Congressional Research Service
Informing the legislative debate since 1914

Multiyear Procurement (MYP) and Block Buy Contracting in Defense Acquisition: Background and Issues for Congress

Updated July 31, 2018

Congressional Research Service
https://crsreports.congress.gov
R41909

CRS REPORT
Prepared for Members and
Committees of Congress

Summary

Multiyear procurement (MYP) and block buy contracting (BBC) are special contracting mechanisms that Congress permits the Department of Defense (DOD) to use for a limited number of defense acquisition programs. Compared to the standard or default approach of annual contracting, MYP and BBC have the potential for reducing weapon procurement costs by several percent.

Under annual contracting, DOD uses one or more contracts for each year's worth of procurement of a given kind of item. Under MYP, DOD instead uses a single contract for two to five years' worth of procurement of a given kind of item without having to exercise a contract option for each year after the first year. DOD needs congressional approval for each use of MYP. There is a permanent statute governing MYP contracting—10 U.S.C. 2306b. Under this statute, a program must meet several criteria to qualify for MYP.

Compared with estimated costs under annual contracting, estimated savings for programs being proposed for MYP have ranged from less than 5% to more than 15%, depending on the particulars of the program in question, with many estimates falling in the range of 5% to 10%. In practice, actual savings from using MYP rather than annual contracting can be difficult to observe or verify because of cost growth during the execution of the contract due to changes in the program independent of the use of MYP rather than annual contracting.

BBC is similar to MYP in that it permits DOD to use a single contract for more than one year's worth of procurement of a given kind of item without having to exercise a contract option for each year after the first year. BBC is also similar to MYP in that DOD needs congressional approval for each use of BBC. BBC differs from MYP in the following ways:

- There is no permanent statute governing the use of BBC.
- There is no requirement that BBC be approved in both a DOD appropriations act and an act other than a DOD appropriations act.
- Programs being considered for BBC do not need to meet any legal criteria to qualify for BBC, because there is no permanent statute governing the use of BBC that establishes such criteria.
- A BBC contract can cover more than five years of planned procurements.
- Economic order quantity (EOQ) authority—the authority to bring forward selected key components of the items to be procured under the contract and purchase the components in batch form during the first year or two of the contract—does not come automatically as part of BBC authority because there is no permanent statute governing the use of BBC that includes EOQ authority as an automatic feature.
- BBC contracts are less likely to include cancellation penalties.

Potential issues for Congress concerning MYP and BBC include whether to use MYP and BBC in the future more frequently, less frequently, or about as frequently as they are currently used; whether to create a permanent statute to govern the use of BBC, analogous to the permanent statute that governs the use of MYP; and whether the Coast Guard should begin making use of MYP and BBC.

Contents

Introduction 1
Issues for Congress 1
Terminology and Scope of Report 1
An Air Force "Block Buy" That Is Not Discussed in This Report 1
Contracting Mechanisms and Funding Approaches 1
Background 3
Multiyear Procurement (MYP) 3
MYP in Brief 3
Potential Savings Under MYP 3
Permanent Statute Governing MYP 5
Potential Consequences of Not Fully Funding an MYP Contract 7
Effect on Flexibility for Making Procurement Changes 7
Congressional Approval 7
Frequency of Use of MYP 8
Block Buy Contracting (BBC) 9
BBC in Brief 9
Terminology Alert: Block Buy Contracting vs. Block Buys 10
Potential Savings Under BBC 10
Frequency of Use of BBC 11
Using BBC Rather than MYP 11
MYP and BBC vs. Contracts with Options 11
Issues for Congress 12
Frequency of Using MYP and BBC 12
Permanent Statute for BBC 13
Coast Guard Use of MYP and BBC 13
Legislative Activity for FY2019 14
DOD FY2019 Proposals for New MYP and Block Buy Contracts 14
National Defense Authorization Act for Fiscal Year 2019/John S. McCain National Defense Authorization Act for Fiscal Year 2019 (H.R. 5515/S. 2987) 15
House 15
Senate 17
Conference 20
FY2019 DOD Appropriations Act (H.R. 6157/S. 3159) 23
House 23
Senate 24

Tables

Table 1. Contracting Mechanisms and Funding Approaches 2

Table B-1. Programs Approved for MYP in Annual DOD Appropriations Acts Since FY2011 31
Table B-2. Programs Approved for MYP in Annual DOD Appropriations Acts from FY1990 Through FY2010 32

Appendixes

Appendix A. Text of 10 U.S.C. 2306b 26
Appendix B. Programs Approved for MYP in Annual DOD Appropriations Acts Since FY1990 31

Contacts

Author Information 34

Introduction

Issues for Congress

This report provides background information and issues for Congress on multiyear procurement (MYP) and block buy contracting (BBC),[1] which are special contracting mechanisms that Congress permits the Department of Defense (DOD) to use for a limited number of defense acquisition programs. Compared to the standard or default approach of annual contracting, MYP and BBC have the potential for reducing weapon procurement costs by several percent.

Potential issues for Congress concerning MYP and BBC include whether to use MYP and BBC in the future more frequently, less frequently, or about as frequently as they are currently used; whether to create a permanent statute to govern the use of BBC, analogous to the permanent statute that governs the use of MYP; and whether the Coast Guard should begin making use of MYP and BBC. Congress's decisions on these issues could affect defense acquisition practices, defense funding requirements, and the defense industrial base.

Terminology and Scope of Report

An Air Force "Block Buy" That Is Not Discussed in This Report

A contract that the Air Force has for the procurement of Evolved Expendable Launch Vehicle (EELV) Launch Services (ELS) has sometimes been referred to as a block buy, but it is not an example of block buy contracting as discussed in this report. The Air Force in this instance is using the term block buy to mean something different. This report does not discuss the ELS contract. (For additional discussion, see "Terminology Alert: Block Buy Contracting vs. Block Buys" below.)

Contracting Mechanisms and Funding Approaches

In discussing MYP, BBC, and incremental funding, it can be helpful to distinguish contracting mechanisms from funding approaches. The two are often mixed together in discussions of DOD acquisition, sometimes leading to confusion. Stated briefly

- **Funding approaches** are ways that Congress can appropriate funding for weapon procurement programs, so that DOD can then put them under contract. Examples of funding approaches include traditional full funding (the standard or default approach), incremental funding, and advance appropriations.[2] Any of these funding approaches might make use of advance procurement (AP) funding.[3]

[1] MYP is an established acronym for multiyear procurement. BBC is not an established acronym for block buy contracting, but is used in this CRS report for purposes of convenience.

[2] For more on these three funding approaches, see CRS Report RL31404, *Defense Procurement: Full Funding Policy—Background, Issues, and Options for Congress*, by Ronald O'Rourke and Stephen Daggett, and CRS Report RL32776, *Navy Ship Procurement: Alternative Funding Approaches—Background and Options for Congress*, by Ronald O'Rourke. Advance appropriations, which are not to be confused with advance procurement (AP) funding (see footnote 3), are essentially a legislatively locked-in form of incremental funding. Unlike incremental funding, advance appropriations qualify under budgeting regulations as a form of full funding.

[3] AP funding is provided in one or more years prior to the year of procurement of a weapon system for the procurement

- **Contracting mechanisms** are ways for DOD to contract for the procurement of weapons systems, once funding for those systems has been appropriated by Congress. Examples of contracting mechanisms include annual contracting (the standard or default DOD approach), MYP, and BBC. Contracting mechanisms can materially change the total procurement cost of a ship.

The use of a particular funding approach in a defense acquisition program does not dictate the use of a particular contracting mechanism. Defense acquisition programs consequently can be implemented using various combinations of funding approaches and contracting mechanisms. Most DOD weapon acquisition programs use a combination of traditional full funding and annual contracting. A few programs, particularly certain Navy shipbuilding programs, use incremental funding as their funding approach. A limited number of DOD programs use MYP as their contracting approach, and to date three Navy shipbuilding programs have used BBC as their contracting approach. The situation is summarized in **Table 1**.

Table 1. Contracting Mechanisms and Funding Approaches

		Funding Approaches		
		Full funding	**Incremental funding**	**Advance appropriations**
Contracting mechanisms	**Annual contracting**	Most programs	A few programs (e.g., CVNs, LHAs, DDG-1000s, and SSBN-826s	
	MYP	Selected programs		
	Block buy contracting	Virginia class (boats 1-4), Littoral Combat Ship (ships 5-26), and John Lewis (TAO-205) class oilers (ships 1-6)		

Source: Table prepared by CRS.

Notes: Advance procurement (AP) can be used with any of the funding approaches. CVNs are nuclear-powered aircraft carriers; LHAs are large-deck amphibious assault ships; DDG-1000s are destroyers; SSBN-826s are Columbia-class ballistic missile submarines (where incremental funding is being used for at least the lead ship).

This report focuses on the contracting approaches of MYP and BBC and how they compare to annual contracting. Other CRS reports discuss the funding approaches of traditional full funding, incremental funding, and advance appropriations.[4]

of long-leadtime components—components with long construction times. Such components must be funded prior to the procurement of the remainder of the weapon system if they are to be ready for installation in the weapon system at the appropriate point in the construction process. AP funding is a permitted exception to the full funding provision. AP funding is not to be confused with advance appropriations (see footnote 2).

[4] See footnote 2 for citations to these reports. Appropriating funding for a program and placing a program under contract are steps in a larger sequence of budget-related events that includes authorization, appropriation, obligation, and outlays. For a general discussion of this sequence, see CRS Report 98-721, *Introduction to the Federal Budget Process*, coordinated by James V. Saturno.

Background

Multiyear Procurement (MYP)

MYP in Brief

What is MYP, and how does it differ from annual contracting? MYP, also known as multiyear contracting, is an alternative to the standard or default DOD approach of annual contracting. Under annual contracting, DOD uses one or more contracts for each year's worth of procurement of a given kind of item. Under MYP, DOD instead uses a single contract for two to five years' worth of procurement of a given kind of item, without having to exercise a contract option for each year after the first year. DOD needs congressional approval for each use of MYP.

To illustrate the basic difference between MYP and annual contracting, consider a hypothetical DOD program to procure 20 single-engine aircraft of a certain kind over the 5-year period FY2018-FY2022, at a rate of 4 aircraft per year:

- **Under annual contracting**, DOD would issue one or more contracts for each year's procurement of four aircraft. After Congress funds the procurement of the first four aircraft in FY2018, DOD would issue one or more contracts (or exercise a contract option) for those four aircraft. The next year, after Congress funds the procurement of the next four aircraft in FY2019, DOD would issue one or more contracts (or exercise a contract option) for those four aircraft, and so on.
- **Under MYP**, DOD would issue one contract covering all 20 aircraft to be procured during the 5-year period FY2018-FY2022. DOD would award this contract in FY2018, at the beginning of the five-year period, following congressional approval to use MYP for the program, and congressional appropriation of the FY2018 funding for the program. To continue the implementation of the contract over the next four years, DOD would request the FY2019 funding for the program as part of DOD's proposed FY2019 budget, the FY2020 funding as part of DOD's proposed FY2020 budget, and so on.

Potential Savings Under MYP

How much can MYP save? Compared with estimated costs under annual contracting, estimated savings for programs being proposed for MYP have ranged from less than 5% to more than 15%, depending on the particulars of the program in question, with many estimates falling in the range of 5% to 10%. In practice, actual savings from using MYP rather than annual contracting can be difficult to observe or verify because of cost growth during the execution of the contract that was caused by developments independent of the use of MYP rather than annual contracting.

