

November 1, 2017

Assessing Navy Readiness Funding

Seamus Daniels

The first ten months of 2017 have posed daunting challenges for the U.S. Navy in the Pacific. Since January, one ship has run aground while three have collided with other vessels. The two most recent incidents—collisions involving the destroyers USS *John S. McCain* and USS *Fitzgerald*—resulted in the deaths of 17 sailors. Some lawmakers have pointed to these tragedies as evidence of a “[readiness crisis](#),” resulting in part from insufficient funding from Congress. In his testimony before the Senate Armed Services Committee, Chief of Naval Operations (CNO) Admiral John M. Richardson similarly cited “[constrained funding levels](#)” and the Budget Control Act as having impacted the “ability to plan and schedule training, ship maintenance, and modernization.” Former Acting Secretary of the Navy Sean Stackley testified that “[s]ince the passage of the Budget Control Act...our increased operational tempo has been met with a [decreasing budget](#), when measured in constant dollars.” Such statements have led some to ask whether a lack of funding is really the primary issue behind the Navy’s readiness challenges.

Defining Readiness

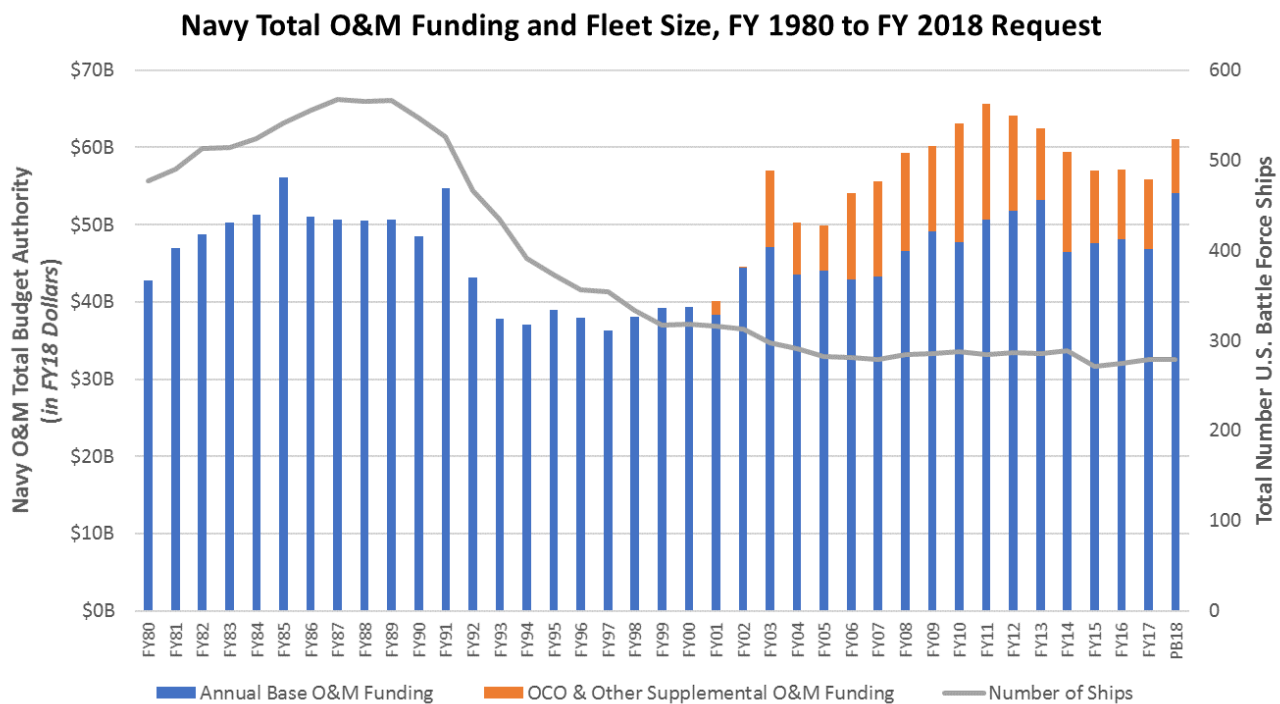
A core obstacle in assessing readiness and determining the extent of the military’s readiness challenges is the [lack of a universally accepted definition](#) for the term. The Department of Defense (DoD) broadly [defines](#) readiness as “the ability of military forces to fight and meet the demands of assigned missions.” Within that definition, however, readiness can be assessed in a variety of ways, from near-term and long-term analyses to measurements at the strategic level down to the operational level. The multiple interpretations and metrics for readiness allow both sides in the debate to “[cherry-pick](#)” relevant data to demonstrate the need for either higher or lower levels of funding. This runs the risk of politicizing the debate over readiness, which, at its core, is about ensuring U.S. forces have the necessary resources to carry out the missions and tasks assigned to them.

