	05	06	07	08	09	10	11	12	13	14	15	16	17	18	19	20	21
6	5	7	8	4 ^a	5 ^a	3 ^a	8	7	10	11 ⁰	11	8	8	9	7	8	7	8	8

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 non-battle force ships that do not count toward the 308-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).

a. 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.

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.

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