A February 2012 briefing by the Cost Assessment and Program Evaluation (CAPE) office within the Office of the Secretary of Defense (OSD) states that "MYP savings analysis is difficult due to the lack of actual costs on the alternative acquisition path, i.e., the path not taken."[5] The briefing states that CAPE up to that point had assessed MYP savings for four aircraft procurement

[5] Slide 10 from briefing entitled "Multiyear Procurement: A CAPE Perspective," given at DOD cost analysis symposium, February 15-17, 2012, posted at InsideDefense.com (subscription required), May 14, 2012.

programs—F/A-18E/F strike fighters, H-60 helicopters, V-22 tilt-rotor aircraft, and CH-47F helicopters—and that CAPE's assessed savings ranged from 2% to 8%.[6]

A 2008 Government Accountability Office (GAO) report stated that

> DOD does not have a formal mechanism for tracking multiyear results against original expectations and makes few efforts to validate whether actual savings were achieved by multiyear procurement. It does not maintain comprehensive central records and historical information that could be used to enhance oversight and knowledge about multiyear performance to inform and improve future multiyear procurement (MYP) candidates. DOD and defense research centers officials said it is difficult to assess results because of the lack of historical information on multiyear contracts, comparable annual costs, and the dynamic acquisition environment.[7]

How does MYP potentially save money? Compared to annual contracting, using MYP can in principle reduce the cost of the weapons being procured in two primary ways:

- **Contractor optimization of workforce and production facilities.** An MYP contract gives the contractor (e.g., an airplane manufacturer or shipbuilder) confidence that a multiyear stream of business of a known volume will very likely materialize. This confidence can permit the contractor to make investments in the firm's workforce and production facilities that are intended to optimize the facility for the production of the items being procured under the contract. Such investments can include payments for retaining or training workers, or for building, expanding, or modernizing production facilities. Under annual contracting, the manufacturer might not have enough confidence about its future stream of business to make these kinds of investments, or might be unable to convince its parent firm to finance them.
- **Economic order quantity (EOQ) purchases of selected long-leadtime components.** Under an MYP contract, DOD is permitted to bring forward selected key components of the items to be procured under the contract and to purchase the components in batch form during the first year or two of the contract. In the hypothetical example introduced earlier, using MYP could permit DOD to purchase, say, the 20 engines for the 20 aircraft in the first year or two of the 5-year contract. Procuring selected components in this manner under an MYP contract is called an economic order quantity (EOQ) purchase.[8] EOQ purchases can reduce the procurement cost of the weapons being procured under the MYP contract by allowing the manufacturers of components to take maximum advantage of production economies of scale that are possible with batch orders.[9]

---

[6] Slide 12 from briefing entitled "Multiyear Procurement: A CAPE Perspective," given at DOD cost analysis symposium, February 15-17, 2012, posted at InsideDefense.com (subscription required), May 14, 2012. Slide 12 also stated that these assessed savings were based on comparing CAPE's estimate of what the programs would cost under annual contracting (which the briefing refers to as single-year procurement or SYP) to the contractor's MYP proposal.

[7] Government Accountability Office, *Defense Acquisitions[:] DOD's Practices and Processes for Multiyear Procurement Should Be Improved*, GAO-08-298, February 2008, p. 3.

[8] The term EOQ is occasionally used in discussions of defense acquisition, somewhat loosely, to refer to any high-quantity or batch order of items, even those that do not take place under MYP or BBC. As a general matter, however, EOQs as described here occur only within MYP and block buy contracts.

[9] A 2008 Government Accountability Office (GAO) report on multiyear contracting lists five areas of savings, most of which are covered in the two general areas of savings outlined above. One of GAO's five areas of savings—limited engineering changes due to design stability—can also occur in programs that use annual contracting. The GAO report

What gives the contractor confidence that the multiyear stream of business will materialize? At least two things give the contractor confidence that DOD will not terminate an MYP contract and that the multiyear stream of business consequently will materialize:

- For a program to qualify for MYP, DOD must certify, among other things, that the minimum need for the items to be purchased is expected to remain substantially unchanged during the contract in terms of production rate, procurement rate, and total quantities.
- Perhaps more important to the contractor, MYP contracts include a cancellation penalty intended to reimburse a contractor for costs that the contractor has incurred (i.e., investments the contractor has made) in anticipation of the work covered under the MYP contract. The undesirability of paying a cancellation penalty acts as a disincentive for the government against canceling the contract. (And if the contract is canceled, the cancellation penalty helps to make the contractor whole.[10])

Permanent Statute Governing MYP

Is there a permanent statute governing MYP contracting? There is a permanent statute governing MYP contracting—10 U.S.C. 2306b. The statute was created by Section 909 of the FY1982 Department of Defense Authorization Act (S. 815/P.L. 97-86 of December 1, 1981), revised and reorganized by Section 1022 of the Federal Acquisition Streamlining Act of 1994 (S. 1587/P.L. 103-355 of October 13, 1994), and further amended on several occasions since. For the text of 10 U.S.C. 2306b as of June 1, 2017, see **Appendix A**. DOD's use of MYP contracting is further governed by DOD acquisition regulations.

Under this statute, what criteria must a program meet to qualify for MYP? 10 U.S.C. 2306b(a) states that to qualify for MYP, a program must meet several criteria, including the following.

- **Significant savings.** DOD must estimate that using an MYP contract would result in "significant savings" compared with using annual contracting.

---

states the following:

> Multiyear procurement can potentially save money and improve the defense industrial base by permitting the more efficient use of a contractor's resources. Multiyear contracts are expected to achieve lower unit costs compared to annual contracts through one or more of the following sources: (1) purchase of parts and materials in economic order quantities (EOQ), (2) improved production processes and efficiencies, (3) better utilized industrial facilities, (4) limited engineering changes due to design stability during the multiyear period, and (5) cost avoidance by reducing the burden of placing and administering annual contracts. Multiyear procurement also offers opportunities to enhance the industrial base by providing defense contractors a longer and more stable time horizon for planning and investing in production and by attracting subcontractors, vendors, and suppliers. However, multiyear procurement also entails certain risks that must be balanced against potential benefits, such as the increased costs to the government should the multiyear contract be changed or canceled and decreased annual budget flexibility for the program and across DOD's portfolio of weapon systems. Additionally, multiyear contracts often require greater budgetary authority in the earlier years of the procurement to economically buy parts and materials for multiple years of production than under a series of annual buys.

Government Accountability Office, *Defense Acquisitions[:] DOD's Practices and Processes for Multiyear Procurement Should Be Improved*, GAO-08-298, February 2008, pp. 4-5.

[10] Annual contracts can also include cancellation penalties.

- **Realistic cost estimates.** DOD's estimates of the cost of the MYP contract and the anticipated savings must be realistic.
- **Stable need for the items.** DOD must expect that its minimum need for the items will remain substantially unchanged during the contract in terms of production rate, procurement rate, and total quantities.
- **Stable design for the items.** The design for the items to be acquired must be stable, and the technical risks associated with the items must not be excessive.

10 U.S.C. includes provisions requiring the Secretary of Defense or certain other DOD officials to find, determine, or certify that these and other statutory requirements for using MYP contracts have been met, and provisions requiring the heads of DOD agencies to provide written notifications of certain things to the congressional defense committees 30 days before awarding or initiating an MYP contract, or 10 days before terminating one. 10 U.S.C. 2306b also requires DOD MYP contracts to be fixed-price type contracts.

What is meant by "significant savings"? The amount of savings required under 10 U.S.C. 2306b to qualify for using an MYP contract has changed over time; the requirement was changed from "substantial savings" to "significant savings" by Section 811 of the FY2016 National Defense Authorization Act (S. 1356/P.L. 114-92 of November 25, 2015).[11] The joint explanatory statement for the FY2016 National Defense Authorization Act states the following regarding Section 811:

> *Amendment relating to multiyear contract authority for acquisition of property (sec. 811)*
>
> The House bill contained a provision (sec. 806) that would strike the existing requirement that the head of an agency must determine that substantial savings would be achieved before entering into a multiyear contract.
>
> The Senate amendment contained no similar provision.
>
> The Senate recedes with an amendment that would require that significant savings would be achieved before entering into a multiyear contract.
>
> The conferees agree that the government should seek to maximize savings whenever it pursues multiyear procurement. However, the conferees also agree that significant savings (estimated to be greater than $250.0 million), and other benefits, may be achieved even if it does not equate to a minimum of 10 percent savings over the cost of an annual contract. The conferees expect a request for authority to enter into a multiyear contract will include (1) the estimated cost savings, (2) the minimum quantity needed, (3) confirmation that the design is stable and the technical risks are not excessive, and (4) any other rationale for entering into such a contract.[12]

In addition, 10 U.S.C. 2306b states the following:

> If for any fiscal year a multiyear contract to be entered into under this section is authorized by law for a particular procurement program and that authorization is subject to certain conditions established by law (including a condition as to cost savings to be achieved under

[11] For a discussion of the earlier evolution of the savings requirement under 10 U.S.C. 2306b, including a figure graphically summarizing the legislative history of the requirement, see Government Accountability Office, *Defense Acquisitions[:] DOD's Practices and Processes for Multiyear Procurement Should Be Improved*, GAO-08-298, February 2008, pp. 21-22, including Figure 3 on p. 22.

[12] Joint explanatory statement for H.R. 1735, the FY2016 National Defense Authorization Act, page 126 (PDF page 127 of 542). H.R. 1735 was vetoed by the President. A revised FY2016 National Defense Authorization Act, S. 1356, was then passed and enacted into law. There was no new joint explanatory statement for S. 1356. For the parts of S. 1356 that were unchanged from H.R. 1735, the joint explanatory statement for H.R. 1735 in effect serves as the joint explanatory statement for S. 1356.

> the multiyear contract in comparison to specified other contracts) and if it appears (after negotiations with contractors) that such savings cannot be achieved, but that significant savings could nevertheless be achieved through the use of a multiyear contract rather than specified other contracts, the President may submit to Congress a request for relief from the specified cost savings that must be achieved through multiyear contracting for that program. Any such request by the President shall include details about the request for a multiyear contract, including details about the negotiated contract terms and conditions.[13]

What is meant by "stable design"? The term "stable design" is generally understood to mean that the design for the items to be procured is not expected to change substantially during the period of the contract. Having a stable design is generally demonstrated by having already built at least a few items to that design (or in the case of a shipbuilding program, at least one ship to that design) and concluding, through testing and operation of those items, that the design does not require any substantial changes during the period of the contract.

Potential Consequences of Not Fully Funding an MYP Contract

What happens if Congress does not provide the annual funding requested by DOD to continue the implementation of the contract? If Congress does not provide the funding requested by DOD to continue the implementation of an MYP contract, DOD would be required to renegotiate, suspend, or terminate the contract. Terminating the contract could require the government to pay a cancellation penalty to the contractor. Renegotiating or suspending the contract could also have a financial impact.

Effect on Flexibility for Making Procurement Changes

What effect does using MYP have on flexibility for making procurement changes? A principal potential disadvantage of using MYP is that it can reduce Congress's and DOD's flexibility for making changes (especially reductions) in procurement programs in future years in response to changing strategic or budgetary circumstances, at least without incurring cancellation penalties. In general, the greater the portion of DOD's procurement account that is executed under MYP contracts, the greater the potential loss of flexibility. The use of MYP for executing some portion of the DOD procurement account means that if policymakers in future years decide to reduce procurement spending below previously planned levels, the spending reduction might fall more heavily on procurement programs that do not use MYP, which in turn might result in a less-than-optimally balanced DOD procurement effort.

