



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

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Summary

The Navy's proposed FY2014 budget requests funding for the procurement of 8 new battle force ships (i.e., ships that count against the Navy's goal for achieving and maintaining a fleet of 306 ships). The 8 ships include two Virginia-class attack submarines, one DDG-51 class Aegis destroyer, four Littoral Combat Ships (LCSs), and one Mobile Landing Platform/Afloat Forward Staging Base (MLP/AFSB) ship. The Navy's proposed FY2014-FY2018 five-year shipbuilding plan includes a total of 41 ships—the same number as in the Navy's FY213-FY2017 five-year shipbuilding plan, and one less than the 42 ships that the Navy planned for FY2014-FY2018 under the FY2013 budget submission.

The planned size of the Navy, the rate of Navy ship procurement, and the prospective affordability of the Navy's shipbuilding plans have been matters of concern for the congressional defense committees for the past several years. The Navy's FY2014 30-year (FY2014-FY2043) shipbuilding plan, like the Navy's previous 30-year shipbuilding plans in recent years, does not include enough ships to fully support all elements of the Navy's 306-ship goal over the long run. The Navy projects that the fleet would remain below 306 ships during most of the 30-year period, and experience shortfalls at various points in cruisers-destroyers, attack submarines, and amphibious ships. The Congressional Budget Office (CBO) in recent years has estimated that the Navy's 30-year shipbuilding plan would cost more to execute than the Navy has estimated.

Proposed issues for Congress in reviewing the Navy's proposed FY2014 shipbuilding budget, its proposed FY2014-FY20178 five-year shipbuilding plan, and its FY2014 30-year (FY2014-FY2043) shipbuilding plan include the following:

- the impact on Navy shipbuilding programs of the March 1, 2013, sequester on FY2013 funding and unobligated prior-year funding;
- the potential impact on Navy shipbuilding programs of a possible sequester later this year or early next year on FY2014 funding and unobligated prior-year funding;
- the future size and structure of the Navy in light of strategic and budgetary changes;
- the sufficiency of the 30-year shipbuilding plan; and
- the affordability of the 30-year shipbuilding plan.

Funding levels and legislative activity on individual Navy shipbuilding programs are tracked in detail in other CRS reports.

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Introduction

This report provides background information and presents potential issues for Congress concerning the Navy's ship force-structure goals and shipbuilding plans. The planned size of the Navy, the rate of Navy ship procurement, and the prospective affordability of the Navy's shipbuilding plans have been matters of concern for the congressional defense committees for the past several years. Decisions that Congress makes on Navy shipbuilding programs can substantially affect Navy capabilities and funding requirements, and the U.S. shipbuilding industrial base.

Background

Navy's Ship Force Structure Goal

January 2013 Goal for Fleet of 306 Ships

On January 31, 2013, in response to Section 1015 of the FY2013 National Defense Authorization Act (H.R. 4310/P.L. 112-239 of January 2, 2013), the Navy submitted to Congress a report presenting a goal for achieving and maintaining a fleet of 306 ships, consisting of certain types and quantities of ships.¹ The goal for a 306-ship fleet is the result of a force structure assessment (FSA) that the Navy completed in 2012.

306-Ship Goal Reflects 2012 Strategic Guidance and Projected DOD Spending Shown in FY2013 Budget

The 2012 FSA and the resulting 306-ship plan reflect the defense strategic guidance document that the Administration presented in January 2012² and the associated projected levels of Department of Defense (DOD) spending shown in the FY2013 budget submission. DOD officials have stated that if planned levels of DOD spending are reduced below what is shown in the FY2013 budget submission, the defense strategy set forth in the January 2012 strategic guidance document might need to be changed. Such a change, Navy officials have indicated, could lead to the replacement of the 306-ship plan of January 2013 with a new plan.

Goal for Fleet of 306 Ships Compared to Earlier Goals

Table 1 compares the 306-ship goal to earlier Navy ship force structure plans.

¹ Department of the Navy, *Report to Congress [on] Navy Combatant Vessel Force Structure Requirement*, January 2013, 3 pp. The cover letters for the report were dated January 31, 2013.

² For more on this document, see CRS Report R42146, *In Brief: Assessing DOD's New Strategic Guidance*, by Catherine Dale and Pat Towell.

Table I. Current 306 Ship Force Structure Goal Compared to Earlier Goals

Ship type	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	12-14 ^b	12 ^b	12 ^b	14	14	14	14	14
Cruise missile submarines (SSGNs)	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	37	41	55	55
Aircraft carriers	11 ^e	11 ^e	11 ^e	11 ^e	11 ^f	10	11	12	12
Cruisers and destroyers	88	~90	94	94 ^g	88	67	92	104	116
Frigates	0	0	0	0	0	0	0	0	
Littoral Combat Ships (LCSs)	52	~55	55	55	55	63	82	56	0
Amphibious ships	33	~32	33	33 ^h	31	17	24	37	36
MPF(F) ships ⁱ	0 ^j	0 ^j	0 ^j	0 ^j	12 ^j	14 ^j	20 ^j	0 ^j	0 ^j
Combat logistics (resupply) ships	29	~29	30	30	30	24	26	42	34
Dedicated mine warfare ships	0	0	0	0	0	0	0	26 ^k	16
Joint High Speed Vessels (JHSV ^s)	10 ^l	10 ^l	10 ^l	21 ^l	3	0	0	0	0
Other ^m	23	~23	16	24 ⁿ	17	10	11	25	25
Total battle force ships	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 and signals that the number in question may be refined as a result of the Naval Force Structure Assessment currently in progress.

- 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 Ohio Replacement (SSBN[X]) Ballistic Missile Submarine 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.
- 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.
- For a time, the Navy characterized the goal as 11 carriers in the nearer term, and eventually 12 carriers.
- 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.
- 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.

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

Five-Year (FY2014-FY2018) Shipbuilding Plan

Table 2 shows the Navy's FY2014 five-year (FY2013-FY2018) shipbuilding plan.

Table 2. Navy FY2014 Five-Year (FY2014-FY2018) Shipbuilding Plan
(Battle force ships—i.e., ships that count against 306-ship goal)

Ship type	FY14	FY15	FY16	FY17	FY18	Total
Ford (CVN-78) class aircraft carrier	0	0	0	0	1	1
Virginia (SSN-774) class attack submarine	2	2	2	2	2	10
Arleigh Burke (DDG-51) class destroyer	1	2	2	2	2	9
Littoral Combat Ship (LCS)	4	4	2	2	2	14
LHA(R) amphibious assault ship	0	0	0	1	0	1
Fleet tug (TATF)	0	0	0	2	1	3
Mobile Landing Platform (MLP)/Afloat Forward Staging Base (AFSB)	1	0	0	0	0	1
TAO(X) oiler	0	0	1	0	1	2
TOTAL	8	8	7	9	9	41

Source: FY2013 Navy budget submission.

Notes: The MLP/AFSB is a variant of the MLP with additional features permitting it to serve in the role of an AFSB. The Navy proposes to fund the TATFs and TAO(X)s through the National Defense Sealift Fund (NDSF) and the other ships through the Navy's shipbuilding account, known formally as the Shipbuilding and Conversion, Navy (SCN) appropriation account.

Observations that can be made about the Navy's proposed five-year (FY2014-FY2018) shipbuilding plan include the following:

- **Total of 41 ships—about the same as last year.** The Navy's proposed FY2014-FY2018 five-year shipbuilding plan includes a total of 41 ships—the same number as in the Navy's FY2013-FY2017 five-year shipbuilding plan, and one less than the 42 ships that the Navy planned for FY2014-FY2018 under the FY2013 budget submission.
- **Average of 8.2 ships per year.** The FY2013-FY2017 plan includes an average of 8.2 battle force ships per year. The steady-state replacement rate for a fleet of 306 ships with an average service life of 35 years is about 8.7 ships per year. In light of how the average shipbuilding rate since FY1993 has been substantially below 8.7 ships per year (see **Appendix D**), 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.
- **Second Virginia-class submarine added in FY2014.** Compared to the FY2013-FY2017 five-year shipbuilding plan, the FY2014-FY2018 five-year shipbuilding plan adds a second Virginia-class attack submarine in FY2014. This follows through on Congress's action, in marking up the FY2013 budget, to provide advance procurement funding in FY2013 for a second Virginia-class boat in FY2014.
- **One DDG-51 destroyer in FY2014.** The FY2014-FY2018 five-year shipbuilding plan, like the FY2013-FY2017 five-year shipbuilding plan, includes one DDG-51 destroyer in FY2014. During Congress's review of the Navy's FY2013 budget submission, there was interest in Congress in adding a second DDG-51 destroyer to FY2014. In final action, Congress instead procured an additional DDG-51 destroyer in FY2013 (increasing the number of DDG-51s procured in FY2013 to three, compared to the two that were requested for FY2013). The third DDG-51 procured in FY2013 might be viewed as the equivalent of the second DDG-51 that supporters wanted to add to FY2014.
- **Start of LX(R) amphibious ship procurement deferred beyond FY2018.** The proposed FY2014-FY2018 five-year shipbuilding plan defers the procurement of the first LX(R) amphibious ship from FY2018 to a later fiscal year. The FY2013-FY2017 five-year shipbuilding plan had deferred the ship from FY2017 to FY2018. LX(R)s (previously designated LSD[X]s) are to replace aging LSD-41/49 class amphibious ships.

30-Year (FY2014-FY2043) Shipbuilding Plan

Table 3 shows the Navy's FY2014 30-year (FY2014-FY2043) shipbuilding plan, the tables for which were submitted to Congress on April 22, 2012.

Table 3. Navy FY2014 30-Year (FY2014-FY2043) Shipbuilding Plan

FY	CVN	LSC	SSC	SSN	SSBN	AWS	CLF	Supt	Total
14		1	4	2				1	8
15		2	4	2					8
16		2	2	2			1		7
17		2	2	2		1		2	9
18	1	2	2	2			1	1	9
19		2	3	2		1	1	1	10
20		2	3	2			1	2	10
21		2	3	2	1	1	1		10
22		3	3	2			1	2	11
23	1	3	3	2		1	1	3	14
24		2	3	1	1	1	1	2	11
25		3	3	2		1	1	1	11
26		2	1	1	1		1		6
27		3		2	1	1	1		8
28	1	3		1	1	2	1	1	10
29		3		1	1	1	1	1	8
30		2	1	1	1	1	1	2	9
31		2		2	1	1	1	2	9
32		2	1	1	1	2	1	3	11
33	1	2		1	1	1	1	2	9
34		2	1	1	1			2	7
35		2	1	1	1				5
36		2		1		1			4
37		2	4	2					8
38	1	3	4	2					10
39		3	4	1					8
40		3	4	2		2			11
41		3	4	1					8
42		3	3	2		1			9
43	1	2	3	1			1		8

Source: FY2014 30-year (FY2014-FY2043) 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.

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 the following:

- ship service lives;
- estimated ship procurement costs;
- projected shipbuilding funding levels; and
- industrial-base considerations.

Navy's Projected Force Levels Under 30-Year Shipbuilding Plan

Table 4 shows the Navy's projection of force levels for FY2014-FY2043 that would result from implementing the FY2014 30-year (FY2014-FY2043) shipbuilding plan shown in **Table 3**.

Table 4. Projected Force Levels Resulting from FY2014 30-Year (FY2014-FY2043) Shipbuilding Plan

	CVN	LSC	SSC	SSN	SSGN	SSBN	AWS	CLF	Supt	Total
306 ship plan	11	88	52	48	0	12	33	29	33	306
FY14	10	85	26	55	4	14	31	31	26	282
FY15	10	78	23	55	4	14	28	29	29	270
FY16	11	82	27	53	4	14	29	29	31	280
FY17	11	83	29	50	4	14	30	29	33	283
FY18	11	84	33	52	4	14	31	29	33	291
FY19	11	86	38	52	4	14	31	29	35	300
FY20	11	87	37	49	4	14	31	29	33	295
FY21	11	88	37	49	4	14	31	29	33	296
FY22	12	87	39	48	4	14	31	29	33	297
FY23	12	87	38	48	4	14	31	29	34	297
FY24	12	89	40	48	4	14	32	29	34	302
FY25	11	88	42	47	4	14	34	29	34	303
FY26	11	89	45	46	2	14	33	29	33	302
FY27	11	91	48	45	1	13	33	29	33	304
FY28	11	90	51	43	0	12	33	29	33	302
FY29	11	88	52	42	0	11	33	29	33	299
FY30	11	86	52	43	0	11	32	29	33	297
FY31	11	82	52	44	0	11	32	29	33	294
FY32	11	81	52	45	0	10	32	29	34	294
FY33	11	81	52	46	0	10	33	29	34	296
FY34	11	80	52	47	0	10	34	29	34	297
FY35	11	82	52	48	0	10	33	29	34	299
FY36	11	84	52	50	0	10	33	29	34	303
FY37	11	86	52	51	0	10	34	29	33	306
FY38	11	88	52	50	0	10	33	29	34	307
FY39	11	90	52	50	0	10	33	29	33	308
FY40	10	90	52	50	0	10	32	29	33	308
FY41	10	90	52	49	0	11	33	29	33	307
FY42	10	88	52	51	0	12	32	29	33	307
FY43	10	88	52	51	0	12	31	29	33	306

Source: FY2014 30-year (FY2014-FY2043) 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 FY2014 30-year (FY2014-FY2043) shipbuilding plan and resulting projected force levels included the following:

- **Total of 268 ships; average of about 8.9 per year.** The plan includes a total of 268 ships to be procured, the same number as in the FY2013 30-year (FY2013-FY2042) shipbuilding plan. The total of 268 ships equates to an average of about 8.9 ships per year, which is slightly higher than the approximate average procurement rate (sometimes called the steady-state replacement rate) of about 8.7 ships per year that would be needed over the long run to achieve and maintain a fleet of 306 ships, assuming an average life of 35 years for Navy ships.
- **Projected fleet remains below 306 ships.** Although the FY2014 30-year plan includes an average of about 8.9 ships per year, the FY2014 30-year plan, like previous 30-year plans, results in a fleet that does not fully support all elements of the Navy's ship force structure goal over the 30-year period. The distribution of the 268 ships over the 30-year period, combined with the ages of the Navy's existing ships, results in a projected fleet that would remain below 306 ships during most of the 30-year period and experience shortfalls at various points in cruisers-destroyers, attack submarines, and amphibious ships.
- **Ballistic missile submarine force to be reduced temporarily to 10 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.³
- **Seven CG-47 class cruisers and two LSD-41 class ships again proposed for early retirement.** The Navy's FY2013 budget submission proposed the early retirements in FY2013 and FY2014 of seven CG-47 class Aegis cruisers and two LSD-41 class amphibious ships. Congress, in acting on the Navy's proposed FY2013 budget, did not accept this proposal, and instead instructed the Navy to keep these nine ships in service. Section 8103 of the FY2013 DOD appropriations act (Division C of H.R. 933/P.L. 113-6 of March 26, 2013, the Consolidated and Further Continuing Appropriations Act, 2013) established a Ship Modernization, Operations and Sustainment Fund to fund the continued operation and support of these nine ships in FY2013 and FY2014. The Navy's FY2014 30-year shipbuilding plan again proposes the early retirements of seven

³ 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.

CG-47 class Aegis cruisers and two LSD-41 class amphibious ships, with the retirement to occur in FY2015. The exact cruisers and amphibious ships to be retired under the Navy's FY2014 submission might differ from the exact cruisers and amphibious ships to be retired under the Navy's FY2013 budget submission, but the general idea of having early retirements for seven CG-47 class cruisers and two LSD-41 class amphibious appears to be the same, except that the early retirements would now occur in FY2015 (i.e., one year beyond the two-year window funded by Section 8103).

Oversight Issues for Congress for FY2014

Impact of March 1, 2013, Sequester on FY2013 Funding

One issue for Congress concerns the impact on Navy shipbuilding programs of the March 1, 2013, sequester on FY2013 funding and unobligated prior-year funding. A key question concerns the third DDG-51 destroyer that was funded in FY2013; the Navy is currently examining, in light of the sequester, whether current funding will be sufficient to execute the ship.

More generally, at an April 10, 2013, briefing on the Navy's proposed FY2014 budget, a Navy official stated that

In [the Navy's] investment accounts,⁴ we're still in a lot of analysis [regarding the sequester's impact on programs]. [What] I will tell you is, there are two items that I have to fix right away. There is—Mr. Hill⁵ talked about a reprogramming going on, which is largely [to address issues in the Navy's] readiness [accounts], but there are two [investment account] items [that require attention]. There's a \$28 million reduction against the Burke [i.e., DDG-51 program] advanced procurement [funding line] for '13 [FY2013], which is necessary to support the [DDG-51] multiyear [procurement contract]. That has been one of the items we are going to submit as part of that.

