

## Holland & Knight Defense Situation Report: July 2025

### A monthly roundup of defense policy news

Welcome back to Holland & Knight's monthly defense news update. We are pleased to bring you the latest in defense policy, regulatory updates and other significant developments. If you would like additional information on anything in this report, please reach out to the authors or members of Holland & Knight's [National Security & Defense Industry Sector Group](#).

### LEGISLATIVE UPDATES

#### Reconciliation Update

As covered in the [June 2025 Holland & Knight Defense Situation Report](#), Congress passed and President Donald Trump signed into law H.R. 1, the [One Big Beautiful Bill Act \(OBBB\)](#). This legislation is the product of months of negotiations between the White House and congressional Republicans. Structured as a budget reconciliation package to bypass traditional filibuster rules, the bill consolidates policy priorities from various authorizing committees of the U.S. House and Senate into a single, sweeping legislative framework.

The U.S. House and Senate Committees on Armed Services' portion of the reconciliation legislation provides significant funding increases for strategic capability areas within the U.S. Department of Defense (DOD) and National Nuclear Security Administration (NNSA). It includes more than \$150 billion in additional defense funding across 11 key sections, addressing critical capability gaps identified by the Trump Administration, military leadership and Congress. With this increase, the fiscal year (FY) 2026 DOD budget would exceed \$1 trillion for the first time in history. The bill emphasizes shipbuilding, supply chain resilience, munitions production, cybersecurity, nuclear modernization, Indo-Pacific Command capabilities and the president's Golden Dome missile defense initiative. It accelerates weapons development, modernizes infrastructure, invests in emerging technologies (hypersonics, autonomous systems and artificial intelligence (AI)) and strengthens the defense industrial base by addressing supply chain vulnerabilities, particularly for critical minerals. In the president's budget request to Congress, the Trump Administration anticipated that approximately \$119 billion of these resources will be spent in FY 2026.

After the OBBB's passage, Rep. Mike Rogers (R-Ala.) and Sen. Roger Wicker (R-Miss.), chairmen of the House Armed Services Committee (HASC) and Senate Armed Services Committee (SASC), respectively, on July 22, 2025, [sent a letter](#) to DOD Secretary Pete Hegseth requesting that a "spending, expenditure, or operating plan" for the \$150 billion in funding dedicated to the DOD be made available no later than Aug. 22, 2025, and that "to inform the development of such plan, the committees are attaching guidance outlining the intended appropriations." Though originally thought that the guidance would provide considerable fidelity of how Congress wants the DOD to spend the reconciliation dollars, detail was not as granular.

To accompany the letter, Chairmen Rogers and Wicker sent along funding tables for [DOD](#), [military construction](#) and NNSA programs, demonstrating congressional intent for program-level funding.

## NDAA Updates

With the reconciliation legislation signed into law by the president, HASC and SASC members turned their attention to the FY 2026 National Defense Authorization Act (NDAA). Beginning on July 7, 2025, the SASC commenced meeting in closed session to mark up the NDAA. A few days later, on July 11, 2025, Chairman Wicker and Ranking Member Jack Reed (D-R.I.) announced that the committee voted 26-1 to advance the bill to the Senate floor for consideration. Though the SASC typically files the text of the NDAA only a week or so before Senate floor consideration, Sens. Wicker and Reed filed the bill on July 16, 2025, as [S.2296](#). Filing it early means that senators who do not sit on SASC will have the ability to introduce amendments throughout the August recess. View a [list of amendments](#) submitted so far.

Likewise, on July 15, 2025, the HASC passed the FY 2026 NDAA from committee by a vote of 55-2. As noted in the [June 2025 Holland & Knight Defense Situation Report](#), a major theme for the FY 2026 NDAA will be defense acquisition reform. At the center of this policy debate will be the Streamlining Procurement for Effective Execution and Delivery (SPEED) Act announced on June 9, 2025, by Chairman Rogers and Ranking Member Adam Smith (D-Wash.) to restructure, streamline and modernize the DOD's acquisition system. Put forward by Chairman Wicker, the Senate's defense acquisition reform package is the Fostering Reform and Government Efficiency in Defense (FoRGED) Act, which was included in the SASC version of the NDAA.

As such, Chairman Rogers and Ranking Member Smith filed the HASC's version of the NDAA under [H.R.3838](#). According to a press release after the markup, Chairman Rogers said that "Equipping an innovative and agile military requires an efficient and streamlined acquisition process. The FY 2026 NDAA supports modernization and fundamentally reforms defense acquisition by cutting red tape, eliminating bureaucratic hurdles, and encouraging innovation. It refocuses acquisition on its most important mission: getting our warfighters what they need when they need it."