Congressional Approval

How does Congress approve the use of MYP? Congress approves the use of MYP on a case-by-case basis, typically in response to requests by DOD.[14] Congressional approval for MYP contracts with a value of more than $500 million must occur in two places: an annual DOD appropriations act[15] and an act other than the annual DOD appropriations act.[16]

---

[13] 10 U.S.C. 2306b, subsection (i)(4).

[14] The Anti-Deficiency Act (31 U.S.C. 1341) prohibits the making of contracts in advance of appropriations. A multiple-year commitment may be made when authorized by Congress by entering into a firm commitment for one year and making the government's liability for future years contingent on funds becoming available.

[15] 10 U.S.C. 2306b, subsection (l)(3).

[16] 10 U.S.C. 2306b, subsection (i)(1).

In annual DOD appropriations acts, the provision permitting the use of MYP for one or more defense acquisition programs is typically included in the title containing general provisions, which typically is Title VIII. As shown in **Table B-2**, since FY2011, it has been Section 8010.

An annual national defense authorization act (NDAA) is usually the act other than an appropriations act in which provisions granting authority for using MYP contracting on individual defense acquisition programs are included. Such provisions typically occur in Title I of the NDAA, the title covering procurement programs.

Provisions in which Congress approves the use of MYP for a particular defense acquisition program may include specific conditions for that program in addition to the requirements and conditions of 10 U.S.C. 2306b.

Frequency of Use of MYP

How often is MYP used? MYP is used for a limited number of DOD acquisition programs. As shown in the **Appendix B**, annual DOD appropriations acts since FY1990 typically have approved the use of MYP for zero to a few DOD programs each year.

An August 28, 2017, press report states the following:

> The Pentagon's portfolio of active multiyear procurement contracts is on track to taper from $10.7 billion in fiscal year 2017—or more than 8 percent of DOD procurement spending—to $1.2 billion by FY-19, according to data recently compiled by the Pentagon comptroller for lawmakers.
>
> However, there are potential new block-buy deals in the works, including several large Navy deals.
>
> According to the Multiyear Procurement Contracts Report for FY-17, which includes data current as of June 27, seven major defense acquisition programs are being purchased through multiyear procurement contracts, collectively obligating the U.S. government to spend $16 billion across the five-year spending plan with $14.5 billion of the commitments lashed to FY-17 and FY-18.[17]

In an interview published on January 13, 2014, Sean Stackley, the Assistant Secretary of the Navy for Research, Development, and Acquisition (i.e., the Navy's acquisition executive), stated the following:

> What the industrial base clamors for is stability, so they can plan, invest, train their work force. It gives them the ability in working with say, the Street [Wall Street], to better predict their own performance, then meet expectations in the same fashion we try to meet our expectations with the Hill.
>
> It's emblematic of stability that we've got more multiyear programs in the Department of the Navy than the rest of the Department of Defense combined. We've been able to harvest from that significant savings, and that has been key to solving some of our budget problems. It's allowed us in certain cases to put the savings right back into other programs tied to requirements.[18]

A February 2012 briefing by the Cost Assessment and Program Evaluation (CAPE) office within the Office of the Secretary of Defense (OSD) shows that the total dollar value of DOD MYP contracts has remained more or less stable between FY2000 and FY2012 at roughly $7 billion to

[17] Jason Sherman, "Active Multiyear Procurement Portfolio Dwindling, New Potential Deals on Deck," *Inside the Navy*, August 28, 2017.

[18] "Interview: Sean Stackley, US Navy's Acquisition Chief," *Defense News*, January 13, 2014: 22.

$13 billion per year. The briefing shows that since the total size of DOD's procurement budget has increased during this period, the portion of DOD's total procurement budget accounted for by programs using MYP contracts has declined from about 17% in FY2000 to less than 8% in FY2012.[19] The briefing also shows that the Navy makes more use of MYP contracts than does the Army or Air Force, and that the Air Force made very little use of MYP in FY2010-FY2012.[20]

A 2008 Government Accountability Office (GAO) report stated the following:

> Although DOD had been entering into multiyear contracts on a limited basis prior to the 1980s, the Department of Defense Authorization Act, [for fiscal year] 1982,[21] codified the authority for DOD to procure on a multiyear basis major weapon systems that meet certain criteria. Since that time, DOD has annually submitted various weapon systems as multiyear procurement candidates for congressional authorization. Over the past 25 years, Congress has authorized the use of multiyear procurement for approximately 140 acquisition programs, including some systems approved more than once.[22]

Block Buy Contracting (BBC)

BBC in Brief

What is BBC, and how does it compare to MYP? BBC is similar to MYP in that it permits DOD to use a single contract for more than one year's worth of procurement of a given kind of item without having to exercise a contract option for each year after the first year.[23] BBC is also similar to MYP in that DOD needs congressional approval for each use of BBC.

BBC differs from MYP in the following ways:

- There is no permanent statute governing the use of BBC.
- There is no requirement that BBC be approved in both a DOD appropriations act and an act other than a DOD appropriations act.
- Programs being considered for BBC do not need to meet any legal criteria to qualify for BBC because there is no permanent statute governing the use of BBC that establishes such criteria.
- A BBC contract can cover more than five years of planned procurements. The BBC contracts that were used by the Navy for procuring Littoral Combat Ships (LCSs), for example, covered a period of seven years (FY2010-FY2016).
- Economic order quantity (EOQ) authority does not come automatically as part of BBC authority because there is no permanent statute governing the use of BBC

[19] Slide 4 from briefing entitled "Multiyear Procurement: A CAPE Perspective," given at DOD cost analysis symposium, February 15-17, 2012, posted at InsideDefense.com (subscription required), May 14, 2012.

[20] Slide 5 from briefing entitled "Multiyear Procurement: A CAPE Perspective," given at DOD cost analysis symposium, February 15-17, 2012, posted at InsideDefense.com (subscription required), May 14, 2012.

[21] S. 815/P.L. 97-86 of December 1, 1981, §909.

[22] Government Accountability Office, *Defense Acquisitions[:] DOD's Practices and Processes for Multiyear Procurement Should Be Improved*, GAO-08-298, February 2008, p. 5.

[23] Using the hypothetical example introduced earlier involving the procurement of 20 aircraft over the five-year period FY2018-FY2022, DOD would follow the same general path as it would under MYP: DOD would issue one contract covering all 20 aircraft in FY2018, at the beginning of the five-year period, following congressional approval to use BBC for the program, and congressional appropriation of the FY2018 funding for the program. To continue the implementation of the contract over the next four years, DOD would request the FY2019 funding for the program as part of DOD's proposed FY2019 budget, the FY2020 funding as part of DOD's proposed FY2020 budget, and so on.

that includes EOQ authority as an automatic feature. To provide EOQ authority as part of a BBC contract, the provision granting authority for using BBC in a program may need to state explicitly that the authority to use BBC includes the authority to use EOQ.

- BBC contracts are less likely to include cancellation penalties.

Given the one key similarity between BBC and MYP (the use of a single contract for more than one year's worth of procurement), and the various differences between BBC and MYP, BBC might be thought of as a less formal stepchild of MYP.

When and why was BBC invented? BBC was invented by Section 121(b) of the FY1998 National Defense Authorization Act (H.R. 1119/P.L. 105-85 of November 18, 1997), which granted the Navy the authority to use a single contract for the procurement of the first four Virginia (SSN-774) class attack submarines. The 4 boats were scheduled to be procured during the 5-year period FY1998-FY2002 in annual quantities of 1-1-0-1-1. Congress provided the authority granted in Section 121(b) at least in part to reduce the combined procurement cost of the four submarines. Using MYP was not an option for the Virginia-class program at that time because the Navy had not even begun, let alone finished, construction of the first Virginia-class submarine, and consequently could not demonstrate that it had a stable design for the program.

When Section 121(b) was enacted, there was no name for the contracting authority it provided. The term block buy contracting came into use later, when observers needed a term to refer to the kind of contracting authority that Congress authorized in Section 121(b). As discussed in the next section, this can cause confusion, because the term block buy was already being used in discussions of DOD acquisition to refer to something else.

Terminology Alert: Block Buy Contracting vs. Block Buys

What's the difference between block buy contracting and block buys? In discussions of defense procurement, the term "block buy" by itself (without "contracting" at the end) is sometimes used to refer to something quite different from block buy contracting—namely, the simple act of funding the procurement of more than one copy of an item in a single year, particularly when no more than one item of that kind might normally be funded in a single year. For example, when Congress funded the procurement of two aircraft carriers in FY1983, and another two in FY1988, these acts were each referred to as block buys, because aircraft carriers are normally procured one at a time, several years apart from one another. This alternate meaning of the term block buy predates by many years the emergence of the term block buy contracting.

The term block buy is still used in this alternate manner, which can lead to confusion in discussions of defense procurement. For example, for FY2017, the Air Force requested funding for procuring five Evolved Expendable Launch Vehicles (EELVs) for its EELV Launch Services (ELS) program.

At the same time, Navy officials sometimes refer to the use of block buy contracts for the first four Virginia-class submarines, and in the LCS program, as block buys, when they might be more specifically referred to as instances of block buy *contracting*.

Potential Savings Under BBC

How much can BBC save, compared with MYP? BBC can reduce the unit procurement costs of ships by amounts comparable to those of MYP, if the authority granted for using BBC explicitly includes authority for making economic order quantity (EOQ) purchases of components. If the authority granted for using BBC does not explicitly include authority for making EOQ purchases,

then the savings from BBC will be less. Potential savings under BBC might also be less than those under MYP if the BBC contract does not include a cancellation penalty, or includes one that is more limited than typically found in an MYP contract, because this might give the contractor less confidence than would be the case under an MYP contract that the future stream of business will materialize as planned, which in turn might reduce the amount of money the contractor invests to optimize its workforce and production facilities for producing the items to be procured under the contract.

Frequency of Use of BBC

How frequently has BBC been used? Since its use at the start of the Virginia-class program, BBC has been used very rarely. The Navy did not use it again in a shipbuilding program until December 2010, when it awarded two block buy contracts, each covering 10 LCSs to be procured over the six-year period FY2010-FY2015, to the two LCS builders.[24] (Each contract was later amended to include an 11th ship in FY2016, making for a total of 22 ships under the two contracts.) A third example is the John Lewis (TAO-205) class oiler program, in which the Navy is using a block buy contract to procure the first six ships in the program.[25]

A fourth example, arguably, is the Air Force's KC-46 aerial refueling tanker program, which is employing a fixed price incentive fee (FPIF) development contract that includes a "back end" commitment to procure certain minimum numbers of KC-46s in certain fiscal years.[26]

Using BBC Rather than MYP

When might BBC be suitable as an alternative to MYP? BBC might be particularly suitable as an alternative to MYP in cases where using a multiyear contract can reduce costs, but the program in question cannot meet all the statutory criteria needed to qualify for MYP. As shown in the case of the first four Virginia-class boats, this can occur at or near the start of a procurement program, when design stability has not been demonstrated through the production of at least a few of the items to be procured (or, for a shipbuilding program, at least one ship).

MYP and BBC vs. Contracts with Options

What is the difference between an MYP or block buy contract and a contract with options? The military services sometimes use contracts with options to procure multiple copies of an item that are procured over a period of several years. The Navy, for example, used a contract with options to procure Lewis and Clark (TAKE-1) class dry cargo ships that were procured over a period of several years. A contract with options can be viewed as somewhat similar to an MYP or block buy contract in that a single contract is used to procure several years' worth of procurement of a given kind of item.