And the other one was a [aircraft carrier] reactor core [that] has been sequestered, and it comes as a lump unit, [the sequester on its funding being] \$23 million. I need to get that restored so I can put the core in order as part of '13 [FY2013] to lead the [aircraft carrier mid-life] refueling overhaul that's later in the FYDP [in FY2016], but it takes years to build these core[s].

So those are two [items] I'm going to put on the reprogramming. Many other items we're going to have to look at. We are sourcing through—essentially as you look at trying to maintain quantity [i.e., procurement quantities], you have prior-year assets [i.e., prior-year funding], but the bill [H.R. 933/P.L. 113-6] actually swept up [i.e., rescinded] about \$850 million of prior-year dollars for the Navy as they [the authors of the bill] used for a rescind and re-appropriate [action], to be able to fund the third [DDG-51] ship.⁶

⁴ The investment accounts, generally speaking, are accounts for procurement, research and development, and military construction.

⁵ Mr. Hill is not further identified in the transcript.

⁶ Source: Transcript of Navy news briefing on the FY2014 defense budget proposal from the Pentagon, Presenter: Rear Admiral Joseph Mulloy, Deputy Assistant Secretary of the Navy for Budget, accessed April 15, 2013, at <http://www.defense.gov/transcripts/transcript.aspx?transcriptid=5217>.

A February 28, 2013, Navy briefing states that potential impacts of the sequester on FY2013 SCN-funded programs include the following:⁷

- **The Virginia-class submarine program** could experience a sequestration of about \$81 million; the Navy would respond to this by deobligating funding for Virginia-class advance procurement (AP) items.
- **The DDG-51 class destroyer program** could experience a sequestration of about \$46 million, potentially affecting the Navy's ability to award a proposed multiyear procurement (MYP) contract for the program starting in FY2013.
- **The DDG-1000 class destroyer program** could experience a sequestration of about \$90 million, which could affect the Navy's ability to award contracts for mission system equipment and the deckhouse for DDG-1002, the third ship in the program.
- **The Moored Training Ship program** could experience a sequestration of about \$28 million, delaying by a year the delivery of the next moored training ship, which in turn would reduce the throughput of the Navy's program for training sailors in the operation of nuclear-powered ships.

At a February 28, 2013, hearing on CR and sequester impacts before the Tactical Air and Land Forces subcommittee of the House Armed Services Committee, the Navy testified that

Sequestration will impact our nuclear aircraft carrier force structure and the one-year CR impacts contract awards for carrier refueling. Specifically, the current CR would delay the contract award for the next Ford Class carrier, JOHN F. KENNEDY (CVN 79) and sequestration would further slow construction, which would result in a delivery delay. Current CR funding limitations would delay the completion of Nuclear Refueling Complex Overhaul (RCOH) for USS THEODORE ROOSEVELT (CVN 71), the start of RCOHs for USS ABRAHAM LINCOLN (CVN 72), and the defueling of USS ENTERPRISE (CVN 65). Given the short time available between sequential dry-docks, the CVN 72 and CVN 65 delays will also likely cause day-for-day impacts to the follow-on CVN 73 RCOH. The CVN 72 and CVN 73 delays will not be recoverable.⁸

In a set of briefing slides dated February 15, 2013, the Navy listed potential program actions resulting from a year-long CR and sequestration (see **Appendix H**). Potential shipbuilding-related actions resulting from sequestration that the Navy listed in the briefing included the following:

- **The Navy would seek congressional authority to use incremental funding for the inactivation of the aircraft carrier *Enterprise* (CVN-65)** and apply the resulting FY2013 savings of about \$561 million to mitigate other impacts on FY2013 Navy programs of a year-long CR and sequester.

⁷ Source: Navy briefing dated February 28, 2013. Sequestration funding figures shown are approximate and subject to refinement.

⁸ Statement of Hon. Sean J. Stackley, Assistant Secretary of the Navy (Research, Development and Acquisition), and Vice Admiral Allen G. Myers, USN, Deputy Chief of Naval Operations [for] Integration of Capabilities and Resources, and Lieutenant General John E. Wissler, USMC, Deputy Commandant for Programs and Resources, before the Tactical Air and Land Forces Subcommittee of the House Armed Services Committee on Impacts of a Continuing Resolution and Sequestration on Department of the Navy Acquisition, Programming & Industrial Base, February 28, 2013, p. 8.

- **About \$46 million in advance procurement funding for the DDG-51 program would be at risk.**
- **The Navy would defer awarding contracts for about \$90 million of work on DDG-1002, the third Zumwalt (DDG-1000) class destroyer.**

At a February 12, 2013, hearing before the Senate Armed Services Committee on potential impacts on the military services of a year-long CR and sequestration, the Navy testified that:

On top of reductions in operations and maintenance funding, sequestration will reduce FY13 funding for each investment program (about \$7.2 billion overall). In some programs, such as F-35C Lightning II, P-8A Poseidon and E-2D Hawkeye, this reduction will compel us to reduce the number of platforms procured in FY13....

If Congress authorizes the Navy to transfer funds within the FY13 budget, we intend to restore our most critical operations and maintenance requirements. This will be done by taking funding from investments such as perhaps the P-8A Poseidon, F-35C Lightning II and Littoral Combat Ship—resulting in fewer of these platforms being procured in FY13.⁹

In connection with the above passage, it can be noted that reducing the number of LCSs procured in FY2013 below the requested quantity of four could compel the Navy to cancel or renegotiate at least one of the two multiyear block buy contracts that the Navy currently has with the two LCS builders.¹⁰

The above discussion focuses on the potential impact of sequestration on FY2013 Navy shipbuilding programs. Some observers are using the term sequestration to mean something broader, namely, a decision to reduce DOD spending (through sequestration or regular appropriations activity) in FY2013-FY2021 years to levels at or near the lower caps established in the Budget Control Act of 2011, or BCA (S. 365/P.L. 112-25 of August 2, 2011). Navy officials state that a decision to reduce DOD's budget to such levels would eventually lead to a smaller Navy. At the February 12, 2013, hearing the Navy testified that:

In addition to sequestration for FY13, the BCA also required the lowering of the discretionary caps for FY14 through FY21. Beyond FY13, if the discretionary cap reductions are sustained for the full nine years, we would fundamentally change the Navy as currently organized, trained and equipped. As time allows, we will take a deliberate and comprehensive approach to this reduction, based on a reevaluation of the Defense Strategic Guidance. In doing so, I will endeavor to: (1) ensure our people are properly resourced; (2) protect sufficient current readiness and warfighting capability; (3) sustain some ability to operate forward by continuing to forward base forces in Japan, Spain, Singapore and Bahrain, and by using rotational crews; and (4) maintain appropriate research and development.

⁹ Statement of Admiral Jonathan Greenert, Chief of Naval Operations, before the Senate Armed Services Committee on the Impact of Sequestration, February 12, 2013, pp. 7, 8. Although the Navy's written statement for the hearing is from Admiral Greenert, the Navy's testimony at the hearing was actually given by the Vice Chief of Naval Operations, Admiral Mark E. Ferguson III, who was substituting for Admiral Greenert at the hearing. The Navy presented similar testimony at a similar hearing before the House Armed Services Committee on February 13, 2013.

¹⁰ For more on the LCS block buy contracts, see CRS Report RL33741, *Navy Littoral Combat Ship (LCS) Program: Background and Issues for Congress*, by Ronald O'Rourke.

As I indicated last year to the Senate Armed Services Committee (SASC), under a set of fiscal circumstances in sequestration, our Navy may be a fleet of around 230 ships. That would be a loss of more than 50 ships, including the loss of at least two carrier strike groups. We would be compelled to retire ships early and reduce procurement of new ships and aircraft. This would result in a requisite reduction in our end strength. Every program will be affected and as Secretary Panetta noted in his 2011 letter to Senators McCain and Graham, programs such as the F-35 Lightning II, next generation ballistic missile submarine and Littoral Combat Ship might be reduced or terminated.¹¹

At an April 16, 2013, hearing before the House Armed Services Committee on the Department of the Navy's proposed FY2014 budget, Admiral Jonathan Greenert, the Chief of Naval Operations, in answer to a question about the impact of sequestration on the Navy, stated:

Mr. Chairman, as I—as I look at the numbers, and I think you're—you're talking, assuming a sequestration, \$500 billion. First thing I do is, and most important, we provide forward presence. And it's—I can't provide—I cannot meet the—the current Global Force Management Allocation Plan with those numbers. So I don't know what number I would be at. It would be on the order 30 ships [less than today], you know, as I look at a balanced reduction in that regard, less than the number of ships that I have today.

So, let's say 250 ships if I'm at 280 today.¹²

Appendix E through **Appendix J** present Navy materials on the potential impacts of a year-long continuing resolution (CR) for FY2013. The materials in these appendices predate the enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, including estimates shown above, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

¹¹ Statement of Admiral Jonathan Greenert, Chief of Naval Operations, before the Senate Armed Services Committee on the Impact of Sequestration, February 12, 2013, pp. 8-9. Although the Navy's written statement for the hearing is from Admiral Greenert, the Navy's testimony at the hearing was actually given by the Vice Chief of Naval Operations, Admiral Mark E. Ferguson III, who was substituting for Admiral Greenert at the hearing. The Navy presented similar testimony at a similar hearing before the House Armed Services Committee on February 13, 2013.

Similarly, on October 22, 2012, Admiral Mark Ferguson, the Vice Chief of Naval Operations, stated, "If you project out 10 years—remember that the budget control act talks about 10 years of [funding] reductions—now you start talking about a fleet reduced to about 230-235 ships." (As quoted in David Smalley, "Leaner Navy Looking at Future Technology, Fleet Size and Sequestration," *Navy News Service*, October 23, 2012, accessed October 25, 2012 at http://www.navy.mil/submit/display.asp?story_id=70311.) On January 8, 2013, Vice Admiral William Burke, the Deputy Chief of Naval Operations for Warfare Systems, stated, "As a result of sequestration, what I testified to last year was we'll have, if sequestration is fully implemented, we'll have a force of about 230 ships.... I'm not talking about what the aviation numbers are, but they'll go down by a similar amount—a similar amount being 20 percent." (As quoted in Dan Taylor, "Adm. Burke: Navy Needs To Fill \$2 Billion Hole When OCO Goes Away," *Inside the Navy*, January 14, 2013. See also Michael Fabey, "U.S. Navy Prioritizes Ship Total Ownership Costs, Maintenance," *Aerospace Daily & Defense Report*, January 9, 2013: 3.)

¹² Transcript of hearing.

Potential Impact of Possible Late 2013/Early 2014 Sequester on FY2014 Funding

Another potential issue for Congress concerns the potential impact on Navy shipbuilding programs of a possible sequester on FY 2014 funding and unobligated prior-year funding) that might occur in late 2013 or early 2014 under the terms of the Budget Control Act of 2011 (S. 365/P.L. 112-25 of August 2, 2011).

Future Size and Structure of Navy in Light of Strategic and Budgetary Changes

Another potential oversight issue for Congress concerns the planned size and structure of the Navy. Changes in strategic and budgetary circumstances have led to a broad debate over the appropriate future size and structure of the military, including the future size and structure of the Navy. Changes in strategic circumstances include, among other things, the winding down of U.S. combat operations in Iraq, the planned winding down of such operations in Afghanistan, and the growth of China's military capabilities.¹³ Changes in budgetary circumstances center on reductions in planned levels of defense spending resulting from the Budget Control Act of 2011, or BCA (S. 365/P.L. 112-25 of August 2, 2011).

On January 5, 2012, the Administration announced that, in light of the winding down of U.S. combat operations in Iraq, the planned winding down of such operations in Afghanistan, and developments in the Asia-Pacific region, U.S. defense strategy in coming years will include a stronger focus on the Asia-Pacific region.¹⁴ Since the Asia-Pacific region is to a significant degree a maritime and aerospace theater for the United States, this shift in strategic focus is expected by many observers to result in a shift in the allocation of DOD resources toward the Navy and Air Force. DOD officials have indicated that efforts to support a stronger focus on the Asia-Pacific region will be protected if planned levels of DOD spending in future years are reduced as a result of the BCA or other legislative action.

The Navy's current goal for a fleet of 306 ships 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:

- 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;
- current and projected capabilities of potential adversaries, including their anti-access/area-denial (A2/AD) capabilities;

¹³ For more on the growth in China's military (particularly naval) capabilities and its potential implications for required U.S. Navy capabilities, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

¹⁴ Department of Defense, *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*, January 2012, 8 pp. For more on this document, see CRS Report R42146, *In Brief: Assessing DOD's New Strategic Guidance*, by Catherine Dale and Pat Towell.

- regional combatant commander (COCOM) requests for forward-deployed Navy forces;
- the individual and networked capabilities of current and future Navy ships and aircraft;
- 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 third point above, Navy officials testified at least three times in 2012 that a Navy of more than 500 ships would be required to fully meet COCOM requests for forward-deployed Navy forces (see **Appendix A**). The difference between a fleet of more than 500 ships and the current goal for a fleet of 306 ships can be viewed as one measure of the operational risk associated with the goal of a fleet of 306 ships. A goal for a fleet of more than 500 ships might be viewed as a fiscally unconstrained goal.

Some study groups have made their own proposals for Navy ship force structure that reflect their own perspectives on the points listed above (particularly the first three and the final one). **Table 5** shows some of these proposals. For purposes of comparison, **Table 5** also shows the Navy's 306-ship goal of January 2013.

Table 5. Recent Study Group Proposals for Navy Ship Force Structure

Ship type	Navy's 306-ship goal of January 2013	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	48	42	55	40	55	37	40	41
<i>Aircraft carriers</i>								
CVN	11	9	11	8	11	9	8	11
CVE	0	0	0	0	0	0	0	4
<i>Surface combatants</i>								
Cruiser	88	72-74	88	22	n/a	85	18	14
Destroyer				65	n/a		56	73
Frigate	0	2-7 ⁱ	28 ^d	14	n/a	0	0	9 ^e
LCS	52	12 ⁱ		4	n/a	25	48	55
SSC	0	i	0	0	n/a	0	40	0 ^f
<i>Amphibious and Maritime Prepositioning Force (Future) (MPF[F]) ships</i>								
Amphibious ships	33	≥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	29	n/a	33	21	n/a	36	40	31
Support ships	33	n/a	25	27	n/a			31
TOTAL battle force ships	306	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 e-mail 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 306-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.”

A potential key question for Congress concerns whether the U.S. Navy in coming years will be large enough to adequately counter improved Chinese maritime anti-access forces while also adequately performing other missions of interest to U.S. policymakers around the world. Some observers are concerned that a combination of growing Chinese naval capabilities and budget-driven reductions in the size of the U.S. Navy could encourage Chinese military overconfidence and demoralize U.S. allies and partners in the Pacific, and thereby make it harder for the United States to defend its interests in the region.¹⁵ Potential oversight questions for Congress include the following:

¹⁵ See, for example, Dan Blumenthal and Michael Mazza, “Asia Needs a Larger U.S. Defense Budget,” *Wall Street Journal*, July 5, 2011; J. Randy Forbes, “Defence Cuts Imperil US Asia Role,” *The Diplomat* (<http://the-diplomat.com>), October 26, 2011. See also Andrew Krepinevich, “Panetta’s Challenge,” *Washington Post*, July 15, 2011: 15; Dean Cheng, *Sea Power and the Chinese State: China’s Maritime Ambitions*, Heritage Foundation Backgrounder No. 2576, (continued...)

- Under the Administration's plans, will the Navy in coming years be large enough to adequately counter improved Chinese maritime anti-access forces while also adequately performing other missions of interest to U.S. policymakers around the world?
- What might be the political and security implications in the Asia-Pacific region of a combination of growing Chinese naval capabilities and budget-driven reductions in the size of the U.S. Navy?
- If the Navy is reduced in size and priority is given to maintaining Navy forces in the Pacific, what will be the impact on Navy force levels in other parts of the world, such as the Persian Gulf/Indian Ocean region or the Mediterranean Sea, and consequently on the Navy's ability to adequately perform its missions in those parts of the world?
- To what extent could the operational impacts of a reduction in Navy ship numbers be mitigated through increased use of forward homeporting, multiple crewing, and long-duration deployments with crew rotation (i.e., "Sea Swap")? How feasible are these options, and what would be their potential costs and benefits?¹⁶
- Particularly in a situation of constrained DOD resources, if enough funding is allocated to the Navy to permit the Navy in coming years to maintain a fleet of 306 ships including 11 aircraft carriers, how much would other DOD programs need to be reduced, and what would be the operational implications of those program reductions in terms of DOD's overall ability to counter improved Chinese military forces and perform other missions?¹⁷

Sufficiency of 30-Year Shipbuilding Plan

Another potential oversight issue for Congress concerns the sufficiency of the Navy's 30-year shipbuilding plan. The Navy's 30-year shipbuilding plans in recent years have generally not included enough ships to fully support all elements of the Navy's 306-ship goal over the long run. The Navy has projected that the fleet would remain below 306 ships during most of the 30-year period, and experience shortfalls at various points in cruisers-destroyers, attack submarines, and amphibious ships. In light of these projected shortfalls, policymakers may wish to consider various options, including but not limited to the following:

- increasing planned procurement quantities of destroyers, attack submarines and amphibious ships;
- extending, if feasible, the service lives of older destroyers and amphibious ships, and (if feasible) refueling and extending the service lives of a small number of older attack submarines; and

(...continued)

July 11, 2011, p. 10.