To further complicate the issue, almost every part of DoD’s budget contributes to readiness in some way, from military personnel accounts that fund skilled personnel to procurement accounts that buy next generation weapon systems. This paper assesses the Navy’s readiness funding for maintenance and training because this is what has been called into question following the recent mishaps in the Pacific. Specifically, it analyzes funding for maintenance and training within the Navy’s operation and maintenance (O&M) budget relative to historical norms and normalized for the size of the fleet. This paper assesses the issue of whether or not Navy funding for maintenance and training has declined in recent years relative to historical levels of funding. It does not attempt to assess actual readiness levels of the fleet, which are a function of much more than just funding levels.

Analyzing Readiness Funding

Several studies and commentaries on the readiness of the surface fleet and the recent collisions have noted shortcomings in the level of readiness funding made available to the Navy. The 2010 final report of the [Fleet Review of Surface Force Readiness](#) conducted by retired Vice Admiral Phillip Balisle found that “surface ship maintenance has been significantly underfunded for over ten years.” Others have observed a “[resource-requirements mismatch](#)” born of falling resource levels over the past twenty years.

An analysis of the publicly-available data in the Navy’s O&M appropriation category suggests that readiness funding has generally risen rather fallen over time. From its peak in FY 1987, the Navy’s total battle force inventory has decreased from 568 to 279 in FY 2017.¹ Yet despite that 51 percent reduction in the size of the fleet, overall Navy O&M funding increased by over 10 percent in that same period when adjusted for inflation.^{2,3}



If analyzed on a per ship basis, however, O&M has more than doubled between FY 1987 and FY 2017.⁴ While the advent of new technologies and weapon systems may necessitate more O&M funding per ship, this increase is significant nevertheless given claims to the contrary. While it is true that overall Navy O&M funding has declined

¹ Total number of ships in the Navy is measured according to the battle force ships counting method established in the early 1980s. For more information, see CRS’ “Navy Force Structure and Shipbuilding Plans: Background and Issues for Congress.”

