SEC. ____. INCREASE IN THE NUMBER OF USED VESSELS WHICH MAY BE PURCHASED TO RECAPITALIZE THE READY RESERVE FORCE AND THE MILITARY SEALIFT COMMAND SURGE FLEET.

Subparagraph (C) of section 2218(f)(3) of section 2218 of title 10, United States Code, is amended—

(1) by striking "two" and inserting "24"; and

(2) by inserting "during the period of fiscal year 2019 through fiscal year 2030" after "ships".

[Please note: The "Changes to Existing Law" section below sets out in red-line format how the legislative text would amend existing law.]

Section-by-Section Analysis

This proposal would amend section 2218 of title 10, United States Code, to increase the number of used vessels the Secretary of Defense is authorized to purchase as part of a program to recapitalize the surge sealift capability in the Ready Reserve Force (RRF) component of the National Defense Reserve Fleet and the Military Sealift Command's (MSC) surge fleet, from two to 24. This proposal would also limit the time period during which such vessels could be purchased to fiscal year (FY) 2019 through FY 2030.

The Department of Defense (DoD) developed a hybrid recapitalization strategy for the RRF and MSC surge fleet consisting of a combination of new construction (long term), extending the service life of certain vessels (short term) and acquiring used vessels, in order to maintain capacity at an acceptable level of risk. In the National Defense Authorization for Fiscal Year 2018, Congress recognized the validity of this recapitalization strategy by authorizing the Secretary of Defense to purchase used vessels if such vessels were available at a reasonable price. However, Congress also limited the number of vessels that could be purchased to no more than two. As a practical matter, while certainly helpful, two vessels will not permit meaningful implementation of the used vessel portion of the Department's recapitalization strategy and forces the Department to retain problematic vessels beyond their useful service life while degrading the potential minimum level of wartime surge sealift output.

Even if the Department of Defense employs a suitable Service Life Extension Program, studies have determined that 50 vessels in the RRF and MSC surge fleet will need to be replaced over the period of FY 2019 to FY 2035. Of these 50 vessels, a realistic assessment of the probable balance between used and new-build vessels indicates that at least 24 of the total will have to be used vessels by FY 2030, with the potential need for more used vessels after FY 2030 depending on the production rate of new vessels. This proposal would authorize the initial

implementation of the part of the recapitalization strategy that relies upon the purchase of used vessels by providing the authority to plan and budget for the purchase of up to 24 vessels over the next 12 years. The numerical and time limitations imposed would compel revisiting the recapitalization strategy midstream to ensure its objectives are being met in a manner consistent with Congress' intent.

Budget Implications: If enacted this proposal would not increase the budgetary requirements beyond those reflected for FY21 and FY22, below. This is funded within the FY 2019 President's Budget.

RESOURCE REQUIREMENTS ($MILLIONS)+									
	FY 2019	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**Appropriation To**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
Army	+0	+0	+0	+0	+0	Operations & Maintenance, Army			
Navy	+0	+0	+30	+31	+0	Operations & Maintenance, Navy	02	2A1F	0408042N
Marine Corps	+0	+0	+0	+0	+0	Operations & Maintenance, Marine Corps			
Coast Guard	+0	+0	+0	+0	+0	Operations & Maintenance, Coast Guard			
Air Force	+0	+0	+0	+0	+0	Operations & Maintenance, Air Force			
DOD	+0	+0	+0	+0	+0	Transportation Working Capital Funds			
Total	+0	+0	+30	+31	+0				

NUMBER OF PERSONNEL AFFECTED							
	FY 2019	**FY 2020**	**FY 2021**	**FY 2022**	**FY 2023**	**Appropriation To**	**Personnel Type (Officer, Enlisted, or Civilian)**

Army	0	0	0	0	0	N/A	N/A
Navy	0	0	0	0	0	N/A	N/A
*Marine Corps	0	0	0	0	0	N/A	N/A
Air Force	0	0	0	0	0	N/A	N/A
Total	0	0	0	0	0		

Changes to Existing Law: This proposal would make the following changes to section 2218 of title 10, United States Code:

§ 2218. National Defense Sealift Fund

(a) ESTABLISHMENT.—There is established in the Treasury of the United States a fund to be known as the "National Defense Sealift Fund".

(b) ADMINISTRATION OF FUND.—The Secretary of Defense shall administer the Fund consistent with the provisions of this section.

(c) FUND PURPOSES.—(1) Funds in the National Defense Sealift Fund shall be available for obligation and expenditure only for the following purposes:

(A) Construction (including design of vessels), purchase, alteration, and conversion of Department of Defense sealift vessels.