¹⁶ For further discussion of these options, see CRS Report RS21338, *Navy Ship Deployments: New Approaches—Background and Issues for Congress*, by Ronald O'Rourke.

¹⁷ For further discussion, see CRS Report RL33153, *China Naval Modernization: Implications for U.S. Navy Capabilities—Background and Issues for Congress*, by Ronald O'Rourke.

- reducing the Navy's ship force structure goals for destroyers, attack submarines, and/or amphibious ships.

The first two options would require increased funding for procurement and for operation and support (O&S) costs, respectively, while the third option could reduce the Navy's ability to perform its missions.

Affordability of FY2013 30-Year Shipbuilding Plan

Another potential oversight issue for Congress concerns the prospective affordability of the Navy's 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.

Estimated Ship Procurement Costs

As mentioned earlier, the Navy's 30-year shipbuilding plan is based on certain assumptions, including assumptions about 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 (a program currently experiencing cost growth), Ohio-replacement (SSBNX) class ballistic missile submarines, the Flight III version of the DDG-51 destroyer, and the LX(R) amphibious ship.

In recent years, the Congressional Budget Office (CBO) has estimated that certain Navy ships would be more expensive to procure than the Navy estimates, and consequently that the Navy's 30-year shipbuilding plan would cost more to implement than the Navy has estimated. Once the Navy submits its FY2014 30-year shipbuilding plan, CBO will examine it and issue its estimate of the cost to implement the plan.

In its July 2012 report on the cost of the FY2013 30-year shipbuilding plan, CBO estimated that the plan would cost an average of \$20.0 billion per year in constant FY2012 dollars to implement, or about 19% more than the Navy estimated. CBO's estimate was about 11% higher than the Navy's estimate for the first 10 years of the plan, about 13% higher than the Navy's estimate for the second 10 years of the plan, and about 33% higher than the Navy's estimate for the final 10 years of the plan.¹⁸ Some of the difference between CBO's estimate and the Navy's estimate, particularly in the latter years of the plan, is due to a difference between CBO and the Navy in how to treat inflation in Navy shipbuilding. **Table 6** summarizes the Navy and CBO estimates of the FY2013 30-year shipbuilding plan, as presented in the July 2012 CBO report.

¹⁸ Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2013 Shipbuilding Plan*, July 2012, Table 2 (page 11).

Table 6. Navy and CBO Estimates of Cost of FY2013 30-Year (FY2013-FY2042) Shipbuilding Plan

Funding for new-construction ships, in billions of constant FY2012 dollars

	First 10 years (FY2013-FY2022)	Next 10 years (FY2023-2032)	Final 10 years (FY2033-FY2042)	Entire 30 years (FY2013-FY2042)
Navy estimate	15.1	19.5	15.9	16.8
CBO estimate	16.8	22.0	21.2	20.0
% difference between Navy and CBO estimates	11%	13%	33%	19%

Source: Congressional Budget Office, *An Analysis of the Navy's Fiscal Year 2013 Shipbuilding Plan*, July 2012, Table 2 (Page 11).

Future Shipbuilding Funding Levels

As mentioned earlier, the Navy's 30-year shipbuilding plan is based on certain assumptions, including assumptions about future shipbuilding funding levels. It has been known for some time that funding requirements for the Ohio-replacement (SSBN[X]) ballistic missile submarine program will put considerable pressure on the shipbuilding budget during the middle years of the 30-year plan. Although the FY2013 30-year shipbuilding plan reduces procurement of other types of ships in the middle years of the plan to help accommodate the SSBN(X) program, the Navy still projects that the shipbuilding budget would need to be substantially higher during the middle years of the plan than during the earlier or later years of the plan.

If the "hump" in shipbuilding funding during the middle years of the 30-year plan is not achieved, numerous ships shown for procurement during the middle years of the plan might not be procured. A potential oversight question for Congress is whether the Navy has received a commitment or assurance of some kind from DOD leaders that the Navy will be able to budget for the "hump" in shipbuilding funding during the middle years of the 30-year plan without reducing funding for other Navy program priorities.

Legislative Activity for FY2014

FY2014 Funding Request

The Navy's proposed FY2014 budget requests funding for the procurement of 8 new battle force ships (i.e., ships that count against the 306-ship goal)—two Virginia-class attack submarines, one DDG-51 class Aegis destroyer, four Littoral Combat Ships (LCSs), and one Mobile Landing Platform/Afloat Forward Staging Base (MLP/AFSB) ship. These ships are all funded through the Shipbuilding and Conversion, Navy (SCN) account.

CRS Reports Tracking Legislation on Specific Navy Shipbuilding Programs

For funding levels and legislative activity on individual Navy shipbuilding programs, see 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 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) Program: Background and Issues for Congress*, by Ronald O'Rourke.

Appendix A. 2012 Testimony on Size of Navy Needed to Fully Meet COCOM Requests

This appendix presents three instances in 2012 when Navy officials testified that a Navy of more than 500 ships would be required to fully meet combatant commander COCOM requests for Navy forces.

March 22, 2012, Hearing

At a March 22, 2012, hearing on Navy readiness before the Readiness subcommittee of the House Armed Services Committee, the following exchange occurred:

REPRESENTATIVE J. RANDY FORBES:

We have a lot of requests for our combatant commanders—of the validated requests that come from combatant commanders. How many ships would it take in our navy, based on your estimation, to meet all of the validated requests from our commanders, combatant commanders?

VICE ADMIRAL WILLIAM R. BURKE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR FLEET READINESS AND LOGISTICS:

Let me—give me just a minute on that, sir.

FORBES:

Please. And if you'd like, on any of these questions, if you'd rather take them for the record and get back I'm OK with that, too.

BURKE:

I'm—no, I'm happy to answer the question. I just want to make sure I elaborate a little to make sure we get—get the point right.

FORBES:

Please.

BURKE:

The—the combatant commander requests come in to the—to the services, and then the—there's a—a very high number of requirements from the services, or from the—the combatant commanders which are then prioritized and adjudicated by the joint staff.

Essentially, a way to adjudicate supply—a lesser supply and a greater demand. So—so those—of those requests that come in, some are determined to be more valid than others, if you will. But to get to your exact question, of those requests that come in from the combatant commanders, if we ...

(CROSSTALK)

FORBES:

Admiral, could—could I just—on the nomenclature, just make sure I’m right, too. As they come in, one of the first weed-out processes is we determine whether they’re validated or not. In other words, we go through and make sure they’re legal, they don’t have the other asset somewhere. And—and then we stamp them as validated.

And then like you said, they go through a process where we then look at the resources we have and allocate what we can. And we adjudicate which ones we can give and which ones we can’t. So I want the top number. The—the ones that we have validated and said, “Yes, this is legal, it’s a proper request.”

Of those combatant commander requests, approximately how many ships would it take us to be able to meet those if we had them?

BURKE:

It would take a navy of over 500 ships to meet the combatant commander requests. And, of course, it would take a similar increase in the aircraft and—and other parts of the—of the Navy, as well, to meet the combatant commander requests.¹⁹

March 29, 2012, Hearing

At a March 29, 2012, hearing on Navy shipbuilding programs before the Seapower and Projection Forces subcommittee of the House Armed Services Committee, the following exchange occurred:

REPRESENTATIVE DUNCAN D. HUNTER:

If you were to build the amphibs [i.e., amphibious ships] where would you prioritize? I mean, where would you take money out of to be able to get the Marine Corps to where they need to be?

VICE ADMIRAL JOHN TERENCE BLAKE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR INTEGRATION OF CAPABILITIES AND RESOURCES:

Here’s the issue we deal with: I don’t have the luxury of dealing with any single issue in isolation; I have to deal with it across the entire...

HUNTER:

Well, we can. That’s why I’m asking.

BLAKE:

Well, we have to deal with it, though, across the entire portfolio.

HUNTER:

Sure.

¹⁹ Source: Transcript of hearing.

BLAKE:

And so what we have to do is we have to balance the requirement for amphibis, the requirement for surface combatants, the requirement for the carriers, the submarines—every category of ships that we have. And so when we do that we then have to say, all right, as we balance across that where are we going to be able to assume more risk? And that's how we—that's how we end up where we are.

HUNTER:

So you're saying there is less risk but still risk in the Marine Corps being short on amphibis than there are in the other—the rest of the picture?

BLAKE:

No. I'm saying that we have assumed risk in all areas. The best example I can give you: It was only a short time ago, if we tried to fill all the COCOM needs we said the number was around 400 ships we'd need in the fleet. Today—and we see no abatement in that commitment or the...

HUNTER:

No (inaudible) signal.

BLAKE:

Today we look at it and we see that we would—if we wanted to hit 100 percent of all the COCOM requirements we'd need in excess of 500 ships. So what we end up having to do is we go through the—the global management process and we look at it and we say, here are our highest priorities, these are how we are going to address them, and then we—we have those units available and we push that...

HUNTER:

I understand.

I'm going to yield back in just one second.

So I would take from your statement, then, that you did go through a prioritization process and the amphibis are not at the top of that list. And second, when you say that you assume risk all the way around I would argue that when you do your risk assessment and you prioritize your needs the fact that the COCOMs wanted more ships and needed more ships due to the international environment and where we find ourselves with the world today, going down is probably – it's going the wrong way.

We all know that, but I—I would—I would argue that your prioritization—I would like to see that, if you don't mind, the—the way that you analyzed this and the—and the way that you said, hey, we're going to—we're going to keep them there to make sure that we have this over here. That's all I'm asking for.

BLAKE:

OK. When we put it together we do it across the entire spectrum; we don't—and by that I mean, as we look at the entire requirement we say, this is what we need to do in order to be able to meet the COCOM demand signal.²⁰

April 19, 2012, Hearing

At an April 19, 2012, hearing on Navy shipbuilding programs before the Seapower subcommittee of the Senate Armed Services Committee, the following exchange occurred:

SENATOR ROGER WICKER:

Admiral Burke and General Mills, from an operational perspective, the Navy budget cost for decreases in large amphibious ships among other categories, in my opening statement, I mentioned that the requests from combatant commanders for amphibious ships has increased over 80 percent in the last five years—a very dramatic number. What is the reason for that and what will be the impact if these requests are—are not met?

VICE ADMIRAL WILLIAM R. BURKE, DEPUTY CHIEF OF NAVAL OPERATIONS FOR FLEET READINESS AND LOGISTICS:

Senator, thanks for the question. You're right, the COCOM demand signal has gone up significantly to the point where if we were to meet their—all their requirements, it would take a Navy of greater than 500 ships.

So, I certainly am not here to begrudge the COCOM demand signal because they have challenges that they're trying to deal with. But—but we can't meet—meet all their demands. So there is a process in the—in the Pentagon run by the joint staff called the Global Force Management process by which they take in the COCOM requirements and adjudicate that along with the forces we have to come to a reasonable allocation of—of force. And so that's the—that's a process we're dealing with today. We've been using that process for a number of years, and I would expect we will continue to use that process in the future to—to bridge the gap between supply and demand.²¹

²⁰ Source: Transcript of hearing.

²¹ Source: Transcript of hearing.

Appendix B. 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 the 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 FY1987,²² and as of April 23, 2013, included a total of 283 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 April 2013 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 April 2013 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.²³

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 283-ship fleet of April 2013 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

²² 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.

²³ C4ISR stands for command and control, communications, computers, intelligence, surveillance, and reconnaissance.

performing its stated missions. Given changes over time in mission requirements, ship mixes, and technologies, however, these three issues are to a substantial degree independent of one another.

For similar reasons, trends over time in the total number of ships in the Navy are not necessarily a reliable indicator of the direction of change in the fleet's ability to perform its stated missions. An 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 283-ship of April 2013 was appropriately sized for meeting the mission requirements of 2013, even though there currently are differences of opinion among observers on that question (as reflected, for example, in **Table 5**), simply because a figure of 283 ships appears in the historical records for 2013, 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 D-1**.

Previous Navy force structure plans, such as those shown in **Table 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.²⁴

²⁴ Navy force structure plans that predate those shown in **Table 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
(continued...)				

Appendix C. Independent Panel Assessment of 2010 QDR

The law that requires DOD to perform QDRs once every four years (10 U.S.C. 118) states that the results of each QDR shall be assessed by an independent panel. 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.²⁵ 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

(...continued)

Aircraft carriers	15 ^e	12	11+1 ^f	11+1 ^f
Surface combatants	242/228 ^g	~150	~124	116
Amphibious ships	~75 ^h	51 ⁱ	41 ⁱ	36 ⁱ

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

a. Commonly referred to as 450-ship 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.

²⁵ 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.

- 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)
- “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 C-1** compares the Navy’s 306-ship goal of March 2012 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 C-1. Comparison of Navy's 306-ship goal, Navy Plan from 1993 BUR, and Navy Plan from 2010 QDR Review Panel

Ship Type	Navy's 306-ship goal of March 2012	Bottom-Up Review (BUR) (1993)	2010 QDR Independent Review Panel (July 2010)
SSBNs	12-14	18 (SSBN force was later reduced to 14 as a result of the 1994 Nuclear Posture Review)	14
SSGNs	0-4	0 (SSGN program did not yet exist)	4
SSNs	~48	45 to 55 (55 in FY99, with a long-term goal of about 45)	55
Aircraft carriers	11 active	11 active + 1 operational/reserve	11 active
Surface combatants	~145	124 (114 active + 10 frigates in Naval Reserve Force; a total of 110-116 active ships was also cited)	n/a
Cruisers and destroyers	~90	n/a	n/a
Frigates	0 (to be replaced by LCSs)	n/a	n/a
LCSs	~55	0 (LCS program did not exist)	n/a
Amphibious ships	~32 (30 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	~29	43	n/a
Support ships	~33	22	n/a
TOTAL ships	~306	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.²⁶

²⁶ 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 D. Size of the Navy and Navy Shipbuilding Rate

Size of the Navy

Table D-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.²⁷ The Navy fell below 300 battle force ships in August 2003 and included 283 battle force ships as of April 23, 2013.

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

²⁷ 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 D-1. Total Number of Ships in the Navy Since FY1948

FY ^a	Number	FY ^a	Number	FY ^a	Number
1948	737	1970	769	1992	466
1949	690	1971	702	1993	435
1950	634	1972	654	1994	391
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	

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 D-2 shows past (FY1982-FY2012) and requested (FY2013-FY2017) rates of Navy ship procurement.

Table D-2. Battle Force Ships Procured or Requested, FY1982-FY2018

(Procured FY1982-FY2013; requested FY2014-FY2018)

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

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 306-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.
- b. 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 FY2012 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.
- c. Figure shown does not reflect potential quantity reduction resulting from March 1, 2013, sequester on FY2013 funding.

Appendix E. February 12, 2013, Navy Testimony on Potential CR and Sequester Impacts

This appendix presents the full text of the Navy's written statement for a February 12, 2013, hearing before the Senate Armed Services Committee on the impact of a year-long CR and sequestration.²⁸ (Although the Navy's written statement for the hearing is from Admiral Jonathan Greenert, the Chief of Naval Operations, the Navy's testimony at the hearing was actually given by the Vice Chief of Naval Operations, Admiral Mark E. Ferguson III, who was substituting for Admiral Greenert at the hearing.) The Navy presented similar testimony at a similar hearing before the House Armed Services Committee on February 13, 2013.

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The text of the statement is as follows:

Chairman McKeon, Ranking Member Smith, and distinguished members of the Committee, thank you for holding this hearing and for the opportunity to testify on the impact on our Navy of sequestration and a full-year Continuing Resolution (CR).

Important qualities of our naval forces are their readiness to respond to crisis and persistent forward presence. Because they continuously operate overseas at the maritime crossroads, our Navy and Marine Corps are the first responders to crises such as terrorist attack, military aggression or natural disaster. Operating forward at strategic maritime crossroads such as the Straits of Malacca, Hormuz, or Gibraltar, naval forces contain conflict, deter aggression without escalation, and assure allies and build partnerships.

