SEC. ___. MULTIYEAR PROCUREMENT AUTHORITY FOR ARLEIGH BURKE CLASS DESTROYERS PROGRAM.

(a) AUTHORITY FOR MULTIYEAR PROCUREMENT.—Subject to section 2306b of title 10, United States Code, the Secretary of the Navy may enter into multiyear contracts, beginning with the fiscal year 2018 program year, for the procurement of up to ten Arleigh Burke class guided missile destroyers as determined appropriate by the Secretary of the Navy.

(b) AUTHORITY FOR ADVANCE PROCUREMENT.—The Secretary of the Navy may enter into one or more contracts, beginning in fiscal year 2018, for advance procurement associated with the destroyers for which authorization to enter into a multiyear procurement contract is provided under subsection (a), and for the systems and subsystems associated with the destroyer program, in economic order quantities when cost savings are achievable.

(c) CONDITION FOR OUT-YEAR CONTRACT PAYMENTS.—A contract entered into under subsection (a) shall provide that any obligation of the United States to make a payment under the contract for a fiscal year after fiscal year 2018 is subject to the availability of appropriations or funds for that purpose for such later fiscal year.

Section-by-Section Analysis

This proposal would allow the Secretary of the Navy to enter into multiyear contracts for up to ten Arleigh Burke (DDG 51) class guided missile destroyers that are funded by the Navy beginning in fiscal year (FY) 2018, with advance procurement also beginning in FY 2018 used to achieve Economic Order Quantity (EOQ) savings. The Navy's 30-Year Shipbuilding Plan includes procurement of ten destroyers from FY2018 through FY2022 and the cost savings analysis is based upon this quantity. The DDG 51 program has had multiyear procurement (MYP) authority for vessels and associated systems procured from FY 1998 through FY 2001, FY 2002 through FY 2005, and FY 2013 through FY 2017, realizing in excess of four billion dollars in program savings across 33 ships. It is expected that the follow-on MYPs starting in FY 2018 would yield similar benefits. Subsection (i) of 10 U.S.C. 2306b provides that a multiyear contract in an amount equal to or greater than $500,000,000 may not be entered into unless it is specifically authorized by law in an Act other than an appropriations Act. It also

requires certifications to be made by the Secretary of Defense not later than 30 days before entry into such a contract.

This proposal would provide the following benefits: (1) generate savings compared to the annual procurement cost estimates; (2) provide stable production of ballistic missile defense–capable surface combatants; (3) provide a long-term commitment to the shipbuilding industrial base that stabilizes shipyard employment levels; (4) provide an incentive for industry capital investment for productivity improvements that benefit several Navy shipbuilding programs; (5) reduce disruptions in sub-tier vendor delivery schedules; and (6) provide a stable Total Obligating Authority (TOA) profile for the Department of the Navy's procurement of large surface combatants.

Budget Implications: The Office of Cost Assessment and Program Evaluation (CAPE) completed a cost analysis on June 14, 2017, for the fourth DDG 51 MYP authorization and forecast savings of several hundred million dollars (then-year $). These savings are forecast to result from the competitive award of contracts to General Dynamics, Bath Iron Works and Huntington Ingalls Industries, Ingalls Shipbuilding Division, the two DDG 51 shipbuilders. The CAPE forecast includes savings based on the award of MYP contracts, for which the Department is seeking authorization, to these two major shipbuilders. In contrast, as shown in the Multiyear Procurement Summary Table, the Navy forecasts higher savings figures which include total savings to the DDG-51 program, not just the shipbuilding contracts, including savings on items such as Government Furnished Equipment.

The table below details resource requirements associated with this proposal.

RESOURCE REQUIREMENTS ($MILLIONS)									
	FY 2018	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
QTY	2	2	2	2	2				
DDG 51 Full Funding	$3,499.1	$3,473.2	$3,444.8	$3,392.0	$3,448.0	Shipbuilding and Conversion, Navy	02	2122	0204222N
DDG 51 Advance Procurement	$90.3	$292.7	$225.2	$0.0	$0.0	Shipbuilding and Conversion, Navy	02	2122 Advance Procurement	020422N
Total	$3,589.4	$3,769.9	$3,670.0	$3,392.0	$3,448.0	--	--	--	--

The cost savings associated with ten ships across the FY 2018 through FY 2022 MYPs are projected at $1,834.2 million versus annual procurement for the same five year period. MYP savings are identified as follows:

Multiyear Procurement Summary: Arleigh Burke (DDG 51) Class Guided Missile Destroyers

($Millions)

	Annual Contracts	MYP Alternative
Quantity	10	10
Total MYP Budget	$19,699.5	$17,865.3

$ Cost Avoidance Over Annual Budget		$1,834.2
% of Cost Avoidance Over Annual Budget		9.3%

*The Arleigh Burke Class Guided Missile Destroyer program is budgeted to support a follow-on MYP strategy and not annual contracting. If MYP is not authorized, the $1,834.2 million in cost avoidance will need to be added to program funding levels to ensure the annual contracts are executable.

Changes to Existing Law: This proposal would make no changes to the text of existing law.