While there is significant overlap in priorities across both chambers' versions of the bill, there are also distinct differences that will need to be addressed as the bills are conferenced. With regard to a topline spending, the HASC NDAA authorizes an \$848 billion topline as requested by the Pentagon, while the SASC NDAA authorizes \$878.7 billion. While it is expected that the NDAA will pass by the end of the year, anticipate that other pieces of legislation outside HASC/SASC jurisdiction may be incorporated into the final bill, such as reauthorization of the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) programs. The NDAA has passed for 64 consecutive years, and the FY 2026 NDAA is expected to be the 65th consecutive to pass. Additional information on the reconciliation package is provided in a [previous Holland & Knight alert](#).

## Appropriations Update

On July 18, 2025, [the House passed](#) the FY 2026 defense appropriations bill by a vote of 221-209. The House defense appropriations bill provides a total discretionary allocation of \$831.5 billion, which is even with the FY 2025 enacted level and adheres to the discretionary budget topline put forward by the president's budget request. To inform funding priorities, the House Appropriations Subcommittee on Defense held six oversight hearings and seven classified sessions from February to June 2025. During these hearings, several priority funding areas emerged, including investment in next-generation fighter aircraft, modernization of the nuclear triad, investment in Golden Dome development and quality of life improvements for service members.

By major category, the subcommittee recommends a total appropriation of \$176 billion for active, reserve and U.S. National Guard military personnel, \$283 billion for operation and maintenance support to the military services and other DOD entities, \$174 billion for procurement, and \$147 billion for research, development, test and evaluation (RDT&E).

Meanwhile, the Senate Committee on Appropriations considered the defense appropriations bill on July 31, 2025, and advanced it out of committee by a vote of 26-3. The committee's version of the defense funding bill provides \$851.9 billion in discretionary funding, which is an increase of \$21.7 billion above the president's budget request and less than \$32 billion in the SASC-reported NDAA. The Senate Committee on Appropriations recommends a total of \$193 million for military personnel, \$302 million for operation and maintenance, \$171 million for procurement and \$140 million for RDT&E.

Given that FY 2025 funding goes through Sept. 30, 2025, appropriators in both chambers will need to agree on a topline and conference their bills before final passage.

## **HASC Holds Hearing on Defense Acquisition Reform**

On July 23, 2025, the HASC [held a hearing](#) to outline the SPEED Act principles with Under Secretary of Defense for Acquisition and Sustainment Michael Duffey as the witness. Encapsulating the urgent necessity of reform, Under Secretary Duffey testified in his opening statement, "We are no longer in an environment where flexible timelines and risk avoidance are acceptable. What once took a decade must now be delivered in months or weeks to stay ahead of the threat." Several key themes emerged through the discussion, including balancing intellectual property rights of commercial entities with the military's Right to Repair, co-production opportunities with allied nations to both bolster defense industrial base (DIB) markets and improve tactical interoperability, as well as the benefit of leveraging commercial and dual-use technologies across the DOD. Under Secretary Duffey also emphasized the need for a diverse and resilient DIB, as members of the committee expressed frustration with the DOD's partnerships with defense primes.

## **House Passes Coast Guard Authorization Act**

On July 23, 2025, [the House approved](#) the Coast Guard Authorization Act of 2025 by a vote of 399-12, which authorizes programs and funding for the service through FY 2029. Though the [Senate passed a version](#) of the bill on March 5, 2025, it will now choose to either take up the House version for passage or create a conference committee between the chambers to rectify differences before it can be voted on and move to the president's desk for signature. Given the Coast Guard is another military service and that the bill has garnered wide, bipartisan support, it is also possible that the Coast Guard reauthorization bill gets attached to the FY 2026 NDAA.

According to the [Transportation and Infrastructure Committee](#), the bill enables the service to continue to recapitalize its historically underfunded cutter fleet, shoreside facilities and information technology (IT) capabilities, while modernizing the Coast Guard's acquisition process, increasing transparency and accountability in the service's recapitalization efforts, and opening a pathway to the adoption of next-generation autonomous technologies.

## **Senate Confirms Gen. Michael Guetlein as Golden Dome Lead**

On July 17, 2025, [the Senate confirmed](#) Gen. Michael Guetlein to be the first Golden Dome for America Direct Reporting Program Manager (GDA DRPM). In this capacity, Gen. Guetlein will be responsible for

building out the Golden Dome layered architecture of sensors and command and control nodes, as well as kinetic and non-kinetic defeat mechanisms. Gen. Guetlein's confirmation is reflective of the government's commitment to layered homeland defense under the Golden Dome program, which was first announced in a [January executive order](#) (EO) from the White House, was the topic of an April [HASC Strategic Forces Subcommittee hearing](#) and has received significant funding through both the [reconciliation process](#) and ongoing defense appropriations legislation.

