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THE HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON DEFENSE

STATEMENT OF

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ON THE IMPACT OF CONTINUING RESOLUTIONS TO THE UNITED STATES NAVY

BEFORE THE

HOUSE APPROPRIATIONS COMMITTEE
SUBCOMMITTEE ON DEFENSE

JANUARY 12, 2022

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Chairwoman McCollum, Ranking Member Calvert, distinguished members of the subcommittee, thank you for the opportunity to testify today regarding the impact Continuing Resolutions (CRs) have on the United States Navy.

This is a critical time for our country. The People's Republic of China (PRC) and Russia are using all elements of their national power to undermine U.S. interests in the global commons, especially at sea. Both nations routinely subvert the rules-based international order, intimidate their neighbors, and attempt to enforce unlawful claims with the threat of force. They are rapidly mobilizing their militaries, extending their ability to project power across the globe, and embracing the use of "gray zone" activities to turn incremental gains into long-term strategic advantages. And China, in particular, is building all-domain capabilities that rival our own.

Over the past two decades, the PRC has built a comprehensive Anti-Access/Area-Denial system of sophisticated sensors and long-range precision weapons. Backed by a robust industrial base and the largest shipbuilding infrastructure in the world, they have also extensively modernized their navy and tripled its size. In October of last year, China tested a nuclear-capable hypersonic vehicle that partially circumnavigated the globe. They are also building next-generation strategic missile submarines and erecting hundreds of new missile silos. Without a doubt, their aggressive military modernization effort is aimed at displacing the U.S. in the First Island Chain and achieving sea control in the Western Pacific.

Back here, there is little evidence that we have grasped the reality that our security and way of life are being threatened, as we come before you four months into another CR to plead for steady, predictable funding. The peace dividend has long passed. It is time to move decisively and arrest the erosion of our military advantage. The U.S. Navy – in concert with the Joint Force and our interagency partners – must be able to protect the homeland, defend American interests, and preserve the rules-based order. Our nation cannot afford the Navy to pull back at a time of rising tensions and growing challenges to freedom of the seas, nor can it afford the Navy to lose combat credibility against the PRC – our long-term, primary challenger. Both problems are equally pressing.

Our ability to operate forward and be relevant, now and in the future, requires adequate, stable, and predictable funding. Without it, we lose our momentum in delivering the most ready, most lethal, and most capable fleet we can for the American people. The Navy's margins are already razor thin. As I emphasized during my testimony last spring, our topline has been flat relative to inflation for over a decade. We currently face the simultaneous challenges of recapitalizing our strategic nuclear deterrent, making a once-in-a-century investment in our public shipyards, and delivering the platforms, weapons, and systems that we need to remain combat credible.

Meanwhile, the price of Fleet readiness is going up. Manpower, operations, and maintenance costs – which make up almost 60 percent of our budget – continue to grow above the rate of inflation. Making matters worse, inflation rose and remains at 6-8 percent, well above the historical average. This will likely exacerbate all of our readiness costs. Under the current CR, the Navy has to operate, maintain, and modernize the Fleet at last year's enacted funding level, which falls short of historical inflation and immensely short of current inflation, and is significantly less than the funding level Congress is contemplating for Fiscal Year 2022 (FY-22).

Every day and every dollar matters. CRs remove predictable funding levels that allow us to spend taxpayer dollars as efficiently as possible and deprive us of executing program line-items and new starts. They disrupt operational readiness, slow development of critical new capabilities, impede acquisition schedules, delay construction projects, and create business process inefficiencies up and down the Navy.

We are doing what we can to mitigate the impacts of the current CR. Eleven years of consecutive CRs – apart from FY-19 – have taught us to anticipate them. Rather than execute appropriated funds as efficiently as would be possible with predictable funding, we plan towards inefficiency and postpone new starts until later in the fiscal year. These measures force us to expend precious time and manpower on managing cash flow, determining which programs to prioritize and which to let languish, and segmenting contract actions into multiple transactions that could otherwise be done once. These incremental approaches create a cascading effect. We cannot receive the best contract prices, we often pay multiple times for contract fees, and then lose time and skilled labor for redundant tasks. The consequences of these added burdens are real and can never be recovered.

Impacts from a CR become more severe if they are extended over a full year. Such an extension would be an unprecedented measure with dire consequences. A full-year CR changes the impact from delaying programs to completely eliminating them in FY-22. For the Department of the Navy, under a full-year CR, the net shortfall between the CR funded level and the FY-22 request is \$4.4 billion. However, when adjusted for CR funding restrictions on new starts, production rate increases, and appropriation rate increases, a full-year CR would misalign \$14.0 billion in resources. 24 new starts and 15 production rate increases to critical programs would go unexecuted. End strength would be reduced, maintenance and training events cancelled, and fleet and family services curtailed. The impacts would ripple down to the industrial base, with programs falling below minimum sustaining rates, resulting in possible shutdowns or furloughs of smaller suppliers and loss of experienced workers.