(B) Operation, maintenance, and lease or charter of Department of Defense vessels for national defense purposes.

(C) Installation and maintenance of defense features for national defense purposes on privately owned and operated vessels that are constructed in the United States and documented under the laws of the United States.

(D) Expenses for maintaining the National Defense Reserve Fleet under section 11 of the Merchant Ship Sales Act of 1946 (50 U.S.C. 4405), and for the costs of acquisition of vessels for, and alteration and conversion of vessels in (or to be placed in), the fleet, but only for vessels built in United States shipyards.

(2) Funds in the National Defense Sealift Fund may be obligated or expended only in amounts authorized by law.

(3) Funds obligated and expended for a purpose set forth in subparagraph (B) or (D) of paragraph (1) may be derived only from funds deposited in the National Defense Sealift Fund pursuant to subsection (d)(1).

(d) DEPOSITS.—There shall be deposited in the Fund the following:

(1) All funds appropriated to the Department of Defense for—

(A) construction (including design of vessels), purchase, alteration, and conversion of national defense sealift vessels;

(B) operations, maintenance, and lease or charter of national defense sealift vessels; and

(C) installation and maintenance of defense features for national defense purposes on privately owned and operated vessels.

(2) All receipts from the disposition of national defense sealift vessels, excluding receipts from the sale, exchange, or scrapping of National Defense Reserve Fleet vessels under sections 57101–57104 and chapter 573 of title 46.

(3) All receipts from the charter of vessels under section 1424(c) of the National Defense Authorization Act for Fiscal Year 1991 (10 U.S.C. 7291 note).

(4) Any other funds made available to the Department of Defense to carry out any of the purposes described in subsection (c).

(e) ACCEPTANCE OF SUPPORT.—(1) The Secretary of Defense may accept from any person, foreign government, or international organization any contribution of money, personal property (excluding vessels), or assistance in kind for support of the sealift functions of the Department of Defense.

(2) Any contribution of property accepted under paragraph (1) may be retained and used by the Department of Defense or disposed of in accordance with procedures prescribed by the Secretary of Defense.

(3) The Secretary of Defense shall deposit in the Fund money and receipts from the disposition of any property accepted under paragraph (1).

(f) LIMITATIONS.—(1) A vessel built in a foreign ship yard may not be purchased with funds in the National Defense Sealift Fund pursuant to subsection (c)(1), unless specifically authorized by law.

(2) Construction, alteration, or conversion of vessels with funds in the National Defense Sealift Fund pursuant to subsection (c)(1) shall be conducted in United States ship yards and shall be subject to section 1424(b) of Public Law 101-510 (104 Stat. 1683).

(3)(A) Notwithstanding the limitations under subsection (c)(1)(E) and paragraph (1), the Secretary of Defense may, as part of a program to recapitalize the Ready Reserve Force component of the national defense reserve fleet and the Military Sealift Command surge fleet, purchase any used vessel, regardless of where such vessel was constructed if such vessel—

(i) participated in the Maritime Security Fleet; and

(ii) is available for purchase at a reasonable cost, as determined by the Secretary.

(B) If the Secretary determines that no used vessel meeting the requirements under clauses (i) and (ii) of subparagraph (A) is available, the Secretary may purchase a used vessel comparable to a vessel described in clause (i) of subparagraph (A), regardless of the source of the vessel or where the vessel was constructed, if such vessel is available for purchase at a reasonable cost, as determined by the Secretary.

(C) The Secretary may not use the authority under this paragraph to purchase more than 24 ~~two~~ foreign constructed ships during the period of fiscal year 2019 through fiscal year 2030.

(D) The Secretary shall ensure that the initial conversion, or modernization of any vessel purchased under the authority of subparagraph (A) occurs in a shipyard located in the United States.

(E) Not later than 30 days after the purchase of any vessel using the authority under this paragraph, the Secretary, in consultation with the Maritime Administration, shall submit to the congressional defense committees a report that contains each of the following with respect to such purchase:

(i) The date of the purchase.

(ii) The price at which the vessel was purchased.

(iii) The anticipated cost of modernization of the vessel.

(iv) The proposed military utility of the vessel.

(v) The proposed date on which the vessel will be available for use by the Ready Reserve.

(vi) The contracting office responsible for the completion of the purchase.

(vii) Certification that—

(I) there was no vessel available for purchase at a reasonable price that was constructed in the United States; and

(II) the used vessel purchased supports the recapitalization of the Ready Reserve Force component of the National Defense Reserve Fleet or the Military Sealift Command surge fleet.

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