When I last appeared before you I assessed that our FY13 budget proposal, developed under the limitations of the Budget Control Act of 2011 (BCA), was not without risk. As I said last year, senior DoD leaders conducted an assessment of the ability of our force to implement the new Defense Strategic Guidance (DSG). In the Navy we also assessed the capabilities, training, and the number and type of ships and aircraft required to execute the strategy. We determined the force supported by the FY13 budget proposal was able to execute the strategy, but with some risk due to limitations in overall capacity.

There is no question we must get our nation's fiscal house in order, but we should do so in a coherent and thoughtful manner to ensure appropriate readiness, warfighting capability and forward presence – the attributes we depend upon from our Navy. Unless we change course we will, without proper deliberation, dramatically reduce: our overseas presence; our ability to respond to crises; our efforts to counter terrorism and illicit trafficking; and our material readiness across the Navy (afloat and ashore). Perhaps more disconcerting, we may irreversibly damage the military industrial base we depend on to build and maintain our ships and aircraft. Over the next decade, the combination of sequestration and the reduced

²⁸ Statement of Admiral Jonathan Greenert, Chief of Naval Operations, before the Senate Armed Services Committee on the Impact of Sequestration, February 12, 2013, 10 pp. Emphasis as in original.

discretionary caps would compel us to dramatically reduce our fleet size. Under these circumstances, I assess your Navy will be limited in its ability to provide the capability and capacity called for in the current defense strategy; and unable to fully support the Global Force Management Allocation Plan for our Combatant Commanders.

Our situation

We face three separate, but linked, budget mechanisms that converge next month and place at risk our ability to carry out our defense strategy. As a result of the failure of the Joint Committee established under the BCA to achieve \$1.2 trillion in deficit reduction, a sequestration order will be issued on March 1; in addition, a second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be ordered on March 27. Sequestration will add to a budget shortfall in operating accounts already created by the Continuing Resolution (CR). Sequestration and the CR render us unable to continue our current and anticipated level of operations, compel us to cancel some maintenance and training, and constrain our ability to invest in future capability and capacity.

We will approach this challenge using our enduring tenets, established upon my assuming the office of CNO, to guide us:

- Warfighting first
- Operate forward
- Be ready

The Navy's primary mission is to be ready to fight and win today, while building the ability to win tomorrow; all our efforts will remain grounded in this fundamental responsibility. We will continue to operate forward, where the Navy is most effective; but at significantly lower levels. And we will endeavor to remain ready, providing our fleet and Sailors the best possible training, maintenance, and logistics to assure their confidence and proficiency.

FY13: A readiness crisis in the making

Our immediate concern from the sequestration and the CR is their impact on readiness and training during this fiscal year. The CR is based on FY12 funding levels and therefore includes fewer operating dollars than we proposed, and Congress authorized, for FY13. Extended for the whole fiscal year, the CR would provide the Navy \$3.2 billion less in operations and maintenance funds than requested in the FY13 budget. In addition, we have incurred \$1.4 billion in unplanned costs in FY13 from emergent ship repairs and increased (and unbudgeted) presence in the Arabian Gulf. The CR also precludes the start of new projects. If the CR is extended for the whole fiscal year, we will stop work on two aircraft carrier refueling overhauls (USS ABRAHAM LINCOLN and USS THEODORE ROOSEVELT), one of which is within four months of completion. The prohibition on "new starts" under the CR also compels us to defer construction of USS JOHN F. KENNEDY (CVN-79), USS SOMERSET (LPD-25) and USS AMERICA (LHA-6) and cancel the planned procurement of an Arleigh Burke-class guided missile destroyer, multiple P-8A Poseidon aircraft and hundreds of weapons. Similarly, we will not begin about \$675 million in "new start" military construction projects while under the CR.

In addition to the CR funding shortfall in operating accounts, the March 1 sequestration order would impose significant additional cuts in FY13, which would reduce all of our accounts by about eight percent. And as mentioned above, second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be implemented on March 27. The Department estimates the combined effects of sequestration will be a nine percent reduction,

which would result in a \$4 billion cut in operations and maintenance funding from current levels and \$11.2 billion in the FY13 budget overall. Taken together, the CR, sequestration and emergent costs would create an \$8.6 billion shortfall in the operations and maintenance account for FY13. \$12.3 billion has already been spent from this account in FY13, and another \$16.4 billion is fixed in existing contracts and safety requirements. Therefore, we must find \$8.6 billion in savings from the remaining \$20.2 billion in operations and maintenance funding – more than a third of the money available in the account.

Therefore, we are compelled to take the following steps:

- Cancel 70% of ship maintenance in private shipyards and all aircraft maintenance scheduled in the 3rd and 4th quarters of FY13; this affects up to 25 ships and 327 aircraft and eliminates critical ship and aircraft repair and adds to an existing maintenance backlog generated by a decade of high-tempo operations – resulting in an overall Navy maintenance backlog of about \$3 billion;
- Reduce by about one-third the number of days at sea and hours of flight operations for ships and aircraft permanently stationed in the Asia-Pacific; cancel all aircraft deployments and four of six ship deployments to the region;
- Reduce by half the number of days at sea and by one quarter the hours of flight operations for ships and aircraft in the Middle East and Arabian Gulf; reduce carrier presence in the Arabian Gulf to one (the requirement is two carriers);
- Stop Amphibious Ready Group (ARG) deployments to the Middle East / Arabian Gulf in FY14 after USS BOXER; this loses the nation's primary response force for crises such as noncombatant evacuations in Liberia and Lebanon, floods in Pakistan and Thailand and terrorism threats in Africa – all of which were addressed by ARGs in the past decade.
- Cancel five of six FY13 ship deployments (including USNS COMFORT) and stop all aircraft deployments to South America, stopping efforts that interdicted hundreds of tons of illegal drugs into the U.S. in 2012;
- Cancel all ship and aircraft deployments to Africa, halting support to counter-terrorism operations on the continent during a time when terrorist affiliates are active there;
- Stop training and certification of ballistic missile defense ships, resulting in no new deployments of these ships to Europe after October 2013;
- Cancel most non-deployed operations including exercises, pre-deployment certification, and all port visits in the continental U.S.; as a result, the number of ships available for homeland defense will be reduced and it will take 9-12 months for ships that were not preparing to deploy to regain certification for Major Combat Operations;
- Stop training and certification for Carrier Strike Groups (CSG) except for the one next to deploy to the Middle East / Arabian Gulf; We will have only one additional or “surge” CSG certified for Major Combat Operations in FY13 and throughout FY14 (down from almost three on average);
- Stop training and certification for Amphibious Ready Groups (ARG), resulting in no additional or “surge” ARG certified for Major Combat Operations in FY13 and FY14;
- Freeze hiring of civilian workers and release current temporary workers, resulting in a reduction of about 3,000 people from our shipyard workforce of Navy civilians;

- Plan to furlough up to about 186,000 civilians for 22 days, resulting in a 20 percent pay reduction.

On top of reductions in operations and maintenance funding, sequestration will reduce FY13 funding for each investment program (about \$7.2 billion overall). In some programs, such as F-35C Lightning II, P-8A Poseidon and E-2D Hawkeye, this reduction will compel us to reduce the number of platforms procured in FY13.

In addition to these immediate impacts, our actions in FY13 to address reductions from the CR and sequestration will begin to erode our readiness in four major ways:

Degraded material condition and expected service life of our ships and aircraft. The cancellation of maintenance for ships and aircraft will reduce their service lives, increase the likelihood of break downs and force us to pay a higher cost (premium) to make up the critical maintenance later. Should operations funding eventually become available, some ships and aircraft will be unavailable to deploy or surge because they need repairs; further, we will need to realign ship maintenance periods and repairs within an already tight operational schedule.

Sailors lacking proficiency and confidence. Cancelled training and exercises could result in some units in the fleet that, by the end of FY13, are not proficient in the basic skills necessary for effective warfighting operations. To be effective, we need all combatants able to deploy or surge to a contingency.

A damaged industrial base. Delayed or cancelled ship and aircraft construction, cancelled maintenance and repair, and reduction of the civilian workforce will immediately impact private shipyards, aircraft and weapons manufacturers and our military industrial base. The loss of work in FY13 alone may cause some smaller suppliers and service providers to shut down.

Increased strain and operational tempo on our Sailors and Civilians. The reduction of ready forces will put greater stress on the Sailors assigned to ships and squadrons that are currently deployed or soon to deploy. They will operate at a higher tempo; and we are already at an extraordinary operational tempo. While military compensation is exempt from sequestration, there is a cost to the force in having to do more. However, I remain committed to making sure we provide for our Sailors, Civilians and their Families by funding our most important missions and deployments, and Family Readiness Programs.

If Congress authorizes the Navy to transfer funds within the FY13 budget, we intend to restore our most critical operations and maintenance requirements. This will be done by taking funding from investments such as perhaps the P-8A Poseidon, F-35C Lightning II and Littoral Combat Ship – resulting in fewer of these platforms being procured in FY13.

Longer-Term Effects: A Different Fleet and a Different Strategy

In addition to sequestration for FY13, the BCA also required the lowering of the discretionary caps for FY14 through FY21. Beyond FY13, if the discretionary cap reductions are sustained for the full nine years, we would fundamentally change the Navy as currently organized, trained and equipped. As time allows, we will take a deliberate and comprehensive approach to this reduction, based on a reevaluation of the Defense Strategic Guidance. In doing so, I will endeavor to: (1) ensure our people are properly resourced; (2) protect sufficient current readiness and warfighting capability; (3) sustain some ability to operate forward by continuing to forward base forces in Japan, Spain, Singapore and Bahrain, and by using rotational crews; and (4) maintain appropriate research and development.

As I indicated last year to the Senate Armed Services Committee (SASC), under a set of fiscal circumstances in sequestration, our Navy may be a fleet of around 230 ships. That would be a loss of more than 50 ships, including the loss of at least two carrier strike groups. We would be compelled to retire ships early and reduce procurement of new ships and aircraft. This would result in a requisite reduction in our end strength. Every program will be affected and as Secretary Panetta noted in his 2011 letter to Senators McCain and Graham, programs such as the F-35 Lightning II, next generation ballistic missile submarine and Littoral Combat Ship might be reduced or terminated.

Inevitably, these changes will severely damage our industrial base. Some shipyards will not be able to sustain steady construction or maintenance operations and may close or be inactivated. Aviation depots will reduce their operations or become idle. Aircraft and weapons manufacturers will slow or stop their work entirely. In particular, the small firms that are often the sole source for particular ship and aircraft components will quickly be forced to shut down. Once these companies and their engineers and craftspeople move on to other work, they are hard to reconstitute, sometimes impossible, at a later date when our national security demands it.

Reducing the Impact of Sequestration and the Continuing Resolution

We ask that this Congress act quickly to replace sequestration with a coherent approach to deficit reduction that addresses our national security interests. Additionally, the Department needs the Congress to pass FY13 appropriations legislation that allows the department to allocate reductions in this fiscal year in a deliberate and coherent manner to sustain current operations while meeting current obligations.

I am honored to represent about 600,000 Sailors and Civilians serving their country in the United States Navy. We understand the importance of resolving our fiscal challenges to ensure our nation's future prosperity. I look forward to working with the Congress to ensure our Navy will remain the world's preeminent maritime force while continuing to protect our nation's security and prosperity.

Appendix F. February 28, 2013, Department of the Navy Testimony on Potential CR and Sequester Impacts

This appendix presents the full text of the Department of the Navy's written statement for a February 28, 2013, hearing before the Tactical Air and Land Forces subcommittee of the House Armed Services Committee on the impact of a year-long CR and sequestration.²⁹

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The text of the statement is as follows:

IMPACTS OF A YEAR-LONG CONTINUING RESOLUTION AND SEQUESTRATION TO THE DEPARTMENT OF THE NAVY

Chairman Turner, Ranking Member Sanchez, and distinguished members of the Subcommittee, thank you for the opportunity to appear before you today to discuss the year-long Continuing Resolution (CR) and sequestration impacts to the Department of the Navy's (DoN) Acquisition Programs, Programming, and the Industrial Base.

The United States is a maritime nation with global responsibilities. Our Navy and Marine Corps' persistent presence and multi-mission capability represent U.S. power projection across the global commons. As you are aware, a sequestration order will be issued on March 1; in addition, a second sequestration due to a breach in the FY 2013 discretionary caps is scheduled to be ordered on March 27. Sequestration will add to a budget shortfall in operating accounts already created by the Continuing Resolution. The potential for sequestration and a year-long CR have already altered virtually every aspect of DoN planning and our ability to carry out our responsibilities. Without action by Congress, a year-long CR and sequestration will have immediate as well as long-term negative impacts. In the near-term, we will be driven to cancel maintenance and training that supports current readiness and our operational commitments at home and abroad. Long-term, the fiscal challenges will constrain our ability to invest in future capability and capacity. In short, if a strict year-long CR and sequestration occur, we will not be able to afford in the future the Navy and Marine Corps we have today.

In March 2012, Navy and Marine Corps leadership testified to this committee about the Fiscal Year 2013 budget which was restructured to reflect an updated defense posture as the

²⁹ Statement of Hon. Sean J. Stackley, Assistant Secretary of the Navy (Research, Development and Acquisition), and Vice Admiral Allen G. Myers, USN, Deputy Chief of Naval Operations [for] Integration of Capabilities and Resources, and Lieutenant General John E. Wissler, USMC, Deputy Commandant for Programs and Resources, before the Tactical Air and Land Forces Subcommittee of the House Armed Services Committee on Impacts of a Continuing Resolution and Sequestration on Department of the Navy Acquisition, Programming & Industrial Base, February 28, 2013, 10 pp. Emphasis as in original.

wars in Iraq and Afghanistan wind down with a commensurate reduction of about \$500 billion over ten-years. The planned 2013 DoN budget request aligned with the new strategic guidance for the Department of Defense (DoD) and provided the DoN with the best balance of naval capabilities.

Currently, the budgetary uncertainty including the CR is driving changes to our force posture and operational capability absent any major review of strategic priorities and national security objectives. As the Chief of Naval Operations and the Commandant of the Marine Corps testified to the House Armed Services Committee earlier this month, there is no question we must get our nation's fiscal house in order. But we should do so in a coherent and thoughtful manner to ensure we have the weapon systems needed to project power and maintain appropriate readiness levels. Unless we change course, we may, without proper deliberation, dramatically impact our global presence and our material readiness (afloat and ashore). Further, we risk damaging the military industrial base we depend upon to build and maintain our weapon systems and rely upon to surge to meet urgent operational needs.

A restrictive year-long CR and nine years of reduced budgets triggered by sequestration will leave ships in ports, aircraft grounded for want of necessary maintenance, reduced flying hours, units only partially trained, and a force reset via new acquisition and modernization programs delayed, restructured, or canceled. Our concern is we will not have the ready forces when it matters and where it matters most to respond to crisis, assure allies, build partnerships, deter aggression, and contain conflict.

PERSONNEL/ACQUISITION/INDUSTRIAL BASE IMPACTS

National Economy/Employment Impacts:

The DoN \$7.8 billion dollar sequestration investment reduction would potentially impact over 100,000 private sector jobs across the nation considering direct and indirect impacts to the economy.

DoN Personnel Impacts:

The DoN relies on a 'total force' of military (active and reserve) and civilian personnel to execute its mission. While military personnel accounts are exempt from sequestration in Fiscal Year 2013, the uncertainty of this year's fiscal action has already had a tangible effect on our civilian workforce as well as intangible effects on military personnel. Due to the possibility of the current CR being extended to a full year, the Navy has implemented an across the board hiring freeze for civilian positions and released many temporary employees. The Navy also started planning for civilian furloughs in case sequestration and full year CR were to occur.

Hiring Freeze: We estimate that the hiring freeze has already impacted over 1,000 Navy-wide vacancies. With an average Navy-wide civilian personnel attrition rate of approximately 350 per week, or approximately 18,000 vacancies per year, the impacts to the workforce are severe. The Marine Corps, which is not immediately implementing an across-the-board hiring freeze because it instituted hiring freezes in 2011 and 2012, is limiting expenditures on civilian labor resulting in approximately 400 full-time equivalents below 2010 levels.

Temporary Civilian Employees: In total, the Navy is planning to release more than 650 temporary civilian employees representing approximately 25 percent of this workforce.

Furloughs: In accordance with the Office of Personnel Management (OPM) guidance, the DoN is continuing to review the implications of sequestration-driven furloughs of up to

195,000 civilian employees. Furloughs will affect all fifty states and our internationally based workforce. We assess the impact of a 22 work day furlough in the latter half of this fiscal year will result in an approximate 20 percent pay reduction for affected employees during this period. With Congressional Notification provided on February 20, 2013, we anticipate furloughs could commence in the April 2013 timeframe. Consequently, the impacts to the civilian workforce are detrimental not to only the affected employees – but to their families, the DoN mission, and local economies.