There is, however, a key difference between an MYP or block buy contract and a contract with options: In a contract with options, the service is under no obligation to exercise any of the options, and a service can choose to not exercise an option without having to make a penalty payment to the contractor. In contrast, in an MYP or block buy contract, the service is under an

[24] For further discussion, see CRS Report RL33741, *Navy Littoral Combat Ship (LCS) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[25] For further discussion, see CRS Report R43546, *Navy John Lewis (TAO-205) Class Oiler Shipbuilding Program: Background and Issues for Congress*, by Ronald O'Rourke.

[26] For more on the KC-46 program, see CRS Report RL34398, *Air Force KC-46A Tanker Aircraft Program*, by Jeremiah Gertler.

obligation to continue implementing the contract beyond the first year, provided that Congress appropriates the necessary funds. If the service chooses to terminate an MYP or block buy contract, and does so as a termination for government convenience rather than as a termination for contractor default, then the contractor can, under the contract's termination for convenience clause, seek a payment from the government for cost incurred for work that is complete or in process at the time of termination, and may include the cost of some of the investments made in anticipation of the MYP or block buy contract being fully implemented. The contractor can do this even if the MYP or block buy contract does not elsewhere include a provision for a cancellation penalty.[27]

As a result of this key difference, although a contract with options looks like a multiyear contract, it operates more like a series of annual contracts, and it cannot achieve the kinds of savings that are possible under MYP and BBC.

Issues for Congress

Potential issues for Congress concerning MYP and BBC include whether to use MYP and BBC in the future more frequently, less frequently, or about as frequently as they are currently used; and whether to create a permanent statute to govern the use of BBC, analogous to the permanent statute that governs the use of MYP.

Frequency of Using MYP and BBC

Should MYP and BBC in the future be used more frequently, less frequently, or about as frequently as they are currently used? Supporters of using MYP and BBC more frequently in the future might argue the following:

- Since MYP and BBC can reduce procurement costs, making greater use of MYP and BBC can help DOD get more value out of its available procurement funding. This can be particularly important if DOD's budget in real (i.e., inflation-adjusted) terms remains flat or declines in coming years, as many observers anticipate.
- The risks of using MYP have been reduced by Section 811 of the FY2008 National Defense Authorization Act (H.R. 4986/P.L. 110-181 of January 28, 2008), which amended 10 U.S.C. 2306b to strengthen the process for ensuring that programs proposed for MYP meet certain criteria (see "Permanent Statute Governing MYP"). Since the value of MYP contracts equated to less than 8% of DOD's procurement budget in FY2012, compared to about 17% of DOD's procurement budget in FY2000, MYP likely could be used more frequently without exceeding past experience regarding the share of DOD's procurement budget accounted for by MYP contracts.

Supporters of using MYP and BBC less frequently in the future, or at least no more frequently than now, might argue the following:

- Using MYP and BBC more frequently would further reduce Congress's and DOD's flexibility for making changes in DOD procurement programs in future

[27] Source: Telephone discussion with Elliott Branch, Deputy Assistant Secretary of the Navy for Acquisition & Procurement, October 3, 2011, and email from Navy Office of legislative Affairs, October 11, 2011. Under the termination for convenience clause, the contractor can submit a settlement proposal to the service, which would become the basis for a negotiation between the contractor and the service on the amount of the payment.

years in response to changing strategic or budgetary circumstances. The risks of reducing flexibility in this regard are increased now because of uncertainties in the current strategic environment and because efforts to reduce federal budget deficits could include reducing DOD spending, which could lead to a reassessment of U.S. defense strategy and associated DOD acquisition programs.

- Since actual savings from using MYP and BBC rather than annual contracting can be difficult to observe or verify, it is not clear that the financial benefits of using MYP or BBC more frequently in the future would be worth the resulting further reduction in Congress's and DOD's flexibility for making changes in procurement programs in future years in response to changing strategic or budgetary circumstances.

Permanent Statute for BBC

Should Congress create a permanent statute to govern the use of BBC, analogous to the permanent statute (10 U.S.C. 2306b) that governs the use of MYP? Supporters of creating a permanent statute to govern the use of BBC might argue the following:

- Such a statute could encourage greater use of BBC, and thereby increase savings in DOD procurement programs by giving BBC contracting a formal legal standing and by establishing a clear process for DOD program managers to use in assessing whether their programs might be considered suitable for BBC.
- Such a statute could make BBC more advantageous by including a provision that automatically grants EOQ authority to programs using BBC, as well as provisions establishing qualifying criteria and other conditions intended to reduce the risks of using BBC.

Opponents of creating a permanent statute to govern the use of BBC might argue the following:

- A key advantage of BBC is that it is *not* governed by a permanent statute. The lack of such a statute gives DOD and Congress full flexibility in determining when and how to use BBC for programs that may not qualify for MYP, but for which a multiyear contract of some kind might produce substantial savings.
- Such a statute could encourage DOD program managers to pursue their programs using BBC rather than MYP. This could reduce discipline in DOD multiyear contracting if the qualifying criteria in the BBC statute are less demanding than the qualifying criteria in 10 U.S.C. 2306b.

Coast Guard Use of MYP and BBC

Should the Coast Guard should begin making use of MYP and BBC? Although the Coast Guard is part of the Department of Homeland Security (DHS), the Coast Guard is a military service and a branch of the U.S. Armed Forces at all times (14 U.S.C. 1), and 10 U.S.C. 2306b provides authority for using MYP not only to DOD, but also to the Coast Guard (and the National Aeronautics and Space Administration as well).

As discussed earlier in this report, the Navy in recent years has made extensive use of MYP and BBC in its ship and aircraft acquisition programs, reducing the collective costs of those programs, the Navy estimates, by billions of dollars. The Coast Guard, like the Navy, procures ships and aircraft. In contrast to the Navy, however, the Coast Guard has never used MYP or BBC in its ship or aircraft acquisition programs. Instead, the Coast has tended to use contracts with options.

As discussed earlier, although a contract with options looks like a multiyear contract, it operates more like a series of annual contracts, and it cannot achieve the kinds of savings that are possible under MYP and BBC.

CRS in recent years has testified and reported on the possibility of using BBC or MYP in Coast Guard ship acquisition programs, particularly the Coast Guard's 25-ship Offshore Patrol Cutter (OPC) program and the Coast Guard's three-ship polar icebreaker program. CRS estimates that using multiyear contracting rather than contracts with options for the entire 25-ship OPC program could reduce the cost of the OPC program by about $1 billion. The OPC program is the Coast Guard's top-priority acquisition program, and it represents a once-in-a-generation opportunity to reduce the acquisition cost of a Coast Guard acquisition program by an estimated $1 billion. CRS also estimates that using BBC for a three-ship polar icebreaker program could reduce the cost of that program by upwards of $150 million. The Coast Guard has expressed some interest in using BBC in the polar icebreaker program, but its baseline acquisition strategy for that program, like its current acquisition strategy for the OPC program, is to use a contract with options.[28]

Legislative Activity for FY2019

DOD FY2019 Proposals for New MYP and Block Buy Contracts

As part of its FY2019 budget submission, the Department of Defense is proposing[29]

- a five-year MYP contract for procuring C-130J Hercules airlift aircraft in FY2019-FY2023;
- a three-year MYP contract for procuring carrier-based F/A-18E/F strike fighters in FY2019-FY2021;
- a five-year MYP contract for procuring carrier-based E-2D Hawkeye airborne early warning aircraft in FY2019-FY2023;
- a five-year MYP contract for procuring SM-3 Block IB sea-based mid-course ballistic missile defense interceptor missiles in FY2019-FY2023;[30] and
- a five-year MYP contract for procuring SM-6 sea-based air and missile defense interceptors in FY2019-FY2023.[31]

In addition to the above, DOD as part of its FY2018 budget submission requested and received authority for a five-year MYP contract for procuring Virginia-class attack submarines in FY2019-FY2023.

[28] For additional discussion, see CRS Testimony TE10004, *The Status of Coast Guard Cutter Acquisition Programs*, by Ronald O'Rourke; CRS Report R42567, *Coast Guard Cutter Procurement: Background and Issues for Congress*, by Ronald O'Rourke; CRS Report RL34391, *Coast Guard Polar Icebreaker Program: Background and Issues for Congress*, by Ronald O'Rourke.

[29] Source: Department of Defense, *Program Acquisition Costs by Weapon System*, February 2018, pp. 1-4, 1-12, 1-13, 4-4, and 5-15.

[30] For more on the SM-3 interceptor, see CRS Report RL33745, *Navy Aegis Ballistic Missile Defense (BMD) Program: Background and Issues for Congress*, by Ronald O'Rourke.

[31] For more on the SM-6 interceptor, see CRS Report RL33745, *Navy Aegis Ballistic Missile Defense (BMD) Program: Background and Issues for Congress*, by Ronald O'Rourke.

National Defense Authorization Act for Fiscal Year 2019/John S. McCain National Defense Authorization Act for Fiscal Year 2019 (H.R. 5515/S. 2987)

House

In H.R. 5515 as reported by the House Armed Services Committee (H.Rept. 115-676 of May 15, 2018):

- **Section 124** provides authority for one or more MYP contracts for not more than five San Antonio (LPD-17) Flight II amphibious ships;[32]
- **Section 125** provides authority for one or more MYP contracts for up to 625 SM-6 air and missile defense interceptor missiles at a rate of not more than 125 missiles per year during the period FY2019-FY2023;
- **Section 126** provides authority for one or more MYP contracts for up to 24 E–2D Hawkeye carrier-based airborne early warning aircraft, beginning in FY2019;
- **Section 127** provides authority for one or more MYP contracts for F/A-18E/F Super Hornet carrier-based strike fighters and EA-18G Growler carrier-based electronic attack aircraft, beginning in FY2019;
- **Section 145** provides authority for one or more MYP contracts for up to 52 C–130J Hercules airlift aircraft, beginning in FY2019; and
- **Section 1667** provides authority for one or more MYP contracts for SM-3 Block IB ballistic missile defense interceptor missiles, beginning in FY2019.

H.Rept. 115-676 states the following:

> Armored brigade combat team modernization
>
> In the committee report accompanying the National Defense Authorization Act for Fiscal Year 2018 (H. Rept. 115–200), the committee expressed concerns about the stability of armored brigade combat team (ABCT) modernization funding in fiscal year 2018 and beyond, noting that the Army was currently modernizing one ABCT every 2 years at best. Furthermore, in H. Rept. 115–200 the committee encouraged the Army to fully modernize at least one ABCT per year, and the National Defense Authorization Act for Fiscal Year 2018 (Public Law 115–91) authorized the additional funding necessary to modernize one complete ABCT. The committee is encouraged by the Army's increased investment for ABCT modernization in the budget request.
>
> Given this increased investment for ABCT modernization, the committee believes the Army should examine the cost benefits of using multiyear procurement contracts for combat vehicle platforms comprising ABCTs. However, the committee is also aware the Army has concerns over the loss of fiscal flexibility that occurs when it commits to a multiyear contract.
>
> Therefore, the committee directs the Secretary of the Army to provide a briefing to the House Committee on Armed Services by December 3, 2018, on the results of a cost-benefit analysis comparing a traditional 5-year multiyear contract for ABCT platforms with an alternative 3-year multiyear contract with 2 successive single-year options.