## EXECUTIVE AND DEPARTMENTAL UPDATES

### Secretary Hegseth Memo Outlines DOD Plan for Drone Dominance

In a [July 10 memo](#) for senior DOD officials, DOD Secretary Pete Hegseth outlined his initiative to address shortfalls within the DOD's approach to drone warfare. In line with guidance laid out in a June 2025 executive order titled "[Unleashing American Drone Dominance](#)," Secretary Hegseth is seeking to accelerate the DOD's integration of existing and emerging Unmanned Aircraft Systems (UAS) technology across the DOD. This directive represents a shift in the Pentagon's approach to drone technology, emphasizing speed, innovation and operational flexibility while reducing bureaucratic obstacles, which Secretary Hegseth intends to mean a more streamlined path to delivering drone capabilities for U.S. military forces.

Per the memo, there are three primary avenues for this acceleration. First, the Pentagon is to approve a tranche of American UAS for purchase by the military, creating predictability to scale production. Next, the DOD will arm combat units with low-cost drones to begin developing the tactics, techniques and procedures that will inform product development, as well as strategic doctrine. Lastly, the secretary will direct the integration of these newly fielded systems into all combat training over the next year.

Secretary Hegseth's memo responds to the increasingly critical role of unmanned systems in modern warfare, particularly highlighted by recent conflicts where adversaries have effectively employed drone technologies. The U.S. has maintained technological advantages in this domain historically, but Secretary Hegseth's directive acknowledges that bureaucratic processes have hindered the rapid adoption and deployment of cutting-edge drone capabilities, a sentiment that has been repeated by Congress.

### White House Submits AI Action Plan

The White House [released](#) "[Winning the Race: America's AI Action Plan](#)" (Plan) on July 23, 2025, in accordance with President Trump's Jan. 23, 2025, EO on "[Removing Barriers to American Leadership in Artificial Intelligence](#)."

The Plan outlines significant recommendations for the DOD, with initiatives designed to position the military at the forefront of AI innovation and implementation. The Plan recognizes that human capital is essential to the DOD's AI transformation, calling for the department to conduct a comprehensive talent assessment to identify specific skills needed to leverage AI at scale and implement targeted development programs to address these requirements. To foster the next generation of military AI expertise, the Plan will transform Senior Military Colleges into specialized hubs of AI research and development, integrating AI-specific curriculum across various academic majors.

For operational implementation, the DOD will establish an AI & Autonomous Systems Virtual Proving Ground, beginning with detailed scoping of technical requirements, geographic considerations, security



parameters and necessary resources. The DOD will also develop a streamlined process for identifying, classifying, evaluating and optimizing workflows suitable for AI automation, with successful automations to be permanently transitioned into regular operations.

Recognizing potential resource constraints during crises, the DOD will prioritize agreements with cloud service providers and computing infrastructure operators to guarantee priority access to computing resources during national emergencies. Throughout these initiatives, the DOD will continue refining its Responsible AI and Generative AI Frameworks, Roadmaps and Toolkits in collaboration with the National Institute of Standards and Technology and the Office of the Director of National Intelligence to ensure the military's AI development remains secure, ethical and aligned with national security objectives. More information is available in a [previous Holland & Knight alert](#).

## DIU Solicitation

As of this publication, the Defense Innovation Unit (DIU) has one new solicitation listed: [Joint Sustainment Decision Tool \(JSDT\)](#), which seeks an advanced logistics support tool that can generate realistic courses of action for commanders in dynamic, contested environments during large-scale combat operations. Current logistics information systems lack the speed, scale and intelligence required for multidomain conflicts where the Joint Logistics Enterprise must shift from reactive to predictive postures. The ideal solution will leverage AI to provide commanders with holistic understanding of the operational environment, identify risks and recommend adaptive solutions for sustainment operations. The solicitation emphasizes capabilities for munitions, bulk fuel, casualty movement, medical materiel and critical spare parts management. The DOD requires a solution that can comprehensively ingest disparate data sources, model the operational environment, enable conversational human-AI interaction, develop sustainment plans across different modalities and generate multiple viable courses of action with "what-if" analysis capabilities. Preference will be given to solutions already deployed on classified networks that can demonstrate capabilities with mission partners within the timeline.

## CONTACTS



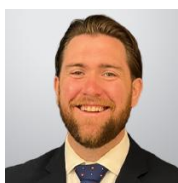
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