In addition to the direct loss of labor hours, the workforce impacts of a year-long CR and sequestration will also lead to inefficiencies caused by loss of learning; productivity losses; cost increases driven by lengthening schedules; increased burdens on military personnel; and lower morale – all of which translates to reduced readiness. For example, the civilian hiring freeze and overtime restrictions in Naval Shipyards have already caused non-recoverable impacts to the shipyards' ability to execute many assigned workloads and nuclear submarine availabilities while threatening to impact Docking Planned Incremental Availabilities for the USS EISENHOWER (CVN 69) and the USS JOHN C. STENNIS (CVN 74).

Major Acquisition Programs

The combined effects of a full-year CR, including the current prohibition on new starts and increases in rates of production, and a reduction of about \$8 billion in DoN Fiscal Year 2013 investment accounts due to sequestration are far reaching – with impacts to naval aviation, ground-warfare systems, strike weapons, research & development, shipbuilding and the associated support, training, and outfitting required for current and future readiness.

The impact of sequestration in Fiscal Year 2013 would result in a loss of more than \$1.0 billion in aircraft production. The reductions will affect the F-35 Joint Strike Fighter, H-1 Huey and Cobra Rotary-Wing Aircraft, P-8 Poseidon Maritime Patrol Aircraft, E-2D Hawkeye Surveillance Aircraft, Vertical Take-Off Unmanned Aerial Aircraft (VTUAV), and the Small Tactical Unmanned Aerial Vehicle production lines. Further, the Department would delay the Initial Operating Capability (IOC) of VTUAV Intelligence, Surveillance and Reconnaissance in support of Special Operations Forces. We also expect to see unit price increases in current and future single-year procurements for tactical, surveillance, rotary-wing, and unmanned systems. An additional \$1.0 billion dollar impact will affect aviation supporting elements impacting trainers and simulators, stand-up of the MV-22 Osprey depot-level maintenance capability, ground support equipment, and spare parts for all for all aircraft types/models/series. These supporting elements are key contributors to maintaining the readiness of operational aircraft and aircrews.

Examples of the impacts due to a strict year-long CR include the inability to transition to an MV-22 multi-year procurement, resulting in approximately \$1.1 billion in additional program cost to deliver the same number of aircraft; the inability to execute new starts for KC-130J, which extends their delivery schedule; delayed development of the multi-intelligence sensor causing a one-year delivery delay to MQ-4C Triton unmanned aircraft; and delays in fielding radar and infra-red search and track upgrades for F/A-18 aircraft.

Current CR restrictions and potential sequestration-driven decreases to naval aviation readiness would impact Fleet Replacement Squadrons (FRS), reduce rotary-wing readiness in support of swarming boat defense, airborne mine counter-measures and anti-submarine warfare, and cancel aircraft and engine depot inductions in the 3rd/4th quarter of Fiscal Year 2013. Depot cancellations jeopardize planned aircraft modernization, mission system software capability improvements, fatigue-life management, depot support, and our flight hour program.

Aviation depot maintenance is critical to the long-term health of the force and our ability to meet mission tasking for both the Navy and Marine Corps. The combined impacts of full-year CR restrictions and sequestration on the operation and maintenance of Navy aircraft will be to degrade mission readiness, both to our Carrier Air Wings and other critical tactical helicopter and maritime patrol aircraft. The cancelling of depot engine and engine module inductions during the 3rd/4th quarter will impact engine and engine module inventories necessary for flight-line aircraft, spare parts, and war-time reserve.

Similarly, Marine Corps readiness will be degraded. Beyond twelve-months, we project impact to all Marine Corps home-station fixed-wing units. Specifically, USMC F/A-18 fixed-wing squadrons will have, on average, approximately only five of twelve assigned aircraft on the ramp due to aviation depot shutdowns. Causing further concern is that an extended CR, combined with sequestration, could impact our 'next-to-deploy' and some deployed forces. Across the DoN, there will be a total of 327 aircraft and over 1,200 engine modules that will miss induction in the 3rd/4th quarter of Fiscal Year 2013 due to CR and sequestration, with several years required to recover the backlog. If the forecast impacts were to occur, we would not be able to recover in a timely manner, even if funding were restored.

Our flight hour program is critical to maintaining our near-term ability to safely and effectively meet tasking. Decreasing flight hours raises the risk to flight safety and aircrew proficiency. For example, in non-deployed Marine Corps F/A-18 squadrons, pilots will average seven flight hours per month, well below the historically proven average of fifteen flight hours per pilot required to maintain safe flight and minimum aircrew proficiency.

The entirety of the Marine Corps Fiscal Year 2013 ground material modernization investment is only \$2.5 billion, comprising 12 percent of the baseline budget. Further reductions in ground investment accounts, although proportional to the other services in terms of a percentage reduction, will have disproportional impact on Marine Corps modernization and readiness, particularly after a decade of increased operational tempo. The impending sequestration will cause a cut of over \$850 million dollars and delay efforts of multiple ground programs directly impacting delivery of future capabilities. Examples include reduced procurement and installation of safety and force protection modification kits on both the Medium Tactical Vehicle Replacement and Logistics Vehicle System Replacement trucks which will decrease overall fleet capability. Program delays to the Amphibious Combat Vehicle will result in the Marines being required to operate and maintain the already 40-year old Assault Amphibious Vehicle for at least the next decade.

Due to sequestration our weapons and ammo procurement accounts will be reduced by approximately \$450 million dollars. Impacts will occur to sea-strike and sea-shield weapons procurement that include a reduction of over 200 air-launched weapons for air-to-air and air-to-ground combat; more than 50 sea-launched weapons, including our front-line, deep-strike land-attack weapons; and nearly all of our ammo and direct attack munitions accounts. Since many of our weapons programs are already at minimum sustaining rates, further quantity reductions will jeopardize the supplier base and drive higher unit production costs. Additionally, we will reduce procurement of acoustic device countermeasure systems impacting ship torpedo defense and reduce systems engineering and technical assistance oversight of our Mobile User Objective System (MUOS).

Early research, development, test and evaluation is integral to weapon system development. These efforts will be impacted by sequestration, resulting in reductions totaling more than \$1.6 billion dollars. Cuts will occur in university research initiatives, applied research, in-house laboratories, and the research and development for major acquisition programs. Acquisition program impacts include:

- Delays in Joint Strike Fighter at-sea testing due to postponement of required ship modifications, air-ship integration activities, and reduced progress on development of a deployable Autonomous Logistics Information System;
- A two-year delay in the MQ-4/Triton Unmanned Air System;
- Delays in CH-53K development; and
- Delays in the Multi-Stage Supersonic Target impacting completion of operational testing for Nuclear Aircraft Carriers, Standard Missile-2, Rolling Airframe Missile, Evolved Sea Sparrow Missile, Ship Self Defense System, Littoral Combat Ship, Amphibious Assault Ships (LHA), and DDG 1000.

All of these delays drive cost increases into the programs and result in less capability delivered for each defense dollar spent.

Sequestration will impact our nuclear aircraft carrier force structure and the one-year CR impacts contract awards for carrier refueling. Specifically, the current CR would delay the contract award for the next Ford Class carrier, JOHN F. KENNEDY (CVN 79) and sequestration would further slow construction, which would result in a delivery delay. Current CR funding limitations would delay the completion of Nuclear Refueling Complex Overhaul (RCOH) for USS THEODORE ROOSEVELT (CVN 71), the start of RCOHs for USS ABRAHAM LINCOLN (CVN 72), and the defueling of USS ENTERPRISE (CVN 65). Given the short time available between sequential dry-docks, the CVN 72 and CVN 65 delays will also likely cause day-for-day impacts to the follow-on CVN 73 RCOH. The CVN 72 and CVN 73 delays will not be recoverable.

Industrial Base

Sequestration's shadow engenders large uncertainties for the DoN as a whole and in particular our defense industrial base. We have observed prior disruptions to industry resulting in a loss of talent, a loss of learning, and a reduction to quality.

As Secretary Panetta has stated, sequestration also puts at risk a defense strategy established, in part, to ensure the United States maintains its industrial base and is not driven to contract with overseas companies to keep its technological edge.

For the DoN, sequestration will impact all 50 states – from prime contractors, to the supplier base, and to the scientific, engineering, and technical services sectors. Assuming a nine-percent sequestration reduction for the March 1 and March 27 potential orders combined, we project industry contract awards will be reduced by approximately \$6.7B in Fiscal Year 2013.

Delayed weapon system production and cancelled maintenance and repair will immediately impact aircraft, missile, and land system manufacturers and our military industrial supplier base. The projected loss of work in Fiscal Year 2013 alone will further stress smaller businesses that provide supplies and services to major manufacturers which have already been negatively impacted due to the general downward trend in defense spending. Many small businesses, which are often the sole-source for aircraft, missile, and land-system components, may be driven to shut down if meaningful disruptions to planned workload occur. Once these companies, their engineers and skilled workers move on to other work, they are hard and sometimes impossible to reconstitute, even if our national security requires it. With many weapon systems already at minimum sustaining rates and extended production runs, we are continually faced with the challenges of parts obsolescence that will be further exacerbated by sequestration and year-long CR disruptions.

What cannot be measured is the percentage of the supplier base that has decided, or will decide, that it is no longer in their economic best interests to participate in the defense sector due to business base uncertainties driven by frequent CRs, sequestration, and the prospect of nine years of continuing budget uncertainty. When suppliers determine that they can no longer rely on future work, or conclude that the regulatory and contractual environment is unavailing to a reasonably predictable business base, they will adapt and may turn to other economic sectors.

SUMMARY

We ask that Congress act quickly to eliminate the threats posed by sequestration and a year-long CR by developing a coherent, balanced approach to deficit reduction that addresses our national security interests. The Department requests Congress pass a Fiscal Year 2013 Defense Appropriations bill and eliminate sequestration. If that course of action proves untenable, we request Congress at least act quickly to modify the CR to help us get the funds in the correct accounts, and allow for new starts, rate increases, and quantity variations that address our Fiscal Year 2013 CR-related readiness shortfalls and acquisition requirements. Such actions related to the CR; however, will do little to mitigate the significant cuts required by sequestration.

We understand the importance of resolving our fiscal challenges to ensure our nation's security and future prosperity and look forward to working with Congress to ensure our Navy and Marine Corps remain the world's preeminent maritime and expeditionary force.

Appendix G. March 2, 2013, Navy Message on Navy's Response to Sequestration

This appendix reprints the text of a March 2, 2013, Secretary of the Navy message to Navy personnel on the Navy's response to sequestration.³⁰

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The text of the message is as follows:

DTG 022300Z Mar 13

FM SECNAV WASHINGTON DC

TO ALNAV

INFO SECNAV WASHINGTON DC

CMC WASHINGTON DC

CNO WASHINGTON DC

BT

UNCLAS

ALNAV 014/13

MSGID/GENADMIN/SECNAV WASHINGTON DC/-/MAR//

SUBJ/DEPARTMENT OF THE NAVY RESPONSE TO SEQUESTRATION//

RMKS/1. LAST NIGHT, BECAUSE NO BUDGET DEAL HAD BEEN REACHED, THE BUDGET CONTROL ACT REQUIRED SETTING IN MOTION THE AUTOMATIC, GOVERNMENT-WIDE CUTS KNOWN AS SEQUESTRATION. GIVEN THAT REALITY AND THE ASSOCIATED IMPACT OF BUDGETARY UNCERTAINTY IMPOSED BY AN INDEFINITE CONTINUING RESOLUTION, THE DEPARTMENT OF THE NAVY INTENDS TO COMMENCE SOME REDUCTIONS IMMEDIATELY.

2. NAVY PLANS TO:

³⁰ The text of the message was posted at *InsideDefense.com* (subscription required) on March 3, 2013, and at other web sites.

A. SHUT DOWN CARRIER AIR WING TWO (CVW-2) IN APRIL. THIS WILL INITIATE THE PREPARATIONS TO GRADUALLY STAND-DOWN FLYING IN AT LEAST THREE ADDITIONAL AIR WINGS WITH TWO MORE AIR WINGS BEING REDUCED TO MINIMUM SAFE FLYING LEVELS BY THE END OF THE YEAR; B. DEFER USNS COMFORT HUMANITARIAN DEPLOYMENT TO CENTRAL AND SOUTH AMERICA, \$B!H(JCONTINUING PROMISE 2013\$B!m(J, INCLUDING SUPPORTING SHIPS, SEABEES, AND MEDICAL UNITS; C. CANCEL OR DEFER THE DEPLOYMENTS OF UP TO SIX SHIPS TO VARIOUS AORS THROUGHOUT THE MONTH OF APRIL; D. LAY UP FOUR COMBAT LOGISTICS FORCE (CLF) UNITS IN PACOM STARTING IN APRIL; E. RETURN USS SHOUP (DDG 86) TO HOMEPORT EARLY AND NOT PROCEED AS USS NIMITZ (CVN 68) ESCORT TO CENTCOM; F. RETURN USS THACH (FFG 43) TO HOMEPORT EARLY FROM DEPLOYMENT TO SOUTHCOM.

3. WE WILL ALSO IMMEDIATELY:

A. BEGIN NEGOTIATING CONTRACT MODIFICATIONS TO DE-OBLIGATE EFFORTS FOR ANY INVESTMENT PROGRAMS FOR WHICH THE REMAINING UNOBLIGATED BALANCE WILL BE INSUFFICIENT AFTER THE SEQUESTRATION REDUCTION IS APPLIED. MAJOR PROGRAMS AFFECTED INCLUDE VIRGINIA-CLASS SSN ADVANCE PROCUREMENT, REACTOR POWER UNITS AND JOINT HIGH SPEED VESSEL (JHSV 10); B. COMMENCE FINAL PLANNING TO SLOW MARINE CORPS DEPOT MAINTENANCE ACTIVITIES, INCLUDING REDUCTIONS IN THE NON-PERMANENT WORKFORCE; C. CANCEL MARCH INTRODUCTORY FLIGHT SCREENING FOR FUTURE PILOTS/NFOS; D. ANNOUNCE INTENT TO CANCEL BLUE ANGELS SHOWS SCHEDULED FOR APRIL 2013 [FOUR SHOWS: MACDILL AFB (TAMPA, FL), NAS CORPUS CHRISTI TX, VIDALIA GA, MCAS BEAUFORT SC]; E. CEASE NEW USMC ENROLLMENTS IN VOLUNTARY EDUCATION TUITION ASSISTANCE; F. CANCEL MARCH NAVY RECRUITING MEDIA SUPPORT AND REDUCE THE MAJORITY OF ADVERTISING CONTRACTS AS MUCH AS POSSIBLE UNDER CONTRACTUAL CONDITIONS.

4. THESE ACTIONS ARE BEING TAKEN TO PRESERVE SUPPORT FOR THOSE FORCES STATIONED OVERSEAS AND CURRENTLY FORWARD-DEPLOYED. REDUCTIONS IN LOWER-PRIORITY FORWARD OPERATIONS, AND SIGNIFICANT REDUCTIONS IN ALL OTHER OPERATIONS, TRAINING, AND MAINTENANCE ARE THE RESULTS OF THIS SELECTION PROCESS. WE MADE THESE CHOICES CAREFULLY, WHILE TRYING TO PRESERVE OUR ABILITY TO REVERSE OR QUICKLY RESTORE NEGATIVE EFFECTS IF AND WHEN FUNDING IS RESTORED.

5. ACTIONS WE HAVE TAKEN TO DATE WILL CONTINUE, TO INCLUDE THOSE AFFECTING THE DEFERRAL OF MAINTENANCE FOR USS ABRAHAM LINCOLN (CVN 72); THE DEFERRAL OF REPAIR WORK FOR USS MIAMI (SSN 755) AND USS PORTER (DDG 78); THE DELAYED DEPLOYMENT OF USS HARRY S TRUMAN (CVN 75) AND USS GETTYSBURG (CG 64); THE CIVILIAN HIRING FREEZE; THE PLANNING FOR CIVILIAN FURLOUGHS; AND THE REDUCTION OF ALL TRAINING NOT RELATED TO THE READINESS OF DEPLOYED OR NEXT-TO-DEPLOY FORCES.

6. NAVY DEPARTMENT LEADERSHIP UNDERSTANDS THE UNCERTAINTY THAT THESE AND OTHER DECISIONS CREATE BOTH AMONGST OUR PEOPLE AND IN THE DEFENSE INDUSTRY UPON WHICH WE RELY. THE LACK OF A LEGISLATIVE SOLUTION TO AVOID SEQUESTRATION IS DEEPLY REGRETTABLE. THAT SAID, WE MUST ENDEAVOR TO DEAL WITH THE SITUATION AS WE FACE IT, NOT AS WE WISH IT COULD OTHERWISE BE. WE

WILL CONTINUE TO KEEP THE SAFETY AND WELL-BEING OF OUR PEOPLE FOREMOST IN MIND, EVEN AS WE TRY HARD TO KEEP WHOLE THE FORCE STRUCTURE WHICH SUPPORTS THEM. WE WILL ALSO CONTINUE TO KEEP THE FLEET AND FLEET MARINE FORCE FULLY INFORMED AS FOLLOW-ON DECISIONS ARE MADE.