As our competitors aggressively modernize their forces, a full-year CR cedes ground we cannot afford to yield. CRs further erode our deterrence posture against China.

Ultimately, my request is simple: prevent a full-year CR and enact FY-22 appropriations. The competition is on, and it is heating up. If the CR continues past February, or worse, remains in effect through the end of the fiscal year, we inject unnecessary risk to our national security and concede advantages to our adversaries; we make our sailors' mission even more difficult; we signal doubt to allies and partners; and we waste American taxpayer dollars. All of which can be prevented.

The Navy is making hard choices to arrest the erosion of deterrence and improve our competitive advantage. These choices were reflected in the President's FY-22 Budget Request (PB-22). Our budget submission balances investments across readiness, capabilities modernization, and capacity at an affordable rate. It supports the recapitalization of our nation's most survivable leg of the nuclear triad, the *Columbia*-class submarine. It prioritizes readiness through sustained investment and performance improvement. It accelerates next-generation platforms and systems that close critical Joint capability gaps. And it funds key resources for the most vital source of America's naval power: our Sailors, Civilians, and their families.

The current FY-22 CR is already negatively affecting our priorities, and its impacts will only grow in severity if the CR is extended. Below are some key concerns.

***Columbia*-class Submarine and Strategic Nuclear Deterrence.** Since the shipbuilding account is uniquely line-item appropriated, the CR provides insufficient funding for SSBN 826, our first *Columbia*-class ballistic missile submarine and number one modernization priority. Advanced procurement funding for the follow-on submarines (SSBN 827-830) are also affected. If the CR is extended over the full year, we expect construction delays to the *Columbia*-class program and costs to grow, increasing delivery risk to this critical system and threatening our ability to meet U.S. Strategic Command requirements. This is a program with zero margin for delays.

Also significant to strategic nuclear deterrence, the CR delays the TRIDENT II D5 Life Extension 2 (D5LE2). This program extends the service life of the strategic weapons system to align with the service life of *Columbia*-class SSBNs, which provides America a safe, secure, and effective nuclear deterrent.

Readiness. The current CR is creating a shortfall of more than \$1 billion in Navy Operations and Maintenance (O&M) funding. To mitigate these effects on the fleet, we are reducing levels of effort for critical programs, including ship operations and maintenance, flight operations, fleet air training, base support, and U.S. Indo-Pacific Command (INDOPACOM) support. We've delayed major O&M contracts until later in the year with the expectation that a full appropriation can be enacted by then. However, this results in delayed training and sustainment requirements for the Fleet, as well as disrupts schedules for our organic industrial base.

A full-year CR would create an O&M shortfall exceeding \$2 billion, imperiling the readiness of the United States Navy. Specifically, this includes:

- Ship operation reductions puts training certification for one Carrier Strike Group and two Expeditionary Strike Group work ups at high risk, impacting FY-23 deployments.
- Ship Maintenance impacts would ripple through the public ship yards and the private industrial base for future fiscal years. Five attack-submarines (SSN) and two aircraft carriers (CVN) maintenance availabilities would be cancelled or delayed, adversely impacting the industrial base, increasing idle time, and delaying the return of these assets to operational status.
- Shutdown of non-deployed carrier air wings, expeditionary squadrons, Fleet Replacement Squadrons, and Chief of Naval Air Training (CNATRA) squadrons.
- Cancelled procurement of aircraft repair parts and ship, submarine, and aircraft carrier spare parts.
- Cancelled support for Command, Control, Communications, Computers, Cyber, and Intelligence (C5I).
- Cancelled training range support.
- Because utilities and transportation costs must be funded, other shore efforts will be reduced or cancelled. These include air and port operations, fleet and family services, facilities management, and environmental compliance.

For military construction, under a year-long CR, six Navy projects would be impacted due to new start restrictions including a dry-dock saltwater system for CVN 78 at Norfolk Naval Shipyard (VA), a submarine pier in Norfolk (VA), X-Ray wharf berth in Guam, a directed energy weapons test facility in Ventura (CA), a Joint Reserve Intelligence Center in Minneapolis (MN), and a ship handling and combat training facility in Yokosuka, Japan.

Modernization and Capabilities. New Start procurement and R&D programs cannot be executed under the current CR, costing us valuable time every day. If the CR is extended over the full year, R&D new starts would be cancelled. These include:

- Advanced Nuclear Power Systems: Next Generation Fast Attack Nuclear Propulsion Development.
- Digital Warfare: Common Weapon Datalink Radio.
- Small/Medium Unmanned Undersea Vehicles.
- Precision Strike Weapons Development: Advanced Aerial Refueling Store and Sea Launched Cruise Missile Nuclear.
- Offensive Anti-Surface Warfare (OASuW) Weapons Development: Increment II and Joint Air-to-Surface Standoff Missile (JASSM).
- Warfare Support System: Expeditionary Small Unmanned Aircraft System Development.
- Ship Self Defense: Long Endurance Electronic Decoy (LEED).
- Intelligence Mission Data: Acquisition Intelligence Requirements.