[32] For more on the LPD-17 Flight II program, see CRS Report R43543, *Navy LPD-17 Flight II (LX[R]) Amphibious Ship Program: Background and Issues for Congress*, by Ronald O'Rourke.

> In addition, the committee is concerned that the Army's current nomenclature for a critical part of the ABCT, the M1 Abrams tank, has become so complicated that it fails to communicate the importance of the Army's planned upgrades for the tank. Specifically, the committee is concerned that Army's use of "M1A1 situational awareness," "M1A2 system enhancement program version 3," and "M1A2 system enhancement program version 4" to refer to Army upgrade programs for the M1 Abrams tank fails to clearly and concisely convey the significant capability upgrades resident in these efforts. The committee encourages the Army to change, as soon as possible, to clearer M1 Abrams upgrade program descriptions such as the "M1A3" and "M1A4" to more efficiently describe these programs. The committee believes that such a change does not require any additional testing or funding. (Pages 8-9)

H.Rept. 115-676 also states the following:

> A–10 replacement wings
>
> The base budget request contained $98.7 million for A–10 aircraft modifications, of which $79.2 million was included for the A–10 wing replacement program. The committee notes that increases for fiscal years 2017 and 2018 will enable the Department of the Air Force to begin a second wing replacement program for an additional 110 A–10 replacement wings.
>
> The committee continues to believe that sustainment of the 281-aircraft A–10 fleet helps to meet Air Force fighter aircraft capacity requirements. The committee notes that A–10 force structure consists of five Air Reserve Component and four Active Duty squadrons, and that any fewer than nine squadrons will not meet future combatant commander demand for A–10 aircraft. Consequently, subsequent to the test and evaluation of the F–35A and A–10C required by section 134 of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114–328), the Department should not take any action to reduce the number of A–10 squadrons. Accordingly, the committee believes the Department of the Air Force should accelerate the A–10 wing replacement program.
>
> The committee recommends $163.7 million in the base budget for A–10 modifications, an increase of $65.0 million for the A–10 wing replacement program.
>
> The committee also notes that multiyear contracting strategies have resulted in more efficient and cost effective acquisition programs, and believes such a strategy could also result in cost savings for the A–10 wing replacement program. Therefore, the committee directs the Secretary of the Air Force to provide a briefing to the House Committee on Armed Services not later than February 15, 2019, on Department of the Air Force plans to utilize a multiyear contracting strategy to procure A–10 replacement wings.
>
> Additionally, the committee notes that exercising the option to deliver the remaining 110 wings on the contract that expired in September 2016 could have resulted in cost savings compared to current plans to contract separately for a second wing replacement program. Therefore, the committee directs the Secretary of the Air Force to provide a report to the House Committee on Armed Services, not later than February 15, 2019, on the cost of the additional 110 A–10 replacement wings using a second contract compared to the cost of exercising the option to procure the 110 A–10 replacement wings on the original contract. (Page 21)

H.Rept. 115-676 also states the following:

> Satellite Communications
>
> The committee is aware that the Consolidated Appropriations Act, 2018 (Public Law 115–141) added two more Wideband Global Satellite Communications System (WGS) satellites. The committee also notes the increasing demand for satellite communications (SATCOM) capacity and the potential for increased contribution from commercial SATCOM providers. In addition, recognizing the growing capacity and resilience

> requirements, the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114–328) required that the pilot program required under section 1605 of the National Defense Authorization Act for Fiscal Year 2015 (Public Law 113–291) provide order-of-magnitude improvements in SATCOM capability.
>
> The committee is aware of proven commercial SATCOM technology, including high capacity satellite communications technology, that delivers improvements in capacity and performance capabilities and supports operations in contested environments in a cost-effective manner. The committee supports the Department of Defense's request for multiyear procurement authority for these services.
>
> Therefore, the committee directs the Secretary of Defense to submit a report to the Committee on Armed Services of the House of Representatives by December 1, 2018, including:
>
> (1) the costs associated with the procurement, operations, and sustainment of the additional WGS satellites, including life-cycle costs, and costs related to operations and maintenance, and launch;
>
> (2) an update on the status of the Air Force commercial SATCOM pilot and pathfinder programs, including an update on fulfilling the order-of-magnitude requirement, an explanation of the steps the Department is taking to expedite the integration of commercially available high capacity satellite communications to meet the growing capacity demand and counter accelerating adversary communications denial capabilities, and whether the Air Force plans to use its existing authorities to solicit and award annual services contracts; and
>
> (3) a comprehensive plan to modernize terminals and networking capability needed to access and adopt new multi-domain commercial communications technologies, multi-mode terminals and network. (Page 230)

Senate

In S. 2987 as reported by the Senate Armed Services Committee (S.Rept. 115-262 of June 5, 2018):

- **Section 121** provides authority for one or more MYP contracts for Super Hornet carrier-based strike fighters and potential EA-18G Growler carrier-based electronic attack aircraft, for up to three years, notwithstanding subsection (k) of 10 U.S.C. 2306b, beginning in FY2019;
- **Section 122** provides authority for one or more MYP contracts for E-2D Advanced Hawkeye carrier-based airborne early warning aircraft, for up to five years, notwithstanding subsection (k) of 10 U.S.C. 2306b, beginning in FY2019;
- **Section 125** provides authority for one or more MYP contracts for up to 625 SM-6 air and missile defense interceptor missiles, beginning in FY2019;
- **Section 151** provides authority for one or more MYP contracts beginning with FY2019, for C–130J Hercules airlift aircraft, beginning in FY2019;
- **Section 153** amends Section 122 of the FY2018 National Defense Authorization Act (H.R. 2810/P.L. 115-91 of December 12, 2017) to provide authority for one or more multiyear contracts for up to six polar icebreakers for the Coast Guard, beginning in FY2019; and
- **Section 1652** provides authority for one or more MYP contracts, SM-3 Block IB ballistic missile defense interceptor missiles, beginning in FY2019.

Regarding Section 1652, S.Rept. 115-262 states:

Multiyear procurement authority for Standard Missile–3 IB guided missiles (sec. 1652)

The committee recommends a provision that would provide authority for the Secretary of Defense to enter into a multiyear contract for the procurement of up to 204 Standard Missile–3 (SM–3) Block IB guided missiles for fiscal year 2019 through fiscal year 2023 program years, with advance procurement for economic order quantities also beginning in fiscal year 2019 pending the Director of Cost Assessment and Program Evaluation confirmation of the Secretary of the Navy's preliminary findings as required in subsection a of section 2306b of title 10, United States Code.

The SM–3 Block IB program is a core element of the Aegis Ballistic Missile Defense program and is approved through the current future years defense program. This provision would provide the following benefits: (1) Generate cost savings compared to annual procurement cost estimates; (2) Provide stable production of SM–3 Block IBs; (3) Provide a long-term commitment to the low-density aerospace industrial base that stabilizes aerospace employment levels; (4) Provide an incentive for industry capital investment for productivity improvements that would benefit several Department of Defense missile programs; and (5) Reduce disruptions in vendor delivery schedules. (Page 344)

Section 815 of S. 2987 as reported states:

SEC. 815. Preliminary cost analysis requirement for exercise of multiyear contract authority.

Section 2306b(i)(2)(B) of title 10, United States Code, is amended—

(1) by striking "made after the completion of a cost analysis" and inserting "supported by a preliminary cost analysis"; and

(2) by striking "for the purpose of section 2334(e)(1) of this title, and that the analysis supports those preliminary findings".

Regarding Section 815, S.Rept. 115-262 states:

Preliminary cost analysis requirement for exercise of multiyear contract authority (sec. 815)

The committee recommends a provision that would amend section 2306b(i)(2)(B) of title 10, United States Code, to require that the preliminary findings of the agency head be supported by a preliminary cost analysis by the Director of Cost Assessment and Program Evaluation (CAPE).

Currently, section 2306b(i)(2)(B) of title 10, United States Code, requires preliminary findings of the agency head to be made after the completion of a cost analysis performed by the Director of CAPE.

The intent of this provision is to streamline the multiyear procurement contract legislative proposal process through the Director of CAPE and the agency head's conducting cost analysis simultaneously, rather than sequentially, to enable timely submission and ample consideration of such legislative proposals by the congressional defense committees. (Page 227)

S.Rept. 115-262 also states:

LPD-class amphibious transport ship advance procurement

The budget request included no funding in line number 12 of Shipbuilding and Conversion, Navy (SCN), for procurement or advance procurement of LPD-class amphibious transport ships.

> The committee notes the Navy has identified LPD–30, which was authorized and appropriated in fiscal year 2018, as the first Flight II LPD. The committee believes sufficient design maturity and cost estimate precision have been achieved to award a multiyear procurement contract for Flight II LPD-class ships, which will be procured in fiscal years 2020 through 2024.
>
> The committee further notes that the Secretary of the Navy and Commandant of the Marine Corps testified on April 19, 2018, before the Committee on Armed Services of the Senate that they support the addition of the Vertical Launch System to Flight II LPD-class ships. The committee believes this increased capability merits serious consideration, including the applicable concepts of operation, requirements, and ship design changes.
>
> Therefore, the committee recommends an increase of $650.0 million in line number 12 of SCN for advance procurement for Flight II LPD-class ships, which the Secretary of the Navy may use for: (1) Economic order quantity procurement associated with a multiyear procurement contract or contracts awarded pursuant to section 2306b of title 10, United States Code; and/or (2) Advance procurement of the amphibious transport ship designated LPD–31. (Page 25)

S.Rept. 115-262 also states:

> **Aircraft carrier acquisition**
>
> The Department of Defense has been able to achieve program efficiencies and cost-savings by using multiyear and block buy contracting with many weapons programs, to include shipbuilding. Section 2306b of title 10, United States Code, sets forth criteria for requesting and evaluating multiyear contracting proposals. Although similar criteria for block buy authorities are not codified, the committee expects the Department to conduct rigorous analysis of proposals and provide that analysis to the Congress, and that the Department's analysis will show a sound business case with substantial savings from committing the government to a longer term contract.
>
> Earlier this year, the Navy issued a request for proposal soliciting information on a potential block buy to acquire two Ford-class aircraft carriers (CVN–80 and CVN–81). The committee will review any information that the Navy provides related to such an approach as consideration of the National Defense Authorization Act for Fiscal Year 2019 continues. (Page 40)

S.Rept. 115-262 also states:

> **John Lewis-class fleet oiler multiyear procurement strategy**
>
> The committee notes the fiscal year 2019 Navy shipbuilding plan includes seven John Lewis-class fleet oilers (T–AO) procured in fiscal years 2020 through 2024 at a cost of more than $3.6 billion. The committee further notes that the first ship of this class, USS John Lewis (T–AO–205), was awarded in fiscal year 2016 and will be delivered to the Navy in November 2020.
>
> The committee believes sufficient design maturity and cost-estimating precision have been achieved to merit consideration of a multiyear procurement contract for John Lewis-class fleet oilers in future budget requests.
>
> The committee also notes recent shipbuilding multiyear procurement contract proposals projected savings in excess of 10 percent, as compared to annual procurement.
>
> Therefore, the committee urges the Secretary of the Navy to consider a multiyear procurement strategy for John Lewis-class fleet oilers in future budget requests. (Page 46)

S.Rept. 115-262 also states:

> **San Antonio-class Flight II amphibious transport ship multiyear procurement strategy**
>
> The committee notes the fiscal year 2019 Navy shipbuilding plan includes four San Antonio-class Flight II amphibious transport ships (LPD) procured in fiscal years 2020 through 2024 at a cost of approximately $7.0 billion. The committee further notes the Navy has identified LPD–30, which was authorized and appropriated in fiscal year 2018, as the first Flight II LPD.
>
> The committee believes sufficient design maturity and cost-estimating precision have been achieved to merit consideration of a multiyear procurement contract for San Antonio-class Flight II amphibious transport ships, which will be procured in fiscal years 2020 through 2024. The committee further believes the Navy should maintain a procurement rate of one Flight II LPD per year to meet Navy requirements faster, as well as increase industrial base efficiency and stability.
>
> The committee also notes recent shipbuilding multiyear procurement contract proposals projected savings in excess of 10 percent, as compared to annual procurements.
>
> Therefore, the committee urges the Secretary of the Navy to utilize a multiyear procurement strategy for San Antonio-class Flight II amphibious transport ships in the President's Budget request for fiscal year 2020. (Page 50)

S.Rept. 115-262 also states:

> **Stryker A1 Production**
>
> The committee is concerned about the Army's funding strategy for Stryker A1 production. The Stryker A1 configuration includes the Double-V Hull (DVH) upgrade and Engineering Change Proposal 1 to provide enhanced mobility and power.
>
> The fiscal year 2019 Army budget request included $21.9 million for Stryker upgrades to convert three flat bottom vehicles into the Double V Hull (DVH) A1 configuration. However, the committee is concerned that this does not resource the Stryker program sufficiently given the National Defense Strategy and long-term plans for the Stryker vehicle fleet. Therefore, the committee included a $149.0 million zero-sum movement of funds within the Stryker program, authorizing a total of $171.0 million.
>
> The committee understands that the Army made a decision at a Requirements Oversight Council meeting to upgrade the entire Stryker legacy fleet to the Stryker A1 configuration. This decision was made after the Army submitted the fiscal year 2019 budget request. The Army has a total of 9 Stryker Brigade Combat Teams, and over 2,700 Stryker vehicles do not have both the DVH and engineering upgrades. In addition, the Army intends to use the Stryker A1 chassis for the Maneuver Short Range Air Defense capability which will likely require additional Stryker vehicles.
>
> Therefore, as the Army considers funding levels for future budget requests, the committee encourages the Army to provide the necessary resources to support the decision to modernize the Stryker fleet to the A1 configuration, which may include modernizing at least one half of a brigade per year. Finally, the committee urges the Army to evaluate the potential cost savings and schedule acceleration that could be achieved by a multi-year procurement strategy. (Page 51)

Conference

In the conference report (H.Rept. 115-874 of July 25, 2018) on H.R. 5515:

- **Section 121** authorizes the procurement of the aircraft carrier CVN-81 and permits the ship to be added to the contract for the construction of CVN-80, an

aircraft carrier authorized in a prior fiscal year, in effect providing authority for that contract to become a block buy contract for CVN-80 and CVN-81;

- **Section 124** provides authority for one or more MYP contracts for the procurement of up to 625 SM-6 air and missile-defense interceptor missiles at a rate of not more than 125 missiles per year, beginning in FY2019;
- **Section 125** provides authority for one or more MYP contacts for the procurement of up to 24 E–2D Hawkeye carrier-based airborne early warning aircraft, beginning in FY2019;
- **Section 126** provides authority for one or more MYP contracts for the procurement of F/A-18-E/F Super Hornet carrier-based strike fighters and EA-18G Growler carrier-based electronic attack aircraft, beginning in FY2019;
- **Section 129** amends Section of the FY2018 National Defense Authorization Act (H.R. 2810/P.L. 115-91 of December 12, 2017), which provided authority for into one or more MYP contracts for the procurement of not more than 13 Virginia class submarines, to include a new provision requiring the Navy to ensure that this MYP contract will an option to procure an additional Virginia class submarine in FY2022 and an additional Virginia-class boat in FY2023;
- **Section 142** provide authority for one or more MYP contracts for the procurement of C-130J Hercules airlift aircraft, beginning in FY2019, but also including C–130J aircraft for which funds were appropriated for FY2018;
- **Section 1685** provides authority for one or more MYP contracts for the procurement of SM-3 Block IB ballistic missile defense interceptor missiles, beginning in FY2019;
- **Section 3514** amends Section 3505 of the FY2017 National Defense Authorization Act (S. 2943/P.L. 114-328 of December 23, 2016)—a provision regarding the design and construction of a national security multi-mission vessel for the National Defense Reserve Fleet (NDRF)—as amended by section 3503 of H.R. 5515 this Act (which adds a provision prohibiting the Maritime Administration from using funds to procure a used vessel to serve as a national security multi-mission vessel for the NDRF)—by adding a new subsection stating that "nothing in this section may be construed to prohibit the entity responsible for contracting from entering into a multiple-year or block contract for the procurement of up to 6 new vessels and associated Government-furnished equipment, subject to the availability of appropriations."

Regarding Section 121, H.Rept. 115-874 states:

> *Procurement authority for Ford-class aircraft carrier program (sec. 121)*
>
> The House bill contained a provision (sec. 122) that would authorize the construction of one Ford-class aircraft carrier designated CVN–81.
>
> The Senate amendment contained no similar provision.
>
> The Senate recedes with an amendment that would require a certification prior to awarding a contract authorized by this provision.
>
> The conferees note that the Department of Defense has been able to achieve program efficiencies and cost savings by using multiyear and block buy contracting with many weapons programs, to include shipbuilding. If the Department of the Navy intends to pursue a two-ship procurement of CVN–80 and CVN–81 outside the title 10, United States Code, parameters for a multiyear contract, the conferees expect that entering into such

> contract would be based on rigorous analysis with a sound business case and substantial savings.
>
> Earlier this year, the Navy issued a request for proposal soliciting information on a potential contract to acquire two Ford-class aircraft carriers (CVN–80 and CVN–81). The conferees are disappointed that no related information was provided to the congressional defense committees to enable fulsome consideration of the associated required legislative authorities during the development of the National Defense Authorization Act for Fiscal Year 2019.
>
> Nonetheless, the conferees believe a two-ship procurement of CVN–80 and CVN–81 could result in significant cost savings. Accordingly, this provision would provide the necessary authorities for implementing such an approach, if the Secretary of Defense certifies supporting analysis prepared and provided by the milestone decision authority for the carrier replacement program, which is the Department of the Navy Service Acquisition Executive.
>
> It is the conferees' intent that the Secretary of Defense review such analysis and, if the Secretary deems it appropriate, make the certification without performing any separate cost assessments or analyses. The conferees view such a process as consistent with ongoing efforts to reduce the time associated with acquisition decisions, push acquisition authorities and accountability to the Services, and ensure that the Secretary of Defense retains visibility and ultimate authority over acquisition matters in the Department. (Page 800)

In addition to the above provisions relating to specific acquisition programs, **Section 817** of H.R. 5515 states:

> SEC. 817. PRELIMINARY COST ANALYSIS REQUIREMENT FOR EXERCISE OF MULTIYEAR CONTRACT AUTHORITY.
>
> Section 2306b(i)(2)(B) of title 10, United States Code, is amended—
>
> (1) by striking "made after the completion of a cost analysis" and inserting "supported by a preliminary cost analysis";
>
> and
>
> (2) by striking "for the purpose of section 2334(e)(1) of this title, and that the analysis supports those preliminary findings".[33]

H.Rept. 115-874 also states:

> *Multiyear procurement authority for amphibious vessels*

[33] The text of 10 U.S.C. 2306b(i) currently states:

> (i) Defense Acquisitions Specifically Authorized by Law.-(1) In the case of the Department of Defense, a multiyear contract in an amount equal to or greater than $500,000,000 may not be entered into under this section unless the contract is specifically authorized by law in an Act other than an appropriations Act.
>
> (2) In submitting a request for a specific authorization by law to carry out a defense acquisition program using multiyear contract authority under this section, the Secretary of Defense shall include in the request the following:
>
> (A) A report containing preliminary findings of the agency head required in paragraphs (1) through (6) of subsection (a), together with the basis for such findings.
>
> (B) Confirmation that the preliminary findings of the agency head under subparagraph (A) were made after the completion of a cost analysis performed by the Director of Cost Assessment and Program Evaluation for the purpose of section 2334(e)(1) 1 of this title, and that the analysis supports those preliminary findings.

> The House bill contained a provision (sec. 124) that would authorize the Secretary of the Navy to enter into a multiyear procurement for up to five San Antonio-class amphibious transport dock ships with a Flight II configuration.
>
> The Senate amendment contained no similar provision.
>
> The House recedes.
>
> The conferees urge the Secretary of the Navy to utilize a multiyear procurement strategy for San Antonio-class amphibious transport ships with a Flight II configuration in the President's budget request for fiscal year 2020. (Page 807)

FY2019 DOD Appropriations Act (H.R. 6157/S. 3159)

House

In H.R. 6157 as reported by the House Appropriations Committee (H.Rept. 115-769 of June 20, 2018), the paragraph that makes appropriations for the Shipbuilding and Conversion, Navy (SCN) account includes this proviso:

> ... *Provided further*, That funds appropriated or otherwise made available by this Act for production of the common missile compartment of nuclear-powered vessels may be available for multiyear procurement of critical components to support continuous production of such compartments only in accordance with the provisions of subsection (i) of section 2218a of title 10, United States Code (as added by section 1023 of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114–328)).

Section 8010 of H.R. 6157 as reported states:

> Sec. 8010. None of the funds provided in this Act shall be available to initiate: (1) a multiyear contract that employs economic order quantity procurement in excess of $20,000,000 in any one year of the contract or that includes an unfunded contingent liability in excess of $20,000,000; or (2) a contract for advance procurement leading to a multiyear contract that employs economic order quantity procurement in excess of $20,000,000 in any one year, unless the congressional defense committees have been notified at least 30 days in advance of the proposed contract award: Provided, That no part of any appropriation contained in this Act shall be available to initiate a multiyear contract for which the economic order quantity advance procurement is not funded at least to the limits of the Government's liability: Provided further, That no part of any appropriation contained in this Act shall be available to initiate multiyear procurement contracts for any systems or component thereof if the value of the multiyear contract would exceed $500,000,000 unless specifically provided in this Act: Provided further, That no multiyear procurement contract can be terminated without 30-day prior notification to the congressional defense committees: Provided further, That the execution of multiyear authority shall require the use of a present value analysis to determine lowest cost compared to an annual procurement: Provided further, That none of the funds provided in this Act may be used for a multiyear contract executed after the date of the enactment of this Act unless in the case of any such contract—
>
> (1) the Secretary of Defense has submitted to Congress a budget request for full funding of units to be procured through the contract and, in the case of a contract for procurement of aircraft, that includes, for any aircraft unit to be procured through the contract for which procurement funds are requested in that budget request for production beyond advance procurement activities in the fiscal year covered by the budget, full funding of procurement of such unit in that fiscal year;

> (2) cancellation provisions in the contract do not include consideration of recurring manufacturing costs of the contractor associated with the production of unfunded units to be delivered under the contract;
>
> (3) the contract provides that payments to the contractor under the contract shall not be made in advance of incurred costs on funded units; and
>
> (4) the contract does not provide for a price adjustment based on a failure to award a follow-on contract. Funds appropriated in title III of this Act may be used for a multiyear procurement contract as follows: Standard Missile–3 IB; F/A–18E/F Super Hornet and EA–18G Aircraft variants; E–2D Advanced Hawkeye (AHE) Aircraft; and C–130J, KC–130J, HC–130J, MC–130J, AC–130J Aircraft.