7. RELEASED BY RAY MABUS, SECRETARY OF THE NAVY.// BT

Appendix H. January 25, 2013, Navy Memorandum on Potential CR and Sequester Impacts

This appendix reprints a January 25, 2013, Navy memorandum on potential impacts of a year-long continuing resolution (CR) and sequestration.³¹

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The memorandum begins on the next page.

³¹ The memorandum was posted at InsideDefense.com (subscription required) and other internet sites.



DEPARTMENT OF THE NAVY
CHIEF OF NAVAL OPERATIONS
2000 NAVY PENTAGON
WASHINGTON DC 20350-1000

7000
Ser N00/10005
25 Jan 13

From: Chief of Naval Operations

Subj: DIRECTION REGARDING THE CONTINUING RESOLUTION AND
SEQUESTRATION

Ref: (a) DSD guidance (10 Jan)
(b) SECNAV WASHINGTON DC 112146Z Jan 13 (ALNAV 006/13)
(c) CNO WASHINGTON DC 161811Z Jan 13 (NAVADMIN 007/13)
(d) ASN RDA memo of 15 Jan 13
(e) ASN FMC memo of 14 Jan 13

1. Navy is facing budget shortfalls today because we are funded under a Continuing Resolution (CR). Unless Congress legislates changes, we may have significant additional budget reductions starting in March because of sequestration. These reductions will have the greatest impact on Navy's Operation and Maintenance (OMN) account in the near term. References (a) through (e) provide guidance for the near-term, reversible actions we are taking today, or soon will take, to slow our obligation rate of OMN funds.

2. This memorandum provides additional detail with regard to actions being taken now to address the CR. It also directs planning and outlines longer-term impacts to Navy should sequestration be triggered. Our priority in the OMN account will be to preserve overseas and forward-deployed readiness to the maximum extent possible.

3. The following near-term actions are in effect, per references (b) through (e). They may be reversed if Congress passes a FY13 Defense Appropriations Bill or grants Navy permission to reprogram funds from investment accounts to OMN. Commanders and Commanding Officers may request authority not to implement these steps should they conclude that mission-essential activities would be harmed or that actions directed in this section will have an irreversible and severe impact on our ability to execute our mission. However, failure to reduce current obligation rates of OMN is not an option. Any exceptions to the following directed actions shall be replaced by alternative actions from the respective Budget Submitting Office (BSO) which won't have a similar damaging impact. This is

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necessary in order to meet the targeted OMN reductions identified in reference (e). Rationale for such decisions must be articulated with the chain of command.

a. Beginning 15 February 2013, Fleet Commanders shall notify contractors and cancel all private-sector FY13 3rd and 4th Quarter surface ship maintenance availabilities. NAVAIR, in conjunction with the Aviation Type Commanders, shall cancel all FY13 3rd and 4th Quarter aircraft depot maintenance.

b. The hiring of civilians has been frozen. Unless a formal job offer was made or an Entrance on Duty date was established on or before 14 January 2013. No Commanders and Commanding Officers shall hire civilians or extend employees on term or temporary appointments. Exceptions can be granted for those billets the BSO commander deems mission-critical. BSO commanders shall notify Assistant Secretary of the Navy (Financial Management & Comptroller) if mission essential hiring action or exceptions are required.

c. All Commanders and Commanding Officers shall curtail all temporary travel, duties and professional training not deemed mission essential, to include attendance at conferences and seminars. Re-approval of existing government-sponsored conferences shall be obtained through Director, Navy Staff per reference (e).

d. Commander, Navy Installations Command shall reduce base operating support by 10 percent and facilities sustainment expenditures by 50 percent. We have cancelled 30 facilities demolition projects for the repair and modernization (R&M) of all piers, runways, buildings, barracks and other facilities through September 2013. The only exceptions will be for critical and emergent repairs for safety and security.

e. Installation commanders shall implement across-the-board efficiencies and reduce appropriated fund support for community and recreational activities, reduce levels of installation service delivery, and reduce new and current contracts to minimum levels without incurring penalties and consistent with preserving life, health or safety. Commanders shall reduce utilities consumption to the maximum extent possible.

f. Fleet Commanders shall curtail training and education, including training events not related to either maintaining forward-deployed readiness or the readiness of next-to-deploy

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forces. To the extent that such an action, which reduces unit readiness, is irreversible, unit commanders will notify the first Flag in the operational chain of command for further review. Flag Officers reviewing these cases should keep in mind the basic tenet that obligation rates must be reduced and balance that against: 1) the training impact of a specific event on a specific unit and 2) the expected missions that unit will likely execute during its next deployment to determine whether to proceed with the training event or cancel it. If the Flag Officer reverses the decision to cancel or delay a training event, the Flag Officer must notify the appropriate BSO in the chain of command and, working together, identify the alternative offsets needed to execute that event.

g. All Commanders and Commanding Officers shall limit administrative expenses and supply purchases to essential consumption only. We will stop minor purchases that are not mission-essential, such as furniture, information technology, and unit equipment. Ceremony expenses shall be similarly limited.

4. In the event sequestration is triggered in March, Navy will face an additional \$4 billion OMN reduction in FY13, further affecting training and readiness. BSOs have submitted initial assessments of operational impacts and decisions relating to sequestration. Absent the authority to reprogram (transfer) funds from other accounts to OMN, Navy will be compelled to significantly reduce OMN expenditures through numerous actions, including but not limited to:

- a. Stop all deployments to the Caribbean and South America.
 - b. Limit European deployments to only those supporting ballistic missile defense missions.
 - c. Reduce the number of ships and aircraft deployed. Reduce days at sea and flying hours across the entire force.
 - d. Cease stateside training, flying, steaming and other operations for the majority of ships and aircraft preparing to deploy, unless funded by Fleet Commander's proposed offsets.
5. Finally, we will consider the possibility of civilian furloughs of up to 22 days in FY13 consistent with direction from the administration.

Appendix I. February 15, 2013, Navy Briefing Slides on Potential CR and Sequester Impacts

This appendix reprints February 15, 2013, Navy briefing slides on potential impacts of a year-long continuing resolution (CR) and sequestration.³²

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The briefing slides begin on the next page.

³² The briefing slides were posted at InsideDefense.com (subscription required).

Fiscal Year 2013 Draft Plan for Continuing Resolution and Sequestration

Navy's Planning Assumptions

- Congress enacts a year-long Continuing Appropriations Resolution (CR) for Fiscal Year 2013 (FY13)
- The Sequestration and Budget Control Act limitations take full effect in March 2013
- Congress does not increase transfer authority limits or authorize major reprogramming actions
- Any change to the assumptions above would alter our plan
- The potential actions outlined in this brief are “representative in nature” to meet the assumed fiscal targets imposed by the assumptions above

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Potential actions fleet-wide

Continuing Resolution (\$4.6B OMN + 5.02B investments)	Sequestration (\$4.0B OMN, \$7.75B investment accounts)
<ul style="list-style-type: none"> Cancel ship depot maintenance (rolling schedule): <ul style="list-style-type: none"> 11 ship avails in Norfolk, VA (\$287M) 5 ship avails in San Diego, CA (\$103M) 1 ship avail in Mayport, FL (\$4M) 1 ship avail in New London, CT (\$45M) 1 ship avail in Hawaii (\$35M) 2 ship avails in Japan (\$17M)(1 is de-scoped) 1 ship avail in Bahrain (\$2M) Cancel 3rd and 4th Quarter aircraft depot maintenance (rolling schedule) in San Diego CA, Norfolk VA, Jacksonville FL, Whidbey Island WA, Lemoore CA, & Cherry Point NC (\$433M) Reduce ship ops, flying hours (\$557M) Cut NECE by 20% (\$182M) Release up to 655 temporary workers (\$12M) Implement civilian hiring freeze (\$70M) Cut administrative expenditures by 25% (\$385M) Cut IT expenditures by 25% (\$141M) Eliminate non-essential travel/conferences (\$26M) Reduce Facilities Sustainment, Restoration, and Modernization (FSRM) by 50% (\$1.16B) Reduce Base Operating Support (BOS) by 10% (\$495M) Cancel 29 building demolition projects (rolling schedule) (\$56M) Delay decommissioning and/or disposal prep (\$33M) 	<ul style="list-style-type: none"> Seek Congressional authority to incrementally-fund USS ENTERPRISE (CVN 65) inactivation over multiple years and apply FY13 savings (~\$561M) to restore Navy CR and Sequestration impacts Cancel deployments (rolling sked): 10 DDG (7 are BMD in FY14), FFGs Delay HARRY S TRUMAN (CVN 75) CSG deployment; reduce Middle East CSG presence 50% Cease workups for 2 CSGs (RONALD REAGAN (CVN 76), CARL VINSON (CVN 70)) Cancel BATAAN (LHD 5) Amphibious Readiness Group Deployment Shut down 4 of 9 CVWs. 9-12 months to restore readiness at 2-3x cost Stop non-deployed ops that do not support pre-deployment training Reduce non-deployed operations for pre-deployment training Cut WESTPAC deployed ops ~35%; Non-deployed PAC ships cut ~40% Cancel ops to S. America (CONTINUING PROMISE – USNS COMFORT) Cancel non-BMD deployments to Europe in FY13 Reduce exercises (e.g., MALABAR, CARATs, FOAL EAGLE) Reduce CONUS and OCONUS port visits Lay-up 4 combat logistics force ships Cancel 3 ship depot avails (rolling schedule) in San Diego, CA (\$72M) Defer repairs to USS PORTER (\$125M), USS MIAMI (\$339M) Reduce SYSCOM fly-away emergent repair travel teams Delay/defer combat vehicle, weapon, trainer maintenance Delay up to 20 CVN / Submarine public shipyard availabilities Cancel F-35B testing w/ USS WASP(LHD 1); further program delay Planning furlough (~186k eligible) Civilians for 22 work days (\$448M) Reduce throughput of new pilots/flight officers in flight training 44% Cancel Midshipmen summer training programs Cancel 3rd/4th Qtr Blue Angels (\$28M); Cut outreach (e.g.-Fleet Week)

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Potential actions fleet-wide, con't.

Continuing Resolution (\$4.6B OMN + \$5.02B investments)	Sequestration (\$4.0B OMN, \$7.75B investment accounts)
<p>"New Start", Multi-Year Procurement (MYP), Quantity, and Rate Prohibitions</p> <ul style="list-style-type: none"> Defer "new start" MILCON projects (\$675M) Defer "new start" construction of CVN 79 (\$608M) Defer "new start" aircraft procurements (\$150M) Defer "new start" research and development (\$263M) Cancel construction of 1 DDG 51 (\$1.4B) in FY13 – quantity limit Cancel procurement of at least 271 weapons (\$124M) –qty limit ABRAHAM LINCOLN (CVN 72) Refueling Complex Overhaul (RCOH) funding (\$1.5B) at risk Defer THEODORE ROOSEVELT (CVN 71) RCOH completion (\$67M) Defer completion of AMERICA (LHA 6) (\$157M) Moored Training Ship funding (\$176M) at risk DDG 1002 funding (\$216M) at risk <p>Impacts</p> <ul style="list-style-type: none"> Reduced forward presence and ability to respond to crises Reduced ship and aircraft material condition and expected service life A damaged industrial base Small businesses supporting Naval bases will compete for fewer and/or reduced value contracts Increased strain and OPTEMPO on our Sailors and Civilians Local economies hurt by job hiring freezes by approximately 1,400 people per month Aircraft depot cuts affect up to 327 airframes and 1208 engines Procurement deferrals "recompete" in FY14 budget for funding Unlikely procurement of 2nd VA-class & 2nd DDG 51-class in FY14 	<p>Investment Actions:</p> <ul style="list-style-type: none"> Reduce Investment in ships, aircraft, weapons, R&D (by \$7.75B) DDG 51 advance procurement at risk (\$46M) in ME, NJ, MS Defer LYNDON B JOHNSON (DDG 1002) contract awards in MS, MA and ME (\$90M) Delay Moored Training Ship (MTS) award in Norfolk (\$28M) Defer DDG 65 (San Diego, CA) DDG 58 (Norfolk) Mod (\$44M) Reduce procurement quantities: JSF ((-4) 2 x F-35B, 2 x F-35C), UH-1Y/AH-1Z (-3), P-8A (-1), E-2D (-1), JPATS (-3), MQ-8C (-2) [Increases current/future unit pricing] <p>Impacts</p> <ul style="list-style-type: none"> Unable to meet approved FY13/14 GFMAP deployments Immediate coverage gaps in multiple COCOMs JOHN C STENNIS, DWIGHT D EISENHOWER, RONALD REAGAN, THEODORE ROOSEVELT CSGs will shut down at various intervals, with 9-12 months required to restore normal readiness By Oct 13, CONUS forces will require 9+ months to deploy due to maintenance and training curtailments Less readiness for 9 surge sealift, 22 RRF ships (incl. T-AH ships) One CSG surge-capable in FY13 Zero surge-capable ARG in late FY13 and into FY14 Up to 30-40 fewer ships in fleet by 2030 Multi-year recovery to private sector industrial base Furloughs likely to contribute to delayed maintenance for CVNs/Subs in public shipyards; reduced hours of base operation, medical facilities, business offices, port ops; reduced acquisition oversight, auditing and investment planning/execution analysis Navy Civilians could lose up to 20% of salary through a furlough

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Potential actions by region - Mid-Atlantic

Continuing Resolution (~\$3.0B)	Sequestration
<ul style="list-style-type: none"> Cancel ship depot maintenance (rolling schedule) of 11 ship avails in Norfolk (\$287M): <ul style="list-style-type: none"> USS OSCAR AUSTIN (DDG 79), USS PORTER (DDG 78), USS LABOON (DDG 58), USS FORREST SHERMAN (DDG 98), USS MCFAUL (DDG 74), USS WINSTON S CHURCHILL (DDG 81), USS JASON DUNHAM (DDG 109), USS BARRY (DDG 52), USS WASP (LHD 1), USS DWIGHT D EISENHOWER (CVN 69), USS SHAMAL (PC 13) Cancel 3rd/4th Quarter aircraft depot maintenance (rolling schedule) in Cherry Point, NC (\$81M) Reduce ship ops, flying hours (\$557M)* Cut NECE by 20% (\$147M) Release up to 655 temporary workers in 3rd/4th Qtr (\$12M)* Implement civilian hiring freeze (\$70M)* Cut administrative expenditures by 25% (\$385M)* Cut IT expenditures by 25% (\$141M)* Eliminate non-essential travel/conferences (\$26M)* Reduce FSRM by 50% (\$98M); Reduce BOS 10% (~\$90M) Cancel 2 demolition projects in Norfolk (\$9M) "New Start", "MYP", Quantity, and Rate Prohibitions Defer "new start" construction of CVN 79 (\$608M) Defer "new start" aircraft procurements (\$150M)* Defer "new start" research and development (\$263M)* Cancel procurement of at least 271 weapons (\$124M)* CVN 72 RCOH funding (\$1.5B) at risk Defer CVN71 RCOH completion (\$67M) Defer 4 MILCON projects (2 at Dahlgren, 1 Oceana, 1 Norfolk NSY - \$100M) <p>*= Navy-wide total cut</p>	<ul style="list-style-type: none"> Defer emergent repairs to USS PORTER (DDG 78)(\$125M)** in FY13 Cancel Blue Angels shows in Virginia Beach, Lynchburg (Sep 13) <p>Investment Actions:</p> <ul style="list-style-type: none"> Reduce investment in ships, aircraft, weapons, R&D by \$7.75B* Delay Moored Training Ship award in Norfolk (\$28M) Defer DDG 65 (San Diego), DDG 58 (Norfolk) modernization (\$44M) <p>** = These repairs will take place somewhere on the east coast</p> <p>21 ships and submarines are scheduled to deploy from Virginia between now and end of FY13</p>

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Potential actions by region – CALIFORNIA