Shortfalls in procurement, R&D funding, and restrictions on production rate increases under a full-year CR would also delay critical capabilities to the fleet and result in increased costs per program. Weapons procurement production rate increases that would be restricted include Advanced Anti-Radiation Guided Missile-Extended Range (AARGM-ER), Evolved Sea Sparrow Missile (ESSM), Naval Strike Missile (NSM), Long Range Anti-Ship Missile (LRASM), and Hellfire.

Based on the threat we are facing, we need to maintain combat credibility in contested seas. For many of our major development programs, the schedule pressure to meet an Initial Operational Capability in a timeframe driven by the threat would be significantly challenged, eroding our military advantage and combat credibility. Disruption to these tightly coupled development and testing programs would most likely be unrecoverable within the required timeframe.

One of the programs driving the increase in FY22 from FY21 is the Conventional Prompt Strike (CPS) program. The CPS missile, being developed and produced jointly with the U.S. Army, will provide Navy ships including *Zumwalt*-class destroyers and Block V *Virginia*-class submarines with a hypersonic weapon capability that is critical in our ability as a nation to deter China from conflict in the Western Pacific. Funding this program increase under a full-year CR would require diverting funding from other important R&D programs.

Capacity. The risk in capacity is exacerbated to unacceptable levels under a full-year CR. Because shipbuilding funding cannot be shifted to higher priority programs, the CR impacts are widespread, affecting *Ford*-class aircraft carriers, aircraft carrier refueling overhauls, *Constellation*-class guided missile frigates, *John Lewis*-class T-AO fleet oilers, and used sealift auxiliary vessels. We need these ships in the fleet as soon as possible. A full-year CR would drive significant schedule delays and increase the cost of all of these programs.

The impact to the industrial base also needs to be considered. Private industry is already challenged in recruiting, training, and retaining a skilled labor force. The supply chain is already stressed from COVID-19. A full-year CR generates enormous disruption to construction, production, maintenance, and repair schedules, increasing the risk of loss of skilled artisans and highly specialized workers. This loss of our skilled workforce will drive up costs, increase production time, and reduce quality of the end products beyond FY-22. Industry will lose confidence in government partnerships and may begin to factor CR uncertainty into the prices they charge the government.

In addition, delayed production ramps will leave industry capacity unused at a time when we are trying to maintain the fleet we have and build affordable capacity. Industry needs a clear and consistent commitment from the United States Government in order to make the necessary long-term investments in capital expenditures and workforce growth. A full-year CR would quash these capacity expansion efforts, perhaps beyond recovery.

Sailors. The fiscal uncertainty created by CRs takes a real toll on those we need the most to keep pace with rising adversaries: our Sailors, civilians, and their families. Uncertain funding adds unnecessary anxiety that distracts Sailors from executing their missions far from home. CRs limit military personnel funding to last year's levels, which means funding the 2.7 percent pay raise and increased housing and subsistence allowances authorized in the FY-22 National Defense Authorization Act requires offsetting reductions in other military personnel programs. For the Navy, this results in slower accessions, deferred Permanent Change of Station (PCS) moves, and reduction of family and base support services. These impacts have ripple down effects that are deeply felt, but difficult to measure. Military families are accustomed to changing jobs, homes, and schools, which are in themselves enormous challenges. But deferring PCS moves and reducing services to families adds even more strain to an already stressful time for so many of our Sailors.

Additionally, if the CR is extended for a full year, then end strength will have to be reduced – in the active account by 23,000 of the 31,500 planned accessions beginning in January. A full-year CR would mean immediately stopping initial Special and Incentive Pays and Selected Re-enlistment Bonus contracts. At a time when we are in competition for talent, recruitment and retention may decline as people pursue other opportunities or choose careers with more stability. The disruptions to training events and exercises will significantly impact military and civilian recruitment, retention, and professional development. We are breaking faith with our Sailors. Pilots who don't fly, mariners that don't sail, maintainers that don't maintain, will not stay with us. The combined impact of a year-long CR on our world-class workforce would be yet another erosion of our military advantage over China.

Our Navy remains the finest maritime fighting force in the world and our Sailors – active and reserve, uniformed and civilian – are committed to keeping it that way. But we need your help. I urge you and your colleagues to pass a FY-22 appropriation to renew our enduring advantages at sea so that we can meet today's challenges from a position of strength.

The Navy is operating in a period of rapid transformation in the strategic environment. Our competitors are increasing their naval power every day, and their malign behavior and growing presence across the world places an enormous demand on our forces. Sustaining our readiness has never been more vital to our nation's future. Meanwhile, our force design – necessary to retain combat credibility against evolving threats – requires a relentless focus on modernization to keep our platforms relevant.

Extending the current CR will impair our ability to protect America and its interests, both today and in the future. We cannot afford to forfeit our edge – too much is at stake.

On behalf of more than 600,000 active and reserve Sailors and Navy Civilians, thank you for giving me the opportunity to testify today. I am grateful to this committee, and to all your colleagues in Congress, for your commitment to the Navy.