SEC. __. CONTRACT AUTHORITY FOR COLUMBIA CLASS SUBMARINE PROGRAM.

(a) CONTRACT AUTHORITY.—The Secretary of the Navy may enter into a contract, beginning with fiscal year 2021, for the procurement of up to two Columbia class submarines.

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

(c) LIABILITY.—Any contract entered into under subsection (a) shall provide that—

(1) any obligation of the United States to make a payment under the contract is subject to the availability of appropriations for that purpose; and

(2) that total liability of the Federal Government for termination of any contract entered into shall be limited to the total amount of funding obligated to the contract at time of termination.

Section-by-Section Analysis

This section would permit the Navy to enter into one contract for up to two COLUMBIA class submarines (SSBN 826 and SSBN 827), providing industrial base stability, production efficiencies, and cost savings when compared to an annual procurement with options cost estimate. This contract approach is aimed at minimizing the impact on the Department of the Navy's Shipbuilding and Conversion, Navy (SCN) account through construction efficiencies and workforce stability. This contracting authority would provide the prime contractor and vendors with a reasonable advance assurance of authority to buy two ships and associated material, while also limiting the Government's liability to the funds obligated to the contract in the event of termination. Providing such assurances to both the prime contractor and vendors will strengthen the industrial base, gives confidence to vendors to make long-term investments in both facilities and labor. Such assurances also, combined with various advanced construction and continuous production initiatives already underway, will further stabilize production lines, allowing for construction efficiencies and cost savings. Long-term investments in the labor force further de-risks schedule by reducing ramp-up/ramp-down costs related to hiring and training.

Subsection (a) of this proposal would permit the award of a contract in Fiscal Year (FY) 2021, enabling SSBN 826 ship construction and Advance Procurement/Advance Construction funding in FY 2021 through FY 2023 for SSBN 827. Full funding for construction of SSBN 827 starts in FY 2024 in accordance with the program's Acquisition Strategy.

Subsection (b) of the proposal would permit the Secretary of the Navy to incrementally fund the contract using full funding for COLUMBIA Class SSBN 826 in FY 2021 and SSBN 827 in FY 2024. Instead of appropriating the entire amount needed to construct SSBN 826 FY 2021, incremental full funding allows the Navy to spread that cost out over three years, facilitating shipbuilding efforts to support the Navy the nation needs. Continuing this strategy to support construction for SSBN 827 over two years (FY 2024 and FY 2025) would further reduce the pressure on the Navy's shipbuilding account.

Subsection (c) of this proposal ensures that the Government's liability for the procurement is limited to funding that is obligated to the contract at the time of termination.

Budget Implications: This proposal includes significant budgetary savings that are already incorporated into the requested budget profiles. Resources impacted are incidental in nature and amount, and are included within the FY 2021 President's Budget Request.

Based on cost reductions seen for Virginia Class Submarine block buy contracts, the budget request assumes estimated savings of at least $800 million resulting from material procurement through a clear demand signal to the industrial base and production efficiencies. This represents approximately an eight percent savings over an annual procurement with options. These savings are already part of the program budgets. In the event this legislative proposal is not enacted, increases in required funding within the FY 2021 President's Budget Request will be necessary.

The resources reflected in the tables below show the funding requested in FY 2021 BES and a comparison of funding required for a contract for SSBN 826 with an option for SSBN 827 without incremental funding and funding required for a single two-ship contract for SSBN 826 and SSBN 827 with incremental funding.

RESOURCE REQUIREMENTS ($M)										
	FY 2020	**FY 2021**	**FY 2022**	**FY 2023**	**FY 2024**	**FY 2025**	**Appropriation From**	**Budget Activity**	**Dash-1 Line Item**	**Program Element**
Navy	$1,821	$1,123	$1,229	$1,644	$2,211	$2,760	Shipbuilding Conversion Navy (SCN)	1	1045C	0101221N
Navy	$0	$2,891	$2,768	$2,506	$2,993	$3,348	Shipbuilding Conversion Navy (SCN)	1	1045	0101221N
Total	$1,821	$4,015	$3,997	$4,150	$5,204	$6,108	Shipbuilding Conversion Navy (SCN)	1	1045 (Advanced Procurement and Shipbuilding Conversion Navy)	--

CLB Class SCN ($M)	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025	Total FY20-FY25
Quantity		1			1		2
Contract for SSBN 826 with option for SSBN 827 without incremental funding	$1,821	$9,689	$1,229	$1,644	$8,952	$2,760	$26,094
Single contract for SSBN 826 and SSBN 827 with incremental funding	$1,821	$4,015	$3,997	$4,150	$5,204	$6,108	$25,294

Changes to Existing Law: None.