SEC. ___. AVAILABILITY OF FUNDS FOR RETIREMENT OR INACTIVATION OF TICONDEROGA CLASS CRUISERS AND WHIDBEY ISLAND CLASS DOCK LANDING SHIPS.

(a) LIMITATION ON AVAILABILITY OF FUNDS.—

(1) IN GENERAL.—Except as otherwise provided in this section, none of the funds authorized to be appropriated or otherwise made available for the Department of Defense by this Act may be obligated or expended to retire, prepare to retire, or inactivate a Ticonderoga-class cruiser or a Whidbey Island-class dock landing ship.

(2) USE OF SMOSF FUNDS.—Funds in the Ship Modernization, Operations, and Sustainment Fund may be used only for 11 Ticonderoga-class cruisers (CG 63 through CG 73) and 3 Whidbey Island Class dock landing ships (LSD 41, LSD 42, and LSD 46).

(b) PHASED MODERNIZATION OF TICONDEROGA-CLASS CRUISERS.—The Secretary of the Navy shall retain the 22 Ticonderoga-class cruisers that are in active service as of the date of the enactment of this Act until the end of their service lives in accordance with the following requirements and conditions:

(1) NAVAL COMBAT FORCES.—The naval combat forces of the Navy shall include not less than 11 operational cruisers. For purposes of this subsection, an operational cruiser includes a cruiser that is available for worldwide deployment other than during routine or scheduled maintenance or repair.

(2) PHASED MODERNIZATION PROGRAM.—The Secretary of the Navy shall conduct a phased modernization program to modernize 11 of the Ticonderoga-class cruisers that are in active service as of the date of the enactment of this Act. During the period of the phased modernization program, the Secretary may reduce manning on any vessel

included in the program to the minimal level necessary to ensure safety and security of the vessel and to retain critical skills.

(3) END-OF-SERVICE AND TRANSITION FROM PHASED MODERNIZATION TO OPERATIONAL FORCES.—The Ticonderoga-class cruisers that are initially selected to meet the requirement for 11 operational cruisers under paragraph (1) may be decommissioned individually at the end of their respective service lives concurrent with being replaced as an operational cruiser by a Ticonderoga-class cruiser that has been modernized under the phased modernization program under paragraph (2). After being reintroduced into the operational fleet, a cruiser modernized pursuant to paragraph (2) may be decommissioned upon reaching its expected service life.

(c) REQUIREMENTS AND LIMITATIONS ON MODERNIZATION.—

(1) REQUIREMENTS.— During the period of the phased modernization program under subsection (b), for the vessels included in that program under subsection (b)(2), the Secretary of the Navy may—

(A) continue to maintain the vessels in a manner that will ensure the ability of the vessels to reenter the operational fleet;

(B) conduct planning activities to ensure scheduled and deferred maintenance and modernization work items are identified and included in maintenance availability work packages;

(C) conduct hull, mechanical, and electrical and combat system modernization necessary to achieve a service life of 40 years; and

(D) time completion of maintenance and modernization of the vessels, including required testing and crew training, to replace on a one-for-one basis

active cruisers that will be decommissioned upon reaching their expected service life.

(2) LIMITATIONS.—During the period of the modernization program under subsection (b), for the vessels included in that program under subsection (b)(2), the Secretary of the Navy may not—

(A) permit removal or cannibalization of equipment or systems to support operational vessels, other than—

(i) equipment or systems planned for full replacement or upgrade during phased modernization;

(i) rotatable pool equipment; and

(iii) equipment or systems necessary to support urgent operational requirements (but only with the approval of the Secretary of Defense); or

(B) make any irreversible modifications that will prohibit the vessel from reentering the operational fleet.

(d) ANNUAL REPORT.—

(1) IN GENERAL.—The Secretary of the Navy shall submit to the congressional defense committees an annual report on the status of the modernization of vessels under this section. The report shall be submitted each year at the same time as the budget of the President is submitted to Congress under section 1105 of title 31, United States Code.

(2) ELEMENTS.—Each report under this subsection shall include the following information:

(A) The status of modernization efforts, including availability schedules, equipment procurement schedules, and by-fiscal year funding requirements.

(B) The readiness and operational and manning status of each vessel to be undergoing modernization under this section during the fiscal year covered by such report.

(C) The current material condition assessment for each such vessel.

(D) A list of rotatable pool equipment that is identified across the class of cruisers to support operations on a continuing basis.

(E) A list of equipment, other than rotatable pool equipment and components incidental to performing maintenance, removed from each such vessel, including a justification for the removal, the disposition of the equipment, and plan for restoration of the equipment.

(F) A plan setting forth planned obligations and expenditures by vessel for the fiscal year beginning during the calendar year during which the report is submitted, and projections of obligations by vessel by year for the remaining time a vessel is projected to be in the modernization program.

