



U.S. Department of the Navy

Office of the Assistant Secretary of the Navy (Financial Management and Comptroller)
The Honorable Richard Greco, Jr.

Success Story

Shipbuilding Transfer Authority

Problem: Because of the statutory limitations of the Shipbuilding Conversion, Navy (SCN) account, the Department needed the ability to address critical execution year funding issues.

Background/Solution: The Shipbuilding Conversion Navy (SCN) account is statutorily appropriated by ship class. Because of this, there is limited flexibility to resolve shortfalls during the execution year. A solution to resolve an execution year shortfall is to implement a reprogramming. Because reprogramming actions have to be offset with sources from the same fiscal year and due to the nature of shipbuilding funding issues, a reprogramming alternative is usually not an option. For instance, a ship appropriated in FY 1998 that required additional funds would necessitate an offset using FY 1998 sources within the same Appropriations Act. Most accounts within a DOD Appropriations Act expire between 1-3 years after appropriation, except for SCN that is available for 5+ years. If during FY 2005, the Department needed to source a shortfall for the FY 1998 ship, the only sources available would be other SCN funded ships. Since shipbuilding costs are so dynamic, the probability that FY 1998 sources would be available is not likely. The reprogramming guidelines and constraints placed on the account, makes it very difficult to resolve a critical execution year shipbuilding issue.

To resolve this situation, the Navy Comptroller proposed a legislative provision to enable transfers, otherwise known as shipbuilding transfer authority, and worked the issue with the appropriation subcommittees. Although similar authority was provided in FY 2001 DOD Appropriations Act, events had transpired and the general inclination of the Congressional committee staff was that the Department did not require the transfer authority. The ASN(FM&C) staff, partnering with the staff of the ASN(RD&A), worked diligently to convince the Congressional committee staff that there was more than sufficient justification for the authority.

Outcome/Results: The authority was provided in the Fiscal Year 2005 Department of Defense Appropriations Act. This authority enabled financing critical shortfalls for the first two Virginia Class submarines and the first LPD-17 amphibious ship. Without the transfer, a stop work situation would have occurred and delivery of the lead ship LPD-17 would have been delayed. As the Department continues to assess the need for additional financial flexibility with the SCN account, the staff of both ASNs have continued working with the appropriation subcommittees to get additional special

transfer authority in the Fiscal Year 2006 Department of Defense Appropriations Act to address emergent shipbuilding cost issues.

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