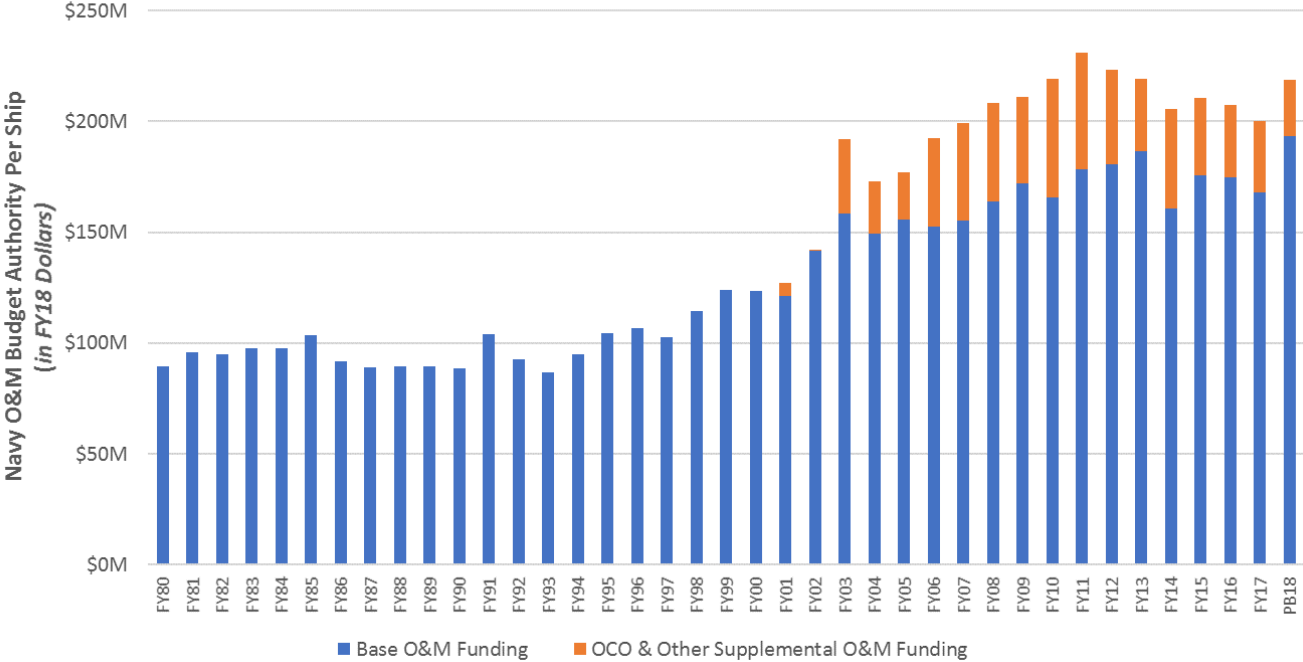
² All adjustments for inflation in this report use OMB’s Chained GDP Price Index as published in Table 5-1 of the FY 2018 Green Book and Table 10-1 of the FY 2018 Budget Request. The GDP deflator was used instead of the DoD deflator due to differences in how it affects military personnel and O&M accounts that fund military and civilian compensation. For more information, see Todd Harrison’s “Analysis of the FY 2017 Defense Budget.”

³ FY 2017 budget authority values do not include the March Request for Additional Appropriations.

⁴ O&M funding analyzed on a per ship basis does not differentiate between ship classes.

by approximately 13 percent on a per ship basis from the peak reached in FY 2011 to FY 2017, O&M funding today is still double what it was on a per ship basis throughout the 1980s and 1990s. It is also worth noting that 66 percent of the decline since FY 2011 was due to a reduction in war-related funding per ship.

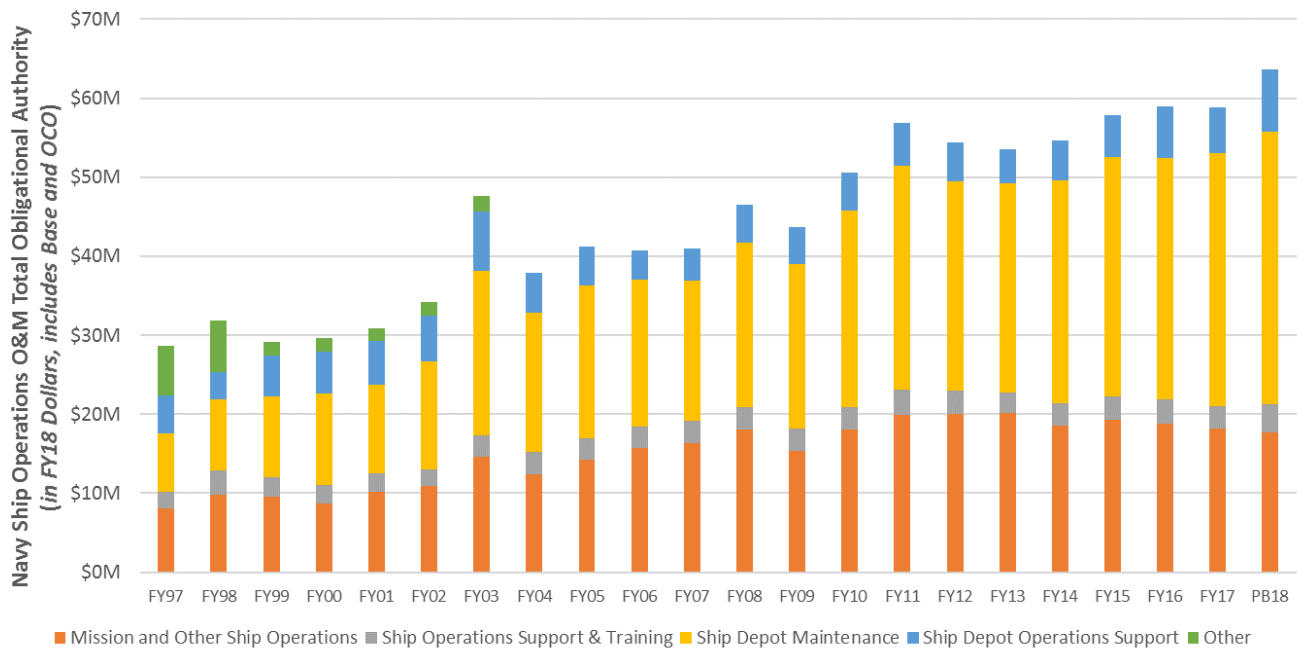
Navy O&M Funding Per Ship, FY 1980 to FY 2018 Request