(3) NOTICE OF MATERIAL DEVIATION FROM PLAN.—Not less than 30 days before executing any material deviation from a plan described in paragraph (2)(F) for a fiscal year, the Secretary shall notify the congressional defense committees in of such deviation from the plan.

(e) REPEAL OF SUPERSEDED LIMITATION.—Section 1026 of the Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 128 Stat.3490) is repealed.

Section-by-Section Analysis

This proposal requests authorities and restrictions on the modernization of Ticonderoga-class cruisers to ensure the vessels in phased modernization reenter the operational fleet. It

defines operational forces, phased modernization and the transition of modernized vessels back to operational forces. During the period of phased modernization, it adds requirements for vessel maintenance; planning and execution of modernization; and limitations on the removal and modification of equipment from the vessels. The proposal also requires an annual report on the status of the phased modernization program to be provided to the congressional defense committees.

Budget Implications: The Navy's budget must include sufficient readiness, capability and manpower to complement the force structure capacity of ships and aircraft. This balance must be maintained to ensure each unit will be effective, no matter what the overall size and capacity of the Fleet. To preserve this balance and modernize cruisers while avoiding a permanent loss of force structure and requisite "ship years," the fiscal year (FY) 2017 President's Budget (PB-17) proposes to induct the remaining seven Ticonderoga-class guided missile cruisers into a phased modernization period starting in FY 2017. The ships will be inducted into phased modernization and timed to align with the retirements of CGs such that the modernized ships will replace one-for-one, when they finish modernization. This innovative plan permits the Navy to reapply the CG manpower to other manning shortfalls while simultaneously avoiding the operating costs for these ships while they undergo maintenance and modernization. The plan to modernize and retain the CG extends the presence of the *Ticonderoga* class in the Battle Force to FY 2044. It also avoids approximately $3.4 billion in operating, modernization and maintenance costs across the FYDP compared to the current 2/4/6 modernization plan. This plan extends the recapitalization of large Surface Combatants to beyond the OHIO Replacement construction years, further relieving topline pressure.

2-4-6 Requirement							Budget Activity	Line Item
APPN	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FYDP Total**		
MPN / DHAN	159.1	137.4	168.9	173.0	163.3	801.7	01, 02, 04	0210, 0410, 0800, 1000, 2000
OMN O&S	252.4	154.2	199.3	143.0	180.9	929.9	01	1B1B, 1B4B
OMN Mod	183.0	357.8	368.6	426.3	141.7	1477.3	01	1B5B
OPN	55.8	447.6	495.9	341.5	86.2	1427.1	01	23
WPN	0.0	60.5	61.6	31.4	0.0	153.5	04	37
Total	**650.4**	**1157.5**	**1294.4**	**1115.2**	**572.0**	**4789.5**		

PB 17 Baseline								
APPN	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FYDP Total**		
MPN / DHAN	92.1	0.0	28.1	57.7	59.4	237.3	01, 02, 04	0210, 0410, 0800, 1000, 2000
OMN O&S	91.1	0.0	0.0	25.4	50.9	167.4	01	1B1B, 1B4B
OMN Mod	0.0	0.0	0.0	0.0	0.0	0.0	01	1B5B
OPN	0.0	0.0	0.0	0.0	116.3	116.3	01	23
WPN	0.0	0.0	0.0	0.0	0.0	0.0	04	37
Total	**183.2**	**0.0**	**28.1**	**83.1**	**226.6**	**521.0**		

SMOSF Used								
APPN	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FYDP Total**		
MPN / DHAN							01, 02, 04	0210, 0410, 0800, 1000, 2000
OMN O&S							01	1B1B, 1B4B
OMN Mod	183.0	357.8	39.8			580.6	01	1B5B
OPN	55.8	447.6				503.4	01	23
WPN							04	37
Total	**238.8**	**805.4**	**39.8**			**1084.0**		

Cost Avoidance								
APPN	**FY17**	**FY18**	**FY19**	**FY20**	**FY21**	**FYDP Total**		
MPN / DHAN	67.1	137.4	140.8	115.3	103.9	564.4	01, 02, 04	0210, 0410, 0800, 1000, 2000
OMN O&S	161.3	154.2	199.3	117.6	130.0	762.5	01	1B1B, 1B4B
OMN Mod	0.0	0.0	328.8	426.3	141.7	896.7	01	1B5B
OPN	0.0	0.0	495.9	341.5	-30.1	807.4	01	23
WPN	0.0	60.5	61.6	31.4	0.0	153.5	04	37
Total	**228.4**	**352.1**	**1226.5**	**1032.1**	**345.4**	**3184.5**		

Under the PB-17 plan, SMOSF funds are projected to last into FY2021.