Senate

In S. 3159 as reported by the Senate Appropriations Committee (S.Rept. 115-290 of June 28, 2018), the paragraph that makes appropriations for the Shipbuilding and Conversion, Navy (SCN) account includes this proviso:

> ... *Provided further*, That funds appropriated or otherwise made available by this Act for production of the common missile compartment of nuclear-powered vessels may be available for multiyear procurement of critical components to support continuous production of such compartments only in accordance with the provisions of subsection (i) of section 2218a of title 10, United States Code (as added by section 1023 of the National Defense Authorization Act for Fiscal Year 2017 (Public Law 114–328)).

Section 8010 of S. 3159 as reported states:

> Sec. 8010. None of the funds provided in this Act shall be available to initiate: (1) a multiyear contract that employs economic order quantity procurement in excess of $20,000,000 in any one year of the contract or that includes an unfunded contingent liability in excess of $20,000,000; or (2) a contract for advance procurement leading to a multiyear contract that employs economic order quantity procurement in excess of $20,000,000 in any one year, unless the congressional defense committees have been notified at least 30 days in advance of the proposed contract award: Provided, That no part of any appropriation contained in this Act shall be available to initiate a multiyear contract for which the economic order quantity advance procurement is not funded at least to the limits of the Government's liability: Provided further, That no part of any appropriation contained in this Act shall be available to initiate multiyear procurement contracts for any systems or component thereof if the value of the multiyear contract would exceed $500,000,000 unless specifically provided in this Act: Provided further, That no multiyear procurement contract can be terminated without 30-day prior notification to the congressional defense committees: Provided further, That the execution of multiyear authority shall require the use of a present value analysis to determine lowest cost compared to an annual procurement: Provided further, That none of the funds provided in this Act may be used for a multiyear contract executed after the date of the enactment of this Act unless in the case of any such contract—
>
> (1) the Secretary of Defense has submitted to Congress a budget request for full funding of units to be procured through the contract and, in the case of a contract for procurement of aircraft, that includes, for any aircraft unit to be procured through the contract for which procurement funds are requested in that budget request for production beyond advance procurement activities in the fiscal year covered by the budget, full funding of procurement of such unit in that fiscal year;
>
> (2) cancellation provisions in the contract do not include consideration of recurring manufacturing costs of the contractor associated with the production of unfunded units to be delivered under the contract;

(3) the contract provides that payments to the contractor under the contract shall not be made in advance of incurred costs on funded units; and

(4) the contract does not provide for a price adjustment based on a failure to award a follow-on contract.

Funds appropriated in title III of this Act may be used for multiyear procurement contracts for any or all of the following projects:

(1) Standard Missile–3 IB;

(2) Standard Missile–6;

(3) F/A–18E/F Super Hornet and EA–18G Aircraft variants;

(4) E–2D Advanced Hawkeye (AHE) Aircraft; and

(5) C–130J, KC–130J, HC–130J; MC–130J, AC–130J Aircraft:

Provided, That the multiyear procurement authority for the E–2D Advanced Hawkeye (AHE) and the F/A–18E/F Super Hornet programs provided for by this section shall be subject to the certification requirement in section 2306b(i) of title 10, United States Code, with the cost analysis in connection with such certification to be current as of the date of such certification and to be submitted to Congress prior to the Secretary exercising the authority in accordance with section 2306b(i)(3) of title 10, United States Code: Provided further, That the multiyear procurement authority for the Standard Missile—6 program provided for by this section shall be subject to the certification requirement in section 2306b(i) of title 10, United States Code, with the cost analysis in connection with such certification to be current as of the date of such certification and to be submitted to Congress prior to the Secretary exercising the authority in accordance with section 2306b(i)(3) of title 10, United States Code.

Appendix A. Text of 10 U.S.C. 2306b

The text of 10 U.S.C. 2306b as of May 18, 2018, is as follows:

§2306b. Multiyear contracts: acquisition of property

(a) In General.-To the extent that funds are otherwise available for obligation, the head of an agency may enter into multiyear contracts for the purchase of property whenever the head of that agency finds each of the following:

(1) That the use of such a contract will result in significant savings of the total anticipated costs of carrying out the program through annual contracts.

(2) That the minimum need for the property to be purchased is expected to remain substantially unchanged during the contemplated contract period in terms of production rate, procurement rate, and total quantities.

(3) That there is a reasonable expectation that throughout the contemplated contract period the head of the agency will request funding for the contract at the level required to avoid contract cancellation.

(4) That there is a stable design for the property to be acquired and that the technical risks associated with such property are not excessive.

(5) That the estimates of both the cost of the contract and the anticipated cost avoidance through the use of a multiyear contract are realistic.

(6) In the case of a purchase by the Department of Defense, that the use of such a contract will promote the national security of the United States.

(7) In the case of a contract in an amount equal to or greater than $500,000,000, that the conditions required by subparagraphs (C) through (F) of subsection (i)(3) will be met, in accordance with the Secretary's certification and determination under such subsection, by such contract.

(b) Regulations.-(1) Each official named in paragraph (2) shall prescribe acquisition regulations for the agency or agencies under the jurisdiction of such official to promote the use of multiyear contracting as authorized by subsection (a) in a manner that will allow the most efficient use of multiyear contracting.

(2)(A) The Secretary of Defense shall prescribe the regulations applicable to the Department of Defense.

(B) The Secretary of Homeland Security shall prescribe the regulations applicable to the Coast Guard, except that the regulations prescribed by the Secretary of Defense shall apply to the Coast Guard when it is operating as a service in the Navy.

(C) The Administrator of the National Aeronautics and Space Administration shall prescribe the regulations applicable to the National Aeronautics and Space Administration.

(c) Contract Cancellations.-The regulations may provide for cancellation provisions in multiyear contracts to the extent that such provisions are necessary and in the best interests of the United States. The cancellation provisions may include consideration of both recurring and nonrecurring costs of the contractor associated with the production of the items to be delivered under the contract.

(d) Participation by Subcontractors, Vendors, and Suppliers.-In order to broaden the defense industrial base, the regulations shall provide that, to the extent practicable-

(1) multiyear contracting under subsection (a) shall be used in such a manner as to seek, retain, and promote the use under such contracts of companies that are subcontractors, vendors, or suppliers; and

(2) upon accrual of any payment or other benefit under such a multiyear contract to any subcontractor, vendor, or supplier company participating in such contract, such payment or benefit shall be delivered to such company in the most expeditious manner practicable.

(e) Protection of Existing Authority.-The regulations shall provide that, to the extent practicable, the administration of this section, and of the regulations prescribed under this section, shall not be carried out in a manner to preclude or curtail the existing ability of an agency-

(1) to provide for competition in the production of items to be delivered under such a contract; or

(2) to provide for termination of a prime contract the performance of which is deficient with respect to cost, quality, or schedule.

(f) Cancellation or Termination for Insufficient Funding.-In the event funds are not made available for the continuation of a contract made under this section into a subsequent fiscal year, the contract shall be canceled or terminated. The costs of cancellation or termination may be paid from-

(1) appropriations originally available for the performance of the contract concerned;

(2) appropriations currently available for procurement of the type of property concerned, and not otherwise obligated; or

(3) funds appropriated for those payments.

(g) Contract Cancellation Ceilings Exceeding $100,000,000.-(1) Before any contract described in subsection (a) that contains a clause setting forth a cancellation ceiling in excess of $100,000,000 may be awarded, the head of the agency concerned shall give written notification of the proposed contract and of the proposed cancellation ceiling for that contract to the congressional defense committees, and such contract may not then be awarded until the end of a period of 30 days beginning on the date of such notification.

(2) In the case of a contract described in subsection (a) with a cancellation ceiling described in paragraph (1), if the budget for the contract does not include proposed funding for the costs of contract cancellation up to the cancellation ceiling established in the contract, the head of the agency concerned shall, as part of the certification required by subsection (i)(1)(A), give written notification to the congressional defense committees of-

(A) the cancellation ceiling amounts planned for each program year in the proposed multiyear procurement contract, together with the reasons for the amounts planned;

(B) the extent to which costs of contract cancellation are not included in the budget for the contract; and

(C) a financial risk assessment of not including budgeting for costs of contract cancellation.

(h) Defense Acquisitions of Weapon Systems.-In the case of the Department of Defense, the authority under subsection (a) includes authority to enter into the following multiyear contracts in accordance with this section:

(1) A multiyear contract for the purchase of a weapon system, items and services associated with a weapon system, and logistics support for a weapon system.

(2) A multiyear contract for advance procurement of components, parts, and materials necessary to the manufacture of a weapon system, including a multiyear contract for such advance procurement that is entered into in order to achieve economic-lot purchases and more efficient production rates.

(i) Defense Acquisitions Specifically Authorized by Law.-(1) In the case of the Department of Defense, a multiyear contract in an amount equal to or greater than $500,000,000 may

not be entered into under this section unless the contract is specifically authorized by law in an Act other than an appropriations Act.

(2) In submitting a request for a specific authorization by law to carry out a defense acquisition program using multiyear contract authority under this section, the Secretary of Defense shall include in the request the following:

(A) A report containing preliminary findings of the agency head required in paragraphs (1) through (6) of subsection (a), together with the basis for such findings.

(B) Confirmation that the preliminary findings of the agency head under subparagraph (A) were made after the completion of a cost analysis performed by the Director of Cost Assessment and Program Evaluation for the purpose of section 2334(e)(1) 1 of this title, and that the analysis supports those preliminary findings.

(3) A multiyear contract may not be entered into under this section for a defense acquisition program that has been specifically authorized by law to be carried out using multiyear contract authority unless the Secretary of Defense certifies in writing, not later than 30 days before entry into the contract, that each of the following conditions is satisfied:

(A) The Secretary has determined that each of the requirements in paragraphs (1) through (6) of subsection (a) will be met by such contract and has provided the basis for such determination to the congressional defense committees.

(B) The Secretary's determination under subparagraph (A) was made after completion of a cost analysis conducted on the basis of section 2334(e)(2) 1 of this title, and the analysis supports the determination.

(C) The system being acquired pursuant to such contract has not been determined to have experienced cost growth in excess of the critical cost growth threshold pursuant to section 2433(d) of this title within 5 years prior to the date the Secretary anticipates such contract (or a contract for advance procurement entered into consistent with the authorization for such contract) will be awarded.

(D) A sufficient number of end items of the system being acquired under such contract have been delivered at or within the most current estimates of the program acquisition unit cost or procurement unit cost for such system to determine that current estimates of such unit costs are realistic.

(E) During the fiscal year in which such contract is to be awarded, sufficient funds will be available to perform the contract in such fiscal year, and the future-years defense program for such fiscal year will include the funding required to execute the program without cancellation.

(F) The contract is a fixed price type contract.

(G) The proposed multiyear contract provides for production at not less than minimum economic rates given the existing tooling and facilities.

(4) If for any fiscal year a multiyear contract to be entered into under this section is authorized by law for a particular procurement program and that authorization is subject to certain conditions established by law (including a condition as to cost savings to be achieved under the multiyear contract in comparison to specified other contracts) and if it appears (after negotiations with contractors) that such savings cannot be achieved, but that significant savings could nevertheless be achieved through the use of a multiyear contract rather than specified other contracts, the President may submit to Congress a request for relief from the specified cost savings that must be achieved through multiyear contracting for that program. Any such request by the President shall include details about the request for a multiyear contract, including details about the negotiated contract terms and conditions.