Overall Navy O&M funding contains more than just maintenance and training for ships. A more detailed breakdown of the Navy’s readiness funding can be found in the “[Ship Operations](#)” activity group within O&M Budget Activity 01 “Operating Forces.” Ship Operations includes funding for various activities and resources including fuel, fleet and unit training, ship maintenance, and depot maintenance programs. This specific category of O&M funding has similarly seen a significant increase, rising 105 percent from FY 1997 to FY 2017 on a per ship basis.⁵ However, to see where that increase is actually going, it is necessary to break down that funding by sub-activity group. [Ship Maintenance](#) (also referred to as Ship Depot Maintenance) has seen the greatest increase, growing approximately 336 percent per ship between FY 1997 and FY 2017. The increased allocation of funding towards this sub-activity shows that maintenance funding has risen significantly over time, contrary to assertions otherwise. [Mission and Other Ship Operations](#) funding has also risen by 125 percent from FY 1997 to FY 2017. One can similarly conclude that the increase in this sub-activity results from rising operations costs, as it “provides resources for all aspects of ship operations required to continuously deploy combat ready warships and supporting forces in support of national objectives.”

⁵ Analysis goes back as far as FY 1997 due to availability of data from Navy budget documents.

Navy Ship Operations Funding Per Ship, FY 1997 to FY 2018 Request



Perhaps most surprising, the sub-activity group that funds the operations “necessary to ensure that all operating force ships...and their crews are operating at high levels of readiness”—[Ship Operational Support and Training](#)—has seen only a minimal increase since FY 1997. Funding levels per ship have fluctuated from \$2.1 million in that year to \$3.0 million in FY 2016 with a peak of \$3.2 million in FY 2011. Ship Operational Support and Training provides specifically for surface ship support programs such as the [AEGIS Program](#), which funds training for officers and crew aboard AEGIS cruisers and destroyers and tests critical equipment following depot maintenance. Given that the McCain and Fitzgerald accidents [appear to have been the result of insufficiently skilled sailors](#), it is somewhat surprising that Ship Operational Support and Training has not received the same increase in funding as other areas. This category is also a relatively small amount of funding, accounting for just 6 percent of the ship operations budget and 2 percent of the Navy’s overall O&M budget in the President’s FY 2018 request. In other words, the Ship Operations Support and Training portion of the budget could be increased significantly with minimal impact on the overall defense budget.

Overall, the Navy’s budget data depicts a clear increase in O&M funding over time relative to the size of the fleet, with a notable increase in Ship Depot Maintenance funding. This finding, however, does not answer the question of whether readiness is funded at the necessary levels. The aforementioned 2010 Balisle Report calls particular attention to this point. While the Navy may report that it consistently funds [95-99 percent](#) of overall ship maintenance (100 percent of projected maintenance is funded in the [FY 2018 request](#)), the report concludes that “[i]n reality, since we don’t know the true maintenance requirement for conventional surface ships (the “denominator”), it is reasonable to assume [they] receive a lower percentage for maintenance funding when compared to a true requirement.”