Changes to Existing Law: This proposal would repeal section 1026 of the Carl Levin and Howard P. 'Buck' McKeon National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291; 128 Stat. 3292), as follows:

~~SEC. 1026. **AVAILABILITY OF FUNDS FOR RETIREMENT OR INACTIVATION OF TICONDEROGA CLASS CRUISERS OR DOCK LANDING SHIPS.**~~

~~(a) LIMITATION ON AVAILABILITY OF FUNDS.—~~

~~(1) IN GENERAL.—Except as otherwise provided in this section, none of the funds authorized to be appropriated or otherwise made available for the Department of Defense by this Act or the National Defense Authorization Act for Fiscal Year 2014 (Public Law 113–66) may be obligated or expended to retire, prepare to retire, inactivate, or place in storage a cruiser or dock landing ship.~~

~~(2) USE OF SMOSF FUNDS.—As provided by section 8107 of the Consolidated Appropriations Act, 2014 (Public Law 113–76), funds in the Ship, Modernization, Operations, and Sustainment Fund may be used only for 11 Ticonderoga-class cruisers (CG 63 through CG 73) and 3 dock landing ships (LSD 41, LSD 42, and LSD 46).~~

~~(b) MODERNIZATION OF TICONDEROGA CLASS CRUISERS AND DOCK LANDING SHIPS.—The Secretary of the Navy shall begin the upgrade of two cruisers specified in (a)(2) during fiscal year 2015, including—~~

~~(1) hull, mechanical, and electrical upgrades; and~~

~~(2) combat systems modernizations.~~

~~(c) REQUIREMENTS AND LIMITATIONS ON MODERNIZATION.—~~

~~(1) REQUIREMENTS.—During the period of modernization under subsection (b) of the vessels specified in subsection (a)(2), the Secretary of the Navy shall—~~

~~(A) continue to maintain the vessels in a manner that will ensure the ability of the vessels to reenter the operational fleet;~~

~~(B) conduct planning activities to ensure scheduled and deferred maintenance and modernization work items are identified and included in maintenance availability work packages; and~~

~~(C) conduct hull, mechanical, and electrical and combat system modernization necessary to achieve a service life of 40 years.~~

~~(2) LIMITATIONS.—During the period of modernization under subsection (b) of the vessels specified in subsection (a)(2), the Secretary may not—~~

~~(A) permit removal or cannibalization of equipment or systems to support operational vessels, other than—~~

~~(i) rotatable pool equipment; and~~

~~(ii) equipment or systems necessary to support urgent operational requirements (but only with the approval of the Secretary of Defense); or~~

~~(B) make any irreversible modifications that will prohibit the vessel from reentering the operational fleet.~~

~~(d) REPORTS.—~~

~~(1) IN GENERAL.—At the same time as the submittal to Congress of the budget of the President under section 1105 of title 31, United States, for each fiscal year during which activities under the modernization of vessels will be carried out under this section, the Secretary of the Navy shall submit to the congressional defense committees a written report on the status of the modernization of vessels under this section.~~

~~(2) ELEMENTS.—Each report under this subsection shall include the following:~~

~~(A) The status of modernization efforts, including availability schedules, equipment procurement schedules, and by-fiscal year funding requirements.~~

~~(B) The readiness and operational and manning status of each vessel to be undergoing modernization under this section during the fiscal year covered by such report.~~

~~(C) The current material condition assessment for each such vessel.~~

~~(D) A list of rotatable pool equipment that is identified across the whole class of cruisers to support operations on a continuing basis.~~

~~(E) A list of equipment, other than rotatable pool equipment and components incidental to performing maintenance, removed from each such vessel, including a justification for the removal, the disposition of the equipment, and plan for restoration of the equipment.~~

~~(F) A detailed plan for obligations and expenditures by vessel for the fiscal year beginning during the calendar year during which the report is submitted, and projections of obligations by vessel by fiscal year for the remaining time a vessel is projected to be in the modernization program.~~

~~(G) A statement of the funding required for that fiscal year to ensure the Ship, Modernization, Operations, and Sustainment Fund account has adequate resources to~~

~~execute the plan under subparagraph (F) for that fiscal year and the following fiscal year.~~

~~(3) NOTICE ON VARIANCE FROM PLAN.—Not later than 30 days before executing any material deviation from a plan described in paragraph (2)(F) for a fiscal year, the Secretary shall notify the congressional defense committees in writing of such deviation from the plan.~~

~~(e) REPEAL OF SUPERSEDED LIMITATION.—Section 1023 of the National Defense Authorization Act for Fiscal Year 2014 (Public Law 113–66; 127 Stat. 846) is repealed.~~