Continuing Resolution (\$563M)	Sequestration
<ul style="list-style-type: none"> Cancel 5 ship avails (rolling schedule) in San Diego (\$103M): <ul style="list-style-type: none"> USS RUSHMORE (LSD 47), USS SAMPSON (DDG 102), USS BENFOLD (DDG 65), USS PRINCETON (CG 59), USS PELELIU (LHA 5) Cancel 3rd/4th Quarter aircraft depot maintenance (rolling schedule) in North Island (\$83M) Reduce ship ops, flying hours (\$557M)* Cut NECE by 20% (\$35M) Release up to 655 temporary workers in 3rd/4th Quarter (\$12M)* Implement Civilian hiring freeze (\$70M)* Cut administrative expenditures by 25% (\$385M)* Cut IT expenditures by 25% (\$141M)* Eliminate non-essential travel/conferences (\$26M)* Reduce FSRM by 50% (\$78M) Reduce BOS 10% (~\$70M) Cancel 8 demolition projects (rolling schedule) (1 in Ventura, 2 Lemoore, 3 San Diego, 1 China Lake - \$11M total) <p>“New Start” , “MYP” , Quantity, and Rate Prohibitions</p> <ul style="list-style-type: none"> Defer “new start” aircraft procurements (\$150M)* Defer “new start” research and development (\$263M)* Cancel procurement of at least 271 weapons (\$124M)* –qty limit Defer 5 MILCON projects (3 in San Diego, 1 Seal Beach, 1 Pt Mugu - \$183M) <p><i>*= Navy-wide total cut</i></p>	<ul style="list-style-type: none"> Cancel 3 ship avails (rolling schedule) in San Diego (\$72M): <ul style="list-style-type: none"> USS RUSSELL (DDG 59), USS GRIDLEY (DDG 101), USS PIONEER (MCM 9) Cancel Blue Angels shows in Pt. Mugu, Miramar, and San Francisco <p>Investment Actions:</p> <ul style="list-style-type: none"> Reduce investment in ships, aircraft, weapons, R&D by \$7.75B* Defer DDG 65 (San Diego), DDG 58 (Norfolk) modernization (\$44M) Reduce procurement quantity: MQ-8C (-2) <p><i>14 ships and submarines are scheduled to deploy between now and end of FY13</i></p>

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Potential actions by region – PACIFIC NORTHWEST

Continuing Resolution (\$280M)	Sequestration
<ul style="list-style-type: none"> Cancel 3rd/4th Quarter aircraft depot maintenance (\$83M) in Whidbey Island, WA (rolling schedule) Reduce ship ops, flying hours (\$557M)* Release up to 655 temporary workers in 3rd/4th Quarter (\$12M)* Implement civilian hiring freeze (\$70M)* Cut administrative expenditures by 25% (\$385M)* Cut IT expenditures by 25% (\$141M)* Eliminate non-essential travel/conferences (\$26M)* Reduce FSRM by 50% (\$158M) Reduce BOS 10% (\$30M) Cancel 1 demolition project in Bremerton, WA (\$3M) <p>“New Start”, “MYP”, Quantity, and Rate Prohibitions</p> <ul style="list-style-type: none"> Defer “new start” aircraft procurements (\$150M)* Defer “new start” research and development (\$263M)* Cancel procurement of at least 271 weapons (\$124M)* –qty limit Defer 1 MILCON project at Whidbey Island , WA (\$6M) <p><i>*= Navy-wide total cut</i></p>	<p>Investment Actions:</p> <ul style="list-style-type: none"> Reduce investment in ships, aircraft, weapons, R&D by \$7.75B* Reduce procurement quantity: P-8A (-1) Cancel Blue Angels show in Seattle, WA and Hillsboro, OR Cancel Fleet participation in Portland Rose Festival, Seattle SeaFair and Fleet Week San Francisco. <p><i>2 ships and submarines are scheduled to deploy from the Pacific NW between now and the end of FY13</i></p>

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Potential actions by region- FLORIDA

Continuing Resolution (~\$299M)	Sequestration
<ul style="list-style-type: none"> Cancel one 3rd/4th Quarter ship avail in Mayport (\$4M) <ul style="list-style-type: none"> USS FARRAGUT (DDG 99) Cancel 3rd/4th Quarter aircraft depot maintenance in Jacksonville (\$135M) (rolling schedule) Reduce ship ops, flying hours (\$557M)* Release up to 655 temporary workers in 3rd/4th Quarter (\$12M)* Implement civilian hiring freeze (\$70M)* Cut administrative expenditures by 25% (\$385M)* Cut IT expenditures by 25% (\$141M)* Eliminate non-essential travel/conferences (\$26M)* Reduce FSRM by 50% (\$59M) Reduce BOS 10% (\$75M) Cancel 4 demolition projects in Pensacola (\$3.2M) and 1 Key West (\$0.5M) (rolling schedule) <p>"New Start" , "MYP" , Quantity, and Rate Prohibitions</p> <ul style="list-style-type: none"> Defer 1 MILCON project at Jacksonville (\$22M) Defer "new start" aircraft procurements (\$150M)* Cancel procurement of at least 271 weapons (\$124M)* –qty limit Defer "new start" research and development (\$263M)* <p><i>*= Navy-wide total cut</i></p>	<p>Investment Actions:</p> <ul style="list-style-type: none"> Reduce investment in ships, aircraft, weapons, R&D by \$7.75B* Reduce procurement quantity: E-2D (-1 in NY, FL) Cancel Blue Angels shows in Pensacola, Tampa ,and Jacksonville Cancel fleet participation in Fleet Week Tampa Bay and Fort Lauderdale. <p><i>8 ships are scheduled to deploy from Florida between now and the end of FY13</i></p>

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Potential actions by region - NORTHEAST

Continuing Resolution (~\$580M)	Sequestration
<ul style="list-style-type: none"> • Cancel one 3rd/4th Quarter ship avail, USS PROVIDENCE (SSN 719) at New London, CT (\$45M) • Cancel 3rd/4th Quarter aircraft depot maintenance in Patuxent River, MD (rolling schedule) • Reduce ship ops, flying hours (\$557M)* • Release up to 655 temporary workers in 3rd/4th Quarter (\$12M)* • Implement civilian hiring freeze (\$70M)* • Cut administrative expenditures by 25% (\$385M)* • Cut IT expenditures by 25% (\$141M)* • Eliminate non-essential travel/conferences (\$26M)* • Reduce FSRM by 50% (\$51M) • Reduce BOS 10% (\$90M) • Cancel 3 demolition projects in Patuxent River, MD (\$9M), 2 in New London, CT, 1 in Potomac, MD (\$13M) (rolling schedule) <p>“New Start” , “MYP” , Quantity, and Rate Prohibitions</p> <ul style="list-style-type: none"> • Defer “new start” aircraft procurements (\$150M)* • Defer “new start” research and development (\$263M)* • Cancel procurement of at least 271 weapons (\$124M)* –qty limit • Cancel construction of 1 DDG 51 in FY13 (\$1.4B)-quantity limit *** • Defer 1 MILCON project at Moorestown, NJ (\$33M) <p>*= Navy-wide total cut ***= This construction could take place in MS or ME</p>	<ul style="list-style-type: none"> • Defer emergent repairs to USS PORTER (DDG 78)(\$125)** in FY13 and USS MIAMI (SSN 755)(\$339M in Maine) • Cancel Blue Angels shows in Annapolis, Ocean City (MD), North Kingstown (RI), Patuxent River, Brunswick (ME) • Cancel fleet participation in Navy week in Rockford, ME and Rhode Island <p>Investment Actions:</p> <ul style="list-style-type: none"> • Reduce investment in ships, aircraft, weapons, R&D by \$7.75B* • Defer LYNDON B JOHNSON (DDG 1002) contract awards in MS, MA and ME (\$90M) • Reduce procurement quantities: JSF (-2F-35B, 2 F-35C in TX, CT), E-2D (-1 in NY, FL) <p>** = These repairs will take place somewhere on the east coast</p> <p>5 ships and submarines are scheduled to deploy from the Northeast between now and the end of FY13</p>

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Potential actions by region - HAWAII

Continuing Resolution (~\$110M)	Sequestration
<ul style="list-style-type: none"> Cancel one 3rd/4th Quarter ship avail in Hawaii (\$35M) <ul style="list-style-type: none"> USS CHAFEE (DDG 90) Cancel 3rd/4th Quarter aircraft depot maintenance (rolling schedule) Release up to 655 temporary workers in 3rd/4th Quarter (\$12M)* Implement civilian hiring freeze (\$70M)* Cut administrative expenditures by 25% (\$385M)* Cut IT expenditures by 25% (\$141M)* Eliminate non-essential travel/conferences (\$26M)* Reduce FSRM by 50% (\$35M) Reduce BOS 10% (\$40M) <p>“New Start”, “MYP”, Quantity, and Rate Prohibitions</p> <ul style="list-style-type: none"> Defer “new start” aircraft procurements (\$150M)* Defer “new start” research and development (\$263M)* Cancel procurement of at least 271 weapons (\$124M)* –qty limit <p><i>*= Navy-wide total cut</i></p>	<p>Investment Actions:</p> <ul style="list-style-type: none"> Reduce investment in ships, aircraft, weapons, R&D by \$7.75B* <p><i>6 ships and submarines are scheduled to deploy from Hawaii between now and the end of FY13</i></p>

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Potential actions by region – All Other CONUS

Continuing Resolution (~\$241M)	Sequestration
<ul style="list-style-type: none"> • Release up to 655 temporary workers in 3rd/4th Quarter (\$12M)* • Implement civilian hiring freeze (\$70M)* • Cut administrative expenditures by 25% (\$385M)* • Cut IT expenditures by 25% (\$141M)* • Eliminate non-essential travel/conferences (\$26M)* • Reduce FSRM by 50% (\$1.16B)* • Reduce BOS by 10% (\$495M)* • Cancel 6 demolition projects (4 NS Great Lakes, IL (\$2M), 1 JRB New Orleans (\$0.25M) 1 NAS Meridian, MS (\$1M)) (rolling schedule) <p>“New Start”, “MYP”, Quantity, and Rate Prohibitions</p> <ul style="list-style-type: none"> • Defer “new start” aircraft procurements (\$150M)* • Defer “new start” research and development (\$263M)* • Defer completion AMERICA (LHA 6) (\$157M) (Pascagoula, MS) • Cancel procurement of at least 271 weapons (\$124M)* –qty limit <p><i>*= Navy-wide total cut</i></p>	<p>Investment Actions:</p> <ul style="list-style-type: none"> • Reduce investment in ships, aircraft, weapons, R&D by \$7.75B* • Defer LYNDON B JOHNSON (DDG 1002) contract awards in MS, MA and ME (\$90M) • Reduce procurement quantities: JSF (-2 F-35B, 2 F-35C in TX, CT), UH-1Y/AH-1Z (-3 in TX), JPATS (-3 in KS) • Cancel Blue Angels shows in Corpus Christi (TX), Vidalia (GA), Beaufort (SC), Barksdale AFB (LA), Jackson (MS), Seymour Johnson AFB (NC), Rockford (IL), Indianapolis (IN), Evansville (IN), St. Cloud (MN), Fargo (ND), Kansas City (MO), Eau Claire (WI), Fort Worth (TX)

Calculated as of: 15 FEB: 1600

UNCLAS - Subject To Revision In Execution

Will be updated late MAR 2013 ¹⁰

Potential actions by region – OCONUS

Continuing Resolution (~\$19M)	Sequestration
<ul style="list-style-type: none"> Cancel ship depot maintenance availabilities (rolling schedule): <ul style="list-style-type: none"> Descope 1 ship avail in Japan USS DENVER (LPD 9) (\$17M)** Cancel 1 ship avail in Japan USS AVENGER (MCM 1) (\$17M)** Cancel 1 ship avail in Bahrain (\$2M) – USS CHINOOK (PC 9) Release up to 655 temporary workers in 3rd/4th Quarters (\$12M)* Implement civilian hiring freeze (\$70M)* Cut administrative expenditures by 25% (\$385M)* Cut IT expenditures by 25% (\$141M)* Eliminate non-essential travel/conferences (\$26M)* Reduce FSRM by 50% (\$1.16B)* Reduce BOS by 10% (\$495M)* <p>“New Start”, “MYP”, Quantity, and Rate Prohibitions</p> <ul style="list-style-type: none"> Defer “new start” aircraft procurements (\$150M)* Defer “new start” research and development (\$263M)* Cancel procurement of at least 271 weapons (\$124M)* –qty limit <p>*= Navy-wide total cut ** = Total for both availabilities in Japan</p>	

Calculated as of: 15 FEB: 1600

UNCLAS - Subject To Revision In Execution

Will be updated late MAR 2013 ¹¹

Appendix J. February 28, 2013, Navy Briefing Slides on Potential CR and Sequester Impacts

This appendix reprints February 28, 2013, Navy briefing slides on potential impacts of a year-long continuing resolution (CR) and sequestration.³³

The enactment on March 26, 2013, of H.R. 933/P.L. 113-6, which includes the FY2013 DOD Appropriations Act as Division C, mooted the possibility of a year-long CR for DOD in FY2013. Navy officials caution that Navy estimates of exact dollar figures for sequester impacts on individual Navy programs issued prior to March 26, 2013, might need to be revised in light of the enactment of H.R. 933/P.L. 113-6, because those estimates might have been based on the scenario of a year-long CR for DOD in FY2013 based on FY2012 funding levels.

The briefing slides begin on the next page.

³³ The briefing slides were posted at InsideDefense.com (subscription required).



Continuing Resolution and Sequestration

FMB View

28 February 2013

Aligning to Strategic Guidance



FMB UPDATE FOR HASO/SASO PRO STAFF

Sustaining U.S. Global Leadership CJCS National Security Interests

- Survival of the Nation
- Security of the Global Economic System
- Prevention of Catastrophic Attacks on the Nation
- Secure, Confident, and Reliable Allies and Partners
- Protection of American Citizens Abroad
- Preservation of and, Where Possible, Extension of Universal Values



FMB UPDATE FOR HASC/SASC PRO STAFF

How we got here

- Budget Control Act (BCA) of 2011 resulted in agreement between the President and Congress to reduce spending by \$917B over the next 10 years
 - -\$11B cut to DoD: Spending was at \$557B -- \$11B over the \$546B cap
 - The Joint Select Committee was established, but failed to recommend legislation. This triggered sequestration enactment on 1/1/13. Initial cut was \$54.7B - DON share of \$15.1B
 - The American Taxpayer relief Act of 2012 deferred sequestration to 1 March. Shifted and cut \$12B of the cut from FY13 to FY14, and reduced the DoD cut by \$6B
 - **DOD estimate: -\$46B and the DON share is -\$12.6B (Navy -11.2B, USMC -1.4B)**
- Development of the DON plan
 - Navy BSOs developed implementation plans for the annualized FY13 CR and sequestration
 - Navy near term implementation impacts passed to OSD 1 Feb
 - DON plan – including investment impacts - due to OSD 8 Feb
- Planning assumptions address \$8.6B FY13 O&M,N challenge - Tier Alpha and Bravo
 - Fleet GFMF and FDNF operations supported for CENTCOM and PACOM
 - CVN presence affected by Presidential decision to delay TRUMAN; CSG presence under review
 - On average maintains 1 CSG with face-to-face turnovers
 - ARG deployments under review due to fiscal considerations
 - Rota Spain FDNF plan under review
 - Ships to remain on track to transfer -- level of proficiency subject to fiscal considerations
 - Fleet exercise support for COCOMs deferred

The Math

APPN	2013 Base Annualized CR	2013 OCO Annualized CR	2012 & Prior Unobligated Balance (March 1, 2013)	Total Budgetary Resources (March 1, 2013)	Sequestration 9% Cut (1/18/13)	CR Reductions	Practical Impact CR+Seq	
MPN	26,967,370	874,625	0	27,841,995	0	-123,523	-123,523	
MPMC	13,718,583	1,621,356	0	15,339,939	0		0	
RPN	1,947,390	39,335	0	1,986,725	0		0	
RPMC	648,668	24,722	0	673,390	0	-15,973	-15,973	
OMIN	38,354,120	5,880,395	14,589	44,249,104	-3,982,419	-3,252,823	-7,235,242	
OMIMC	5,576,860	4,066,340	121	9,643,321	-867,899	-406,303	-1,274,202	
OMINR	1,313,121	55,924	0	1,369,045	-123,214		-123,214	
OMIMCR	273,104	25,477	0	298,581	-26,872		-26,872	
ERN	310,557	0	0	310,557	-27,950	-37	-27,987	
KAHO	0	0	17	17	-2		-2	
KAHO & ERN	0	0	43	43	-4		-4	
APN	17,705,432	164,582	2,914,295	20,784,309	-1,870,588		-1,870,588	
WPN	3,209,680	23,500	702,846	3,936,026	-354,242		-354,242	
PANMC	602,249	285,747	104,861	992,857	-89,357	-157,290	-246,647	
SCN	15,010,419	0	7,459,494	22,469,913	-2,022,292		-2,022,292	
OPN	5,990,224	98,882	1,319,578	7,408,684	-666,782	-179,154	-845,936	
PMC	1,431,276	943,683	1,179,609	3,554,568	-319,911	-191,679	-511,590	
RDTE	17,848,141	60,119	952,994	18,861,254	-1,697,513		-1,697,513	
NDSF	1,107,254	0	0	1,107,254	-99,653		-99,653	
MCON	2,100,600	0	1,708,662	3,809,262	-342,834		-342,834	
MCONRA	0	0	0	0	0		0	
MCONR	26,460	0	40,764	67,224	-6,050	-23,072	-29,122	
FHCON	101,590	0	245,492	347,082	-31,237	-592	-31,829	
FHOPS	370,114	0	0	370,114	-33,310	-8,116	-41,426	
BRAC	0	0	0	0	0	-9,031	-9,031	
Coastal Defense	0	0	3,678	3,678	-331		-331	
Ford Island	0	0	100	100	-9		-9	
Roosmoor Trust	0	0	0	0	0		0	
NWCF	0	0	0	0	0		0	
TOTAL	154,613,212	14,164,687	16,647,143	185,425,042	-12,562,469	-4,367,593	-16,930,062	
w/o BRAC	154,613,212	14,164,687	16,647,143	185,425,042	-12,562,469	-4,358,562	-16,921,031	