Further complicating matters, access to the information regarding the Navy’s readiness has been limited due in part to a March 1, 2017 [memorandum](#) from the CNO asking officials and sailors to be selective in their

communications with the media and public to “ensure [the Navy is] not giving away [its] competitive edge by sharing too much information publicly.” Former Acting Secretary Stackley [explained](#) that “there has been a pullback in terms of how much detail we put out regarding materiel readiness” following the accidental sharing of classified details regarding readiness.

Alternative Explanations for the Navy’s Readiness Challenges

Based on the budget data analyzed here, it appears that much of the Navy’s readiness challenges could stem from its efforts to do more with less. As previously discussed, the size of the fleet has fallen by over 50 percent from FY 1987 to FY 2017. Yet despite that decrease, the operational tempo of the surface fleet has not declined proportionately, particularly for forward deployed naval forces homeported overseas in countries such as Japan, Bahrain, Spain, and Italy. In a May 2015 study, the Government Accountability Office found that between FY 2004 and FY 2012, overseas homeported ships spent an average of [111 deployed days](#) under way compared to just 69 days for U.S.-based ships. Japan-based cruisers and destroyers faced the greatest demands as they were expected to spend [67 percent](#) of their time deployed with 33 percent dedicated to maintenance. No time was allocated to a dedicated training period. Ships operating out of U.S. ports, on the other hand, were only expected to spend 41 percent of their time deployed or available for deployment with the remainder allocated to maintenance and training. To make matters worse, ships underway are not operating at maximum crew capacity, partially as a product of the [optimal manning initiative](#) the Navy implemented over the period from 2003-2012.⁶

The high operational tempo of the overseas homeported ships, specifically those based in Japan, has forced ships to take a “[train on the margins](#)” approach, in which there is no dedicated time for training. In addition to cuts in training, forward deployed naval forces have [limited time](#) to undergo necessary maintenance with just 33 percent of their schedule dedicated to repairs and upkeep. This in turn contributes to a vicious cycle where the deferral of maintenance further degrades the physical quality of the ships and leads to higher maintenance costs. Such behavior could even [shorten the service lives](#) of some vessels.

The higher OPTEMPO of the fleet may be indicative of a larger issue in the Navy in which commanding officers do not “[say no](#)” to the missions that are asked of them by senior leaders. Secretary of the Navy Richard Spencer has identified this as a major issue, in that the Navy “is biased to action and the word ‘no’ is just not in the lexicon.” Spencer has expressed the need to “come to...some sort of [balance between supply and demand](#)” and that the “COCOMs are going to have to understand it, and the Hill is going to have to understand it.” To do so, he has called for a change in the Navy’s culture to develop a more sustainable operational model going forward.

Conclusion

This analysis indicates that overall Navy O&M funding and specific Ship Operations funding for maintenance and training activities is at a relatively high level on a per ship basis by historical standards. While funding has declined slightly since FY 2011, O&M funding per ship remains roughly double what it was in the 1980s and 1990s, adjusting for inflation. This does not, however, mean that Navy readiness is adequate. Rather, it indicates that

⁶ The optimal manning initiative reduced crew sizes in an effort to cut personnel costs. The initiative failed to generate the desired savings as increased maintenance costs reduced the impact of lower personnel costs. GAO reported that ship operating and support costs rose during and after the initiative. For more information, see GAO’s “Navy Force Structure: Actions Needed to Ensure Proper Size and Composition of Ship Crews.”

readiness shortfalls cannot simply be blamed on budget cuts. The Navy needs to address not only the immediate causes of recent collisions, but also the long-standing issues that have contributed to the degradation of the Navy's readiness. In doing so, the Navy should endeavor to create a more informed discussion over the general state of readiness in the military that does not merely focus on levels of funding.

Seamus Daniels is program coordinator and research assistant for Defense Budget Analysis at the Center for Strategic and International Studies in Washington, D.C.

This report is produced by the Center for Strategic and International Studies (CSIS), a private, tax-exempt institution focusing on international public policy issues. Its research is nonpartisan and nonproprietary. CSIS does not take specific policy positions. Accordingly, all views, positions, and conclusions expressed in this publication should be understood to be solely those of the author(s).

© 2017 by the Center for Strategic and International Studies. All rights reserved.