

FY2023 NDAA: Organic Industrial Base

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The Department of Defense (DOD) oversees a network of government-owned industrial facilities collectively referred to as the *organic industrial base* (OIB). These facilities produce, store, and dispose of many of the conventional munitions used by the U.S. armed services; they also maintain, overhaul, and repair weapon systems and defense equipment. Several provisions in the House-passed (H.R. 7900) and Senate Armed Services Committee (SASC)-reported (S. 4543) National Defense Authorization Act for Fiscal Year 2023 (FY2023 NDAA) would introduce new reporting, planning, and investing requirements for the OIB, as well as authorizing additional appropriations for military construction projects at certain facilities.

Background

The OIB encompasses both government-owned, government operated (GOGO) and government-owned, contractor-operated (GOCO) facilities.

[Title 10, Section 2464 of the U.S. Code \(U.S.C.\)](#) states that “it is essential for the national defense that the Department of Defense maintain a core logistics capability that is Government-owned and Government-operated,” specifying further that this “shall include those capabilities that are necessary to maintain and repair” weapon systems and other military equipment. These capabilities reside in GOGO arsenals, depots, production plants, shipyards, readiness centers, and logistics complexes operated by each of the military departments; [10 U.S.C. §2476](#) designates 21 GOGO facilities as “covered depots,” subject to reporting and minimum capital investment requirements. For more information, see CRS In Focus IF11466, *Defense Primer: Department of Defense Maintenance Depots*.

Table I. Selected FY2023 NDAA OIB Provisions

House-passed (H.R. 7900)	SASC-reported (S. 4543)
Covered Depots and Ammunition Production Facilities	
Sec. 361 would require DOD to report the workloads, budgeting, and material condition of all covered depots and ammunition production facilities annually.	No similar provisions

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House-passed (H.R. 7900)	SASC-reported (S. 4543)
Sec. 362 would extend depots' authority to undertake unspecified minor military construction through FY2025.	Sec. 2806 would extend depots' authority to undertake unspecified minor military construction through FY2025.
Sec. 363 would raise each military department's annual minimum capital investment requirement for its covered depots.	No similar provisions
Sec. 364 would continue a requirement that DOD report core depot-level maintenance issues to Congress biennially.	No similar provisions
Sec. 365 would continue a requirement that DOD report depot-level maintenance and repair expenditures to Congress annually.	No similar provisions
Sec. 366 would require the military departments to annually report five-year plans for depot infrastructure improvement to Congress annually.	No similar provisions
Public Shipyards	
Sec. 1079G would require a study of Shipyard Infrastructure Optimization Program (SIOP) efforts to improve public shipyards.	Sec. 351 would require the Navy to develop metrics for measuring public shipyard improvements and to utilize certain cost estimating measures in SIOP planning.
Sec. 1094 would establish the National Commission on the Future of the Navy and direct it to, in part, assess the SIOP and ship depot maintenance.	No similar provisions
Sec. 1109 would require a comparative review of the Federal Wage System and public shipyard worker wage rates.	No similar provisions

Source: CRS analysis of legislation on Congress.gov.

Table 2. Selected FY2023 NDAA Military Construction Authorizations for OIB Facilities
(in millions of dollars of discretionary budget authority)

House-passed (H.R. 7900)	SASC-reported (S. 4543)
Portsmouth Naval Shipyard (Kittery, ME)	
\$503.28 (Multi-Mission Dry Dock #1 Extension)	\$503.28 (Multi-Mission Dry Dock #1 Extension)
Norfolk Naval Shipyard (Portsmouth, VA)	
\$47.72 (Dry Dock Saltwater System for CVN-78)	\$47.72 (Dry Dock Saltwater System for CVN-78)
Pearl Harbor Naval Shipyard (Pearl Harbor, HI)	
\$621.19 (Dry Dock 3 Replacement)	\$421.19 (Dry Dock 3 Replacement)
Fleet Readiness Center Southeast (Jacksonville, FL)	
\$86.23 (Engine Test Cells Modifications)	\$86.23 (Engine Test Cells Modifications)
Letterkenny Army Depot (Letterkenny, PA)	
\$38.0 (Shipping and Receiving Building)	\$38.0 (Shipping and Receiving Building)

House-passed (H.R. 7900)	SASC-reported (S. 4543)
Corpus Christi Army Depot (Corpus Christi, TX)	
\$83.0 (Powertrain Facility, Engine Assembly)	\$55.0 (Powertrain Facility, Engine Assembly)

Source: H.Rept. 117-397 accompanying H.R. 7900 and S.Rept. 117-130 accompanying S. 4543.