(5)(A) The Secretary may obligate funds for procurement of an end item under a multiyear contract for the purchase of property only for procurement of a complete and usable end item.

(B) The Secretary may obligate funds appropriated for any fiscal year for advance procurement under a contract for the purchase of property only for the procurement of those long-lead items necessary in order to meet a planned delivery schedule for complete major end items that are programmed under the contract to be acquired with funds appropriated for a subsequent fiscal year (including an economic order quantity of such long-lead items when authorized by law).

(6) The Secretary may make the certification under paragraph (3) notwithstanding the fact that one or more of the conditions of such certification are not met, if the Secretary determines that, due to exceptional circumstances, proceeding with a multiyear contract under this section is in the best interest of the Department of Defense and the Secretary provides the basis for such determination with the certification.

(7) The Secretary may not delegate the authority to make the certification under paragraph (3) or the determination under paragraph (6) to an official below the level of Under Secretary of Defense for Acquisition, Technology, and Logistics.

(j) Defense Contract Options for Varying Quantities.-The Secretary of Defense may instruct the Secretary of the military department concerned to incorporate into a proposed multiyear contract negotiated priced options for varying the quantities of end items to be procured over the period of the contract.

(k) Multiyear Contract Defined.-For the purposes of this section, a multiyear contract is a contract for the purchase of property for more than one, but not more than five, program years. Such a contract may provide that performance under the contract during the second and subsequent years of the contract is contingent upon the appropriation of funds and (if it does so provide) may provide for a cancellation payment to be made to the contractor if such appropriations are not made.

(l) Various Additional Requirements With Respect to Multiyear Defense Contracts.-(1)(A) The head of an agency may not initiate a contract described in subparagraph (B) unless the congressional defense committees are notified of the proposed contract at least 30 days in advance of the award of the proposed contract.

(B) Subparagraph (A) applies to the following contracts:

(i) A multiyear contract-

(I) that employs economic order quantity procurement in excess of $20,000,000 in any one year of the contract; or

(II) that includes an unfunded contingent liability in excess of $20,000,000.

(ii) Any contract for advance procurement leading to a multiyear contract that employs economic order quantity procurement in excess of $20,000,000 in any one year.

(2) The head of an agency may not initiate a multiyear contract for which the economic order quantity advance procurement is not funded at least to the limits of the Government's liability.

(3) The head of an agency may not initiate a multiyear procurement contract for any system (or component thereof) if the value of the multiyear contract would exceed $500,000,000 unless authority for the contract is specifically provided in an appropriations Act.

(4) Each report required by paragraph (5) with respect to a contract (or contract extension) shall contain the following:

(A) The amount of total obligational authority under the contract (or contract extension) and the percentage that such amount represents of-

(i) the applicable procurement account; and

(ii) the agency procurement total.

(B) The amount of total obligational authority under all multiyear procurements of the agency concerned (determined without regard to the amount of the multiyear contract (or contract extension)) under multiyear contracts in effect at the time the report is submitted and the percentage that such amount represents of-

(i) the applicable procurement account; and

(ii) the agency procurement total.

(C) The amount equal to the sum of the amounts under subparagraphs (A) and (B), and the percentage that such amount represents of-

(i) the applicable procurement account; and

(ii) the agency procurement total.

(D) The amount of total obligational authority under all Department of Defense multiyear procurements (determined without regard to the amount of the multiyear contract (or contract extension)), including any multiyear contract (or contract extension) that has been authorized by the Congress but not yet entered into, and the percentage that such amount represents of the procurement accounts of the Department of Defense treated in the aggregate.

(5) The head of an agency may not enter into a multiyear contract (or extend an existing multiyear contract), the value of which would exceed $500,000,000 (when entered into or when extended, as the case may be), until the Secretary of Defense submits to the congressional defense committees a report containing the information described in paragraph (4) with respect to the contract (or contract extension).

(6) The head of an agency may not terminate a multiyear procurement contract until 10 days after the date on which notice of the proposed termination is provided to the congressional defense committees.

(7) The execution of multiyear contracting authority shall require the use of a present value analysis to determine lowest cost compared to an annual procurement.

(8) This subsection does not apply to the National Aeronautics and Space Administration or to the Coast Guard.

(9) In this subsection:

(A) The term "applicable procurement account" means, with respect to a multiyear procurement contract (or contract extension), the appropriation account from which payments to execute the contract will be made.

(B) The term "agency procurement total" means the procurement accounts of the agency entering into a multiyear procurement contract (or contract extension) treated in the aggregate.

Appendix B. Programs Approved for MYP in Annual DOD Appropriations Acts Since FY1990

This appendix presents, in two tables, programs approved for MYP in annual DOD appropriations acts since FY1990. **Table B-1** covers FY2011 to the present, and **Table B-2** covers FY1990 through FY2010.

Table B-1. Programs Approved for MYP in Annual DOD Appropriations Acts Since FY2011

Fiscal Year	Bill/Law	Section on MYP	Programs(s) Approved for MYP
2018	H.R. 1625/P.L. 115-141	Section 8010 of Division C	V–22 Osprey aircraft variants (may not exceed 5 years)
			up to 13 SSN Virginia Class Submarines and Government-furnished equipment
			DDG–51 Arleigh Burke class Flight III guided missile destroyers, the MK41 Vertical Launching Systems, and associated Government-furnished systems and subsystems
2017	H.R. 244/P.L. 115-31	Section 8010 of Division C	AH–64E Apache Helicopter and UH–60M Blackhawk Helicopter
2016	H.R. 2029/P.L. 114-113	Section 8010 of Division C	[none]
2015	H.R. 83/P.L. 113-235	Section 8010 of Division C	[none]
2014	H.R. 3547/P.L. 113-76	Section 8010 of Division C	E-2D Advanced Hawkeye
			SSN 774 Virginia class submarine
			KC-130J, C-130J, HC-130J, MC-130J, AC-130J aircraft, and government-furnished equipment
2013	H.R. 933/P.L. 113-6	Section 8010 of Division C	F/A-18E, F/A-18F, and EA-18G aircraft
			Up to 10 DDG-51 destroyers, as well as the AEGIS Weapon Systems, MK 41 Vertical Launching Systems, and Commercial Broadband Satellite Systems associated with those ships
			Virginia class submarines and government-furnished equipment
			CH-47 Chinook helicopters
			V-22 Osprey aircraft variants
2012	H.R. 2055/P.L. 112-74	Section 8010 of Division A	UH–60M/HH–60M and MH–60R/MH–60S Helicopter Airframes
			MH–60R/S Mission Avionics and Common Cockpits
2011	H.R. 1473/P.L. 112-10	Section 8010 of Division A	Navy MH-60R/S helicopter systems

Source: Table prepared by CRS based on text of bills.

Table B-2. Programs Approved for MYP in Annual DOD Appropriations Acts from FY1990 Through FY2010

Fiscal Year	Bill/Law	Section on MYP	Program(s) Approved for MYP
2010	H.R. 3326/P.L. 111-118	Section 8011 of Division A	F-18 aircraft variants
2009	H.R. 2638/P.L. 110-329	Section 8011 of Division C	SSN Virginia class submarine
2008	H.R. 3222/P.L. 110-116	Section 8010 of Division A	Army CH-47 Chinook helicopter
			M1A2 Abrams System Enhancement Package upgrades
			M2A3/M3A3 Bradley upgrades
			SSN Virginia Class submarine
2007	H.R. 5631/P.L. 109-289	Section 8008 of Division A	C-17 Globemaster
			F-22A
			MH-60R Helicopters
			MH-60R Helicopter mission equipment
			V-22 Osprey
2006	H.R. 2863/P.L. 109-148	Section 8008 of Division A	UH-60/MH-60 helicopters
			C-17 Globemaster
			Apache Block II Conversion
			Modernized Target Acquisition Designation Sight/Pilot Night Vision Sensor (MTADS/PNVS)
2005	H.R. 4613/P.L. 108-287	Section 8008	Lightweight 155mm Howitzer
2004	H.R. 2658/P.L. 108-87	Section 8008	F/A-18 aircraft
			E-2C aircraft
			Tactical Tomahawk missile
			Virginia Class submarine
2003	H.R. 5010/P.L. 107-248	Section 8008	C-130 aircraft
			FMTV
			F/A-18E and F engine
2002	H.R. 3338/P.L. 107-117	Section 8008 of Division A	UH-60/CH-60 aircraft
			C-17
			F/A-18E and F engine
2001	H.R. 4576/P.L. 106-259	Section 8008	Javelin missile
			M2A3 Bradley fighting vehicle
			DDG-51 destroyer
			UH-60/CH-60 aircraft
2000	H.R. 2561/P.L. 106-79	Section 8008	Longbow Apache helicopter
			Javelin missile
			Abrams M1A2 Upgrade
			F/A-18E/F aircraft
			C-17 aircraft
			F-16 aircraft
1999	H.R. 4103/P.L. 105-262	Section 8008	E-2C aircraft
			Longbow Hellfire missile
			Medium Tactical Vehicle Replacement (MTVR)

Fiscal Year	Bill/Law	Section on MYP	Program(s) Approved for MYP
1998	H.R. 2266/P.L. 105-56	Section 8008	Apache Longbow radar
			AV-8B aircraft
			Family of Medium Tactical Vehicles
1997	H.R. 3610/P.L. 104-208	Section 8009 of Section 101(b) of Title I of Division A	Javelin missiles
			Army Tactical Missile System (ATACMS)
			Mk19-3 grenade machine guns
			M16A2 rifles
			M249 Squad Automatic Weapons
			M4 carbine rifles
			M240B machine guns
			Arleigh Burke (DDG-15 [sic:51] class destroyers
1996	H.R. 2126/P.L. 104-61	Section 8010	UH-60 Blackhawk helicopter
			Apache Longbow helicopter
			M1A2 tank upgrade
1995	H.R. 4650/P.L. 103-335	Section 8010	MK19-3 grenade machine guns
			M16A2 rifles
			M249 Squad Automatic Weapons
			M4 carbine rifles
1994	H.R. 3116/P.L. 103-139	Section 8011	[none]
1993	H.R. 5504/P.L. 102-396	Section 9013[a]	Defense Support Satellites 23, 24 and 25
			Enhanced Modular Signal Processor
1992	H.R. 2521/P.L. 102-172	Section 8013	MK-48 ADCAP Torpedo
			UH-60 Black Hawk helicopter
			Army Tactical missile
1991	H.R. 5803/P.L. 101-511	Section 8014	Line of Sight-Rear (Avenger)—Pedestal Mounted Stinger
			Family of Medium Tactical Vehicles (FMTV)
			LCAC Landing Craft
			LHD Amphibious Ship
			MK-45 Gun Mount/MK-6 Ammo Hoist
			NAVSTAR Global Positioning Satellite (GPS)
			Defense Support Program Satellites 22 and 23
1990	H.R. 3072/P.L. 101-165	Section 9021[a]	M-1 tank engines
			M-1 tank fire control
			Bradley Fighting Vehicle
			Family of Heavy Tactical Vehicles
			Maverick Missile (AGM-65D)
			SH-60B/F helicopter
			DDG-51 destroyer (two years)

Source: Table prepared by CRS based on text of bills.

a. In H.R. 5504/P.L. 102-396 and H.R. 3072/P.L. 101-165, the general provisions title was Title IX.

Author Information

Ronald O'Rourke
Specialist in Naval Affairs

Moshe Schwartz
Specialist in Defense Acquisition

Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.