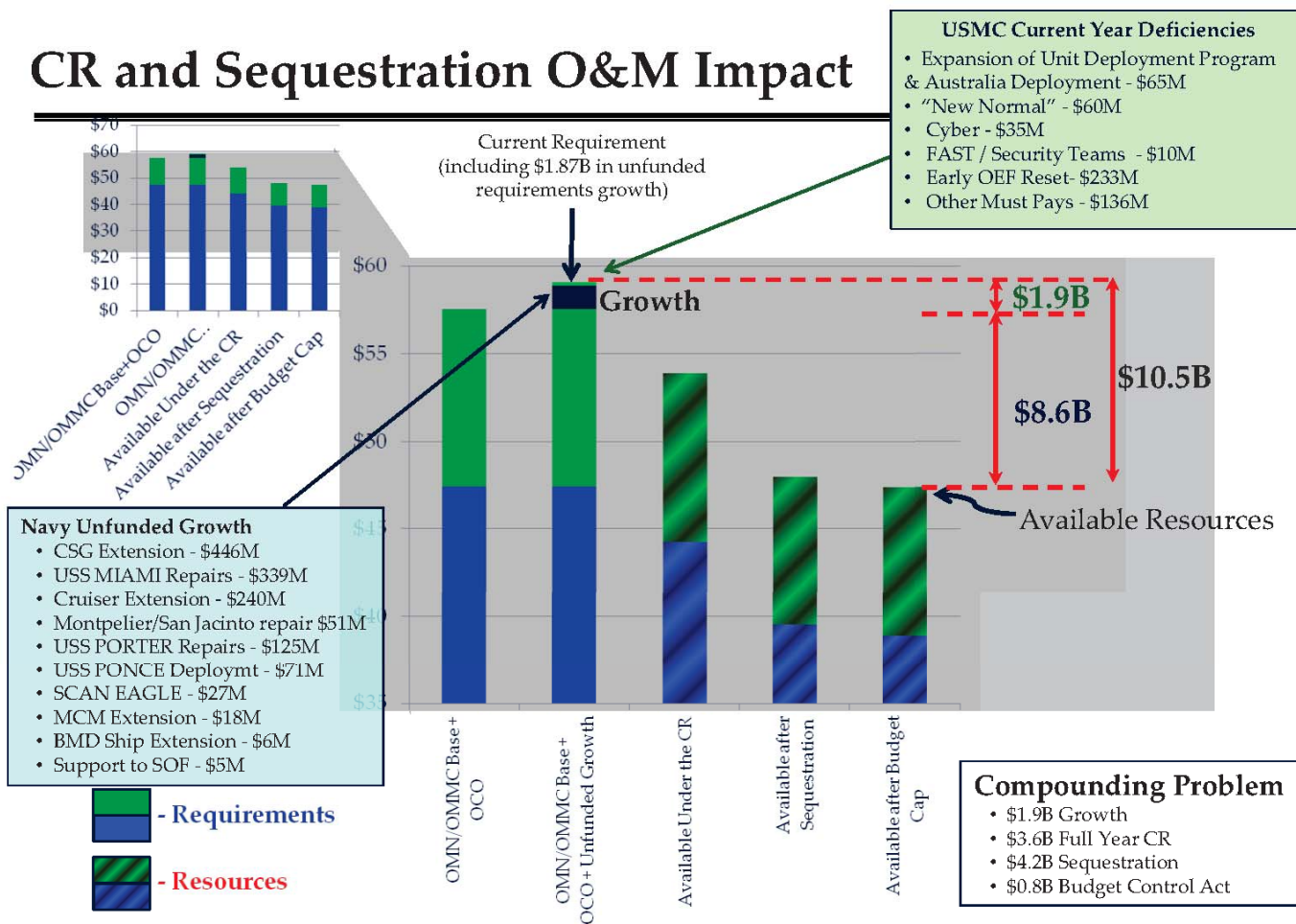
~\$10.5B O&M impact with Growth
 \$8.6B Navy / \$1.9B USMC

\$12.6B
 Sequestration Reduction

\$16.9B
 Total Reduction

FMB UPDATE FOR HASC/SASC PRO STAFF

CR and Sequestration O&M Impact



FMB UPDATE FOR HASC/SASC PRO STAFF

“Untouchable” versus “Touchable” OMN

		Funding
Remaining Unobligated Balances	December Obligations	12,539
	Non-Discretionary	
	NGen-CoSC	450
	National Intelligence Program	371
	"Must Pay" Admin (DFAS/PenRen/ToT/etc)	371
	Coast Guard and PACOM	348
	DISN-GIG	217
	Satellite Lease	168
	Remaining CIVPERS	6,105
	Discretionary	
	Baseline Air Ops	5,151
	Baseline Ship Ops	3,949
	Baseline Weapons Maintenance	3,395
	Remaining Wartime Operations	2,423
	Non Labor Public Yard Ship Maint	1,653
	NECE	705
	Remaining Available for Cuts	9,642
	FY13 Pres Bud Request (Base & OCO)	47,487

- Even “touchable” OMN contains large regions that are inaccessible (most utilities, ENTERPRISE inactivation, etc.)
- Tier Alpha and Tier Bravo identified only \$3.7B of cuts in the “touchable” OMN.
 - Some of this is still high-risk (Potentially unexecutable cuts to FSA contracts, CNIC BOS)
- **The remaining \$4.9B must come from previously “untouchable” OMN:**
 - Furlough ✓
 - Hiring freeze ✓
 - Training operations ✓
 - Deployed operations ☐ Protect as much as possible

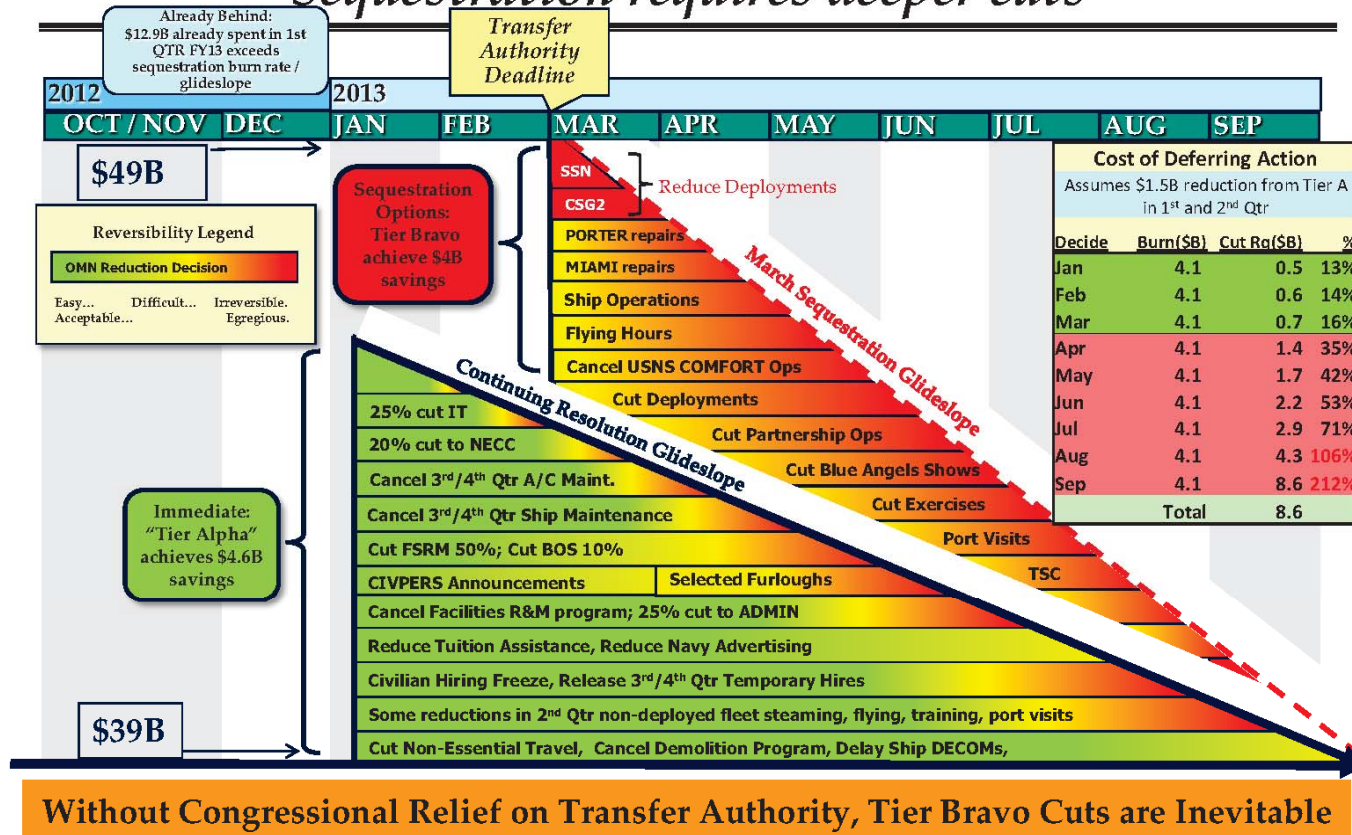
- BSO activities have been obligating as directed (Oct-Dec...already spent – \$12.5B)
 - **January actual obligations: ~\$3.8B (burn rate is still too high)**
- Minimized cuts at front end IAW CNO Sailing Directions prioritization
- There are certain contracts we “just can’t get at”
- We can’t pay less for services we demand just because we don’t have the money:
 - E.g., to lower Pentagon Rent bill, we have to move out; Can’t lease 80% of a satellite...

Can’t cut 89% of what’s left – only 38%. \$4.9B must come from “Touchable” OMN.

FMB UPDATE FOR HASC/SASC PRO STAFF

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Navy: Acting Now to Mitigate CR Impacts ... Sequestration requires deeper cuts



Major CR Impacts to Investment Programs

- CVN 72 RCOH (FY13 contract pending Year-long CR Anomaly)
 - RDA/PEO concerns regarding awarding CVN 72 RCOH without remaining \$1.5B required in FY13 as anomaly in Year-long CR
- Cost to Complete Transfer Authority
 - Funding level and program changes from FY12 to FY13 requires unique general provision transfer authority for specific hulls (CVN-71 RCOH, LPD-25, LHA-6)
- CVN 79 (FY13 shipbuilding contract award pending Year-long CR Anomaly)
 - Requires New Start authority
- V-22, Virginia Class and DDG-51 Multi-Year Procurement (MYP)
 - Requires MYP authority
- MILCON
 - Only permitted to execute Planning and Design (P&D) and two incrementally-funded projects
- Funding Increases from FY12 to FY13 in SCN (line item appropriated)
 - Moored Training Ship (MTS), DDG-1000
- Quantity Increases from FY12 to FY13 that Require Anomalies:

APPN	Title	Q2012	Q2013	FY12(\$M)	FY13(\$M)
SCN	DDG-51	1	2	\$2,081	\$3,515
APN	UH-1Y/AH-1Z	25	28	\$740	\$791
APN	P-8A	11	13	\$2,254	\$2,746
WPN	Sidewinder (AIM-9X)	69	150	\$50	\$80
WPN	JT Standoff Weapon (JSOW)	246	280	\$132	\$128
WPN	Standard Missile	89	94	\$357	\$399
WPN	Rolling Airframe Missile (RAM)	61	65	\$66	\$67
WPN	Hellfire	426	768	\$37	\$75
WPN	Evolved Sea Sparrow Missile (ESSM)	35	37	\$48	\$58
WPN	HARM Mods	72	100	\$77	\$87
WPN	MK-54 Torpedo Mods	45	75	\$77	\$74

CR impacts to investment programs is significant -- numerous anomalies required

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Major Sequestration Impacts to Investment Programs

- VIRGINIA CLASS AP (\$81.0M Sequestration)
 - Deobligate Advanced Procurement items until funding restored.
- DDG 51 AP (\$46.0M Sequestration) *(FY13 contract awards pending Year-long CR Anomaly)*
 - Remaining reduction (\$34.4M) in FY13 has impact to Aegis Weapons System multiyear contract award – requires reprogramming action in FY13 to award
- DDG 1000 (\$90.2M Sequestration)
 - Impact to award of Mission System Equipment and Deckhouse for DDG 1002 with associated disruption to schedule and higher cost – requires restoration of funds in FY14
- MTS AP (\$28.0M Sequestration)
 - Applied to FY13 with year delay in delivery of MTS 701 – Requires restoration in FY14
 - Impact to training program, reducing nuclear operator training throughput
- DDG Mods (\$44.0M Sequestration)
 - Unable to fully support the Combat System (CS) installation for DDG-65 with sequestration reduction and unable to fully fund one HM&E installation on DDG-58 and one CS installation on DDG-65 in FY13 with both sequestration and CR reductions.
- Programs with unobligated balances less than the sequestration amount
 - SOPGM (Griffin Missiles) , Sonobuoys
 - After de-obligation, no payback is required
 - MH-60S Advance Procurement, JHSV, VA-Class Advance Procurement ,Reactor Power Units
 - After de-obligation, payback in future year is required to deliver end-item
- Programs with significant quantity reductions
 - JSF STOVL (-2), JSF CV (-2), UH-1Y/AH-1Z (-3), P-8A (-1), E-2D (-1), STUAS (-1), MQ-8 (-2)

THIS IS NOT THE FINAL PICTURE

PMB UPDATE FOR HASC/SASC PRO-STATE

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Initial estimate of Outyear Impact of Sequestration

(\$M)	Prior Year	FY13	FY14	FYDP	Outside FYDP
Account					
APN	(565)	(1,515)	79	753	1,211
WPN	(128)	(239)	5	207	155
PANMC	(12)	(78)	-	39	39
PMC	(194)	(149)		172	172
SCN	(982)	(1,023)	284	945	
OPN	(61)	(630)		315	315
RDTEN (N)	(248)	(1,382)	265	355	1,010
RDTEN (MC)	(35)	(56)		40	51
MILCON	(197)	(158)		108	
NDSF	(3)	(97)	96		
Total	(2,425)	(5,327)	729	2,934	2,953



- FMB Strategy
 - Apply Sequestration to prior year unobligated balances to the greatest extent possible
 - Reductions applied to FY13 with a focus to minimize FY14 and FYDP paybacks
 - Look to restore funding outside FYDP to the greatest extent possible
- Coordination required between OPNAV N8, HQMC P&R, HQMC DC Air, ASN(RDA) and FMB on out-year efforts and acquisition strategy

THIS IS NOT THE FINAL PICTURE

FMB UPDATE FOR HASC/SASC PRO STAFF

The Way Ahead

What We Need—Options in order of desirability: (the first four—largely equivalents)

- FY13 Defense Appropriations Bill; or
 - Full-Year CR Bill: HAC/SAC Defense and MILCON Conference Reports inserted; or
 - Full-Year CR Bill with initial DoD realignment opportunity:
 - Report to Congress via “Basis for Reprogramming” (DD-1414) or equivalent notification— with suitable wait period for Congressional comments
 - Pursue enactment of the NDAA mark-up with HAC/SAC with one “free” move
 - NDAA baseline results in \$139M OMN “excess” above PB13
 - 1414 mark-up within 45 days of enactment
 - Requires coordination for transfers across appropriations (special rules beyond standard 1414)
 - A full-year CR with sufficient transfer authority & expedited treatment:
 - New-starts, quantity increases, multi-year procurement
 - SCN and MILCON data tables
 - Much greater General Transfer Authority than a typical year (~\$5B)
- **What Won't Work:** CR date changed (3/27 to 9/30) with no flexibility or authorities

Any option requires OSD/OMB/Congress coordination

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