Discussion

OIB maintenance, repair, and production capabilities play a critical role in supporting U.S. military readiness. The OIB-related provisions of the FY2023 NDAA bills reflect congressional concern that present resourcing and facility conditions may not meet the country's defense needs. A 2022 Government Accountability Office (GAO) [report](#) on DOD's covered depots found that most capital equipment was in use past expected service life, and assessed overall infrastructure conditions as "fair to poor." In its report (H.Rept. 117-397) accompanying H.R. 7900, the House Armed Services Committee noted the importance of "consistent, strategic capital investments" in the OIB, and expressed particular concern that base budget funding for ammunition production facilities "is not adequate to achieve timely and efficient industrial facilities modernization."

Covered Depots and Ammunition Production Facilities

To provide Congress with more information on the condition of OIB facilities, Sections 361, 364, 365, and 366 of the House bill would establish new reporting and planning requirements. Under these provisions, DOD would be required to report annually: the workloads, budgeting, and material condition of OIB facilities (Sec. 361); all depot-level maintenance and repair expenditures (Sec. 365); and five-year plans to improve depot infrastructure (Sec. 366). DOD would also be required to report biennially on core depot-level maintenance requirements, workloads, and capabilities (Sec. 364).

To address potential OIB resourcing shortfalls, Section 363 of the House bill would require the military departments to increase minimum capital investments in covered depots from six to eight percent of the average total maintenance, repair, and overhaul workload funded at all depots over the preceding three years, and further require that at least two percent of this total be invested in [Facilities Sustainment, Restoration, and Modernization](#) activities.

To provide greater flexibility in meeting physical infrastructure requirements, both Section 2806 of the SASC-reported bill and Section 362 of the House-passed bill would extend authorization to use depot working capital funds for [unspecified minor military construction](#) (i.e., military construction projects with an approved cost of \$6 million or less) through FY2025.

Public Shipyards

Both bills contain provisions aimed at assessing and improving the Navy's four public shipyards ([Portsmouth Naval Shipyard](#), [Norfolk Naval Shipyard](#), [Puget Sound Naval Shipyard and Intermediate Maintenance Facility](#), and [Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility](#)).

In the House bill, Section 1079G would direct the Navy to commission a federally-funded research and development center (FFRDC) study on the optimization and recapitalization efforts of the [Shipyard Infrastructure Optimization Program](#) (SIOP). Section 1094 would establish a National Commission on the Future of the Navy and direct it to, among other items, assess public shipyards and recommend improvements to the SIOP and the ship depot maintenance program. Section 1109 would require a GAO

review to ensure parity between the [Federal Wage System](#) and the prevailing wage rate for public shipyard workers.

In the SASC-reported bill, Section 351 would direct the Navy to develop metrics for public shipyard improvements, and require the SIOP program office to prepare a comprehensive cost estimate and obtain an independent cost estimate before prioritizing projects.

Military Construction

Both NDAA bills would authorize new appropriations for military construction projects at multiple OIB sites.

For Navy OIB sites, both bills would authorize \$503 million to expand a dry dock at Portsmouth Naval Shipyard to support [Los Angeles and Virginia-class attack submarines](#). Both would authorize approximately \$48 million for a dry dock saltwater conveyance and drainage infrastructure at Norfolk Naval Shipyard to support [Gerald R. Ford-class aircraft carriers](#). Both would also authorize appropriations for the replacement of a dry dock at Pearl Harbor Naval Shipyard, but for different amounts: the House bill would authorize \$621 million, while the SASC-reported bill would authorize \$421 million. Both bills would also authorize \$86 million for facilities to test repaired aircraft engines at the Navy's Fleet Readiness Center Southeast.

For Army OIB sites, both bills would authorize \$38 million for a shipping and receiving facility at [Letterkenny Army Depot](#). Both bills would also authorize appropriations for a powertrain facility at [Corpus Christi Army Depot](#) used for rotary wing rebuild activities, but for different amounts: the House bill would authorize \$83 million, while the SASC-reported bill would authorize \$55 million.

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