Holland & Knight

# Holland & Knight Defense Situation Report: November 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

**Appropriations Updates**

The 43-day lapse in federal appropriations, the longest in modern U.S. history, came to an end on Nov. 12, 2025, with President Donald Trump signing into law H.R.5371, the Continuing Appropriations, Agriculture, Legislative Branch, Military Construction and Veterans Affairs, and Extensions Act, 2026.

As the name suggests, the final legislative text, which was achieved in a bipartisan U.S. Senate compromise, contains two distinct funding mechanisms. First, the remainder of the federal government will continue operating under a short-term continuing resolution (CR), including the majority of the U.S. Department of War's (DOW) accounts, through Jan. 30, 2026. Second, three full fiscal year (FY) 2026 bills were included in the package: Agriculture, Military Construction & Veterans Affairs (MilConVA), and the Legislative Branch.

Notably, the full-year funding appropriations for MilConVA provisions allow physical infrastructure projects across installations to proceed. This is particularly significant for the shipbuilding industry, which has been championed as a White House and DOW priority.

In addition to FY 2026 MilConVA appropriations, H.R.5371 provides four exemptions for specific programs or initiatives of significance to allow funding to proceed despite standard restrictions on new starts or production rate increases under a CR:

- Sections 128 and 129 redirect nearly $400 million to the Air Force's E-7 Wedgetail program for continued rapid prototyping.
- Section 131 allows funding to be apportioned as necessary to fund completion of prior year shipbuilding programs, including the Carrier Replacement Program, Virginia Class Submarine Program, Destroyer Program, Landing Helicopter Assault (LHA) ship Replacement Program, Fleet Replacement Oiler Program and Expeditionary Sea Base Program.
- Section 132 authorizes the DOW secretary to use appropriated funds to reimburse the government of Palau for land acquisition costs related to defense sites in that country.
- Section 134 authorizes appropriations necessary to maintain current operations for the safe, secure transport of nuclear weapons.

Additionally, several key authorities and provisions were restored or extended, including:

- Section 113 provides the necessary legislative authorization for certain intelligence and defense agencies to spend, absent a standard authorization bill.

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- Section 130 extends the expiration of the Defense Production Act of 1950, a key authority allowing the president to direct private companies to take action in support of national defense, from Sep. 30, 2025, to Jan. 30, 2026.
- Section 145 extends the legal authority of the U.S. Department of Homeland Security (DHS) and U.S. Department of Justice to track, disable and destroy threatening unmanned aircraft over certain facilities through Jan. 30, 2026.
- Sections 148 and 149 extend the Federal Cybersecurity Enhancement Act of 2015 and Cybersecurity Information Sharing Act of 2015, respectively, through Jan. 30, 2026. Though primarily DHS authorities, their reauthorization remains significant for the cyber defense industry.

Lastly, as reported in the October 2025 *Holland & Knight Defense Situation Report*, while a majority of the $150 billion One Big Beautiful Bill Act (OBBB) allocations for the DOW have been committed to programs and reported to Congress in classified reports, there remains a significant amount of capital for the upcoming fiscal year, which the DOW may deploy to meet gaps that emerge between the CR funding levels, National Defense Authorization Act (NDAA) obligations and White House priorities.

Though H.R.4016, the Department of Defense Appropriations Act, 2026, was passed by the U.S. House of Representatives on Jul. 18, 2025, by a vote of 221-209, it has failed to garner the necessary votes to make it through the Senate. The House Appropriations bill, in its present form, is considered highly unlikely to reach the 60 votes necessary to invoke cloture and pass the Senate due to several riders within the bill aligning with social policy objectives.

House and Senate appropriators are considering possible avenues for passing additional funding bills before the CR expires on Jan. 30, 2026. It remains to be determined whether appropriators will include the defense bill in the next spending package or reserve it for later consideration. The remaining discrepancies between the House and Senate toplines, among other issues, have caused hesitation on legislative action. While member-level discussions have emerged to pair the defense appropriations bill with other bills on the floor, there is still uncertainty as to when the defense appropriations bill may pass.

**NDAA Updates**

Highlighted in the October 2025 *Holland & Knight Defense Situation Report*, on Oct. 9, 2025, the Senate passed S.2296 by a vote of 77-20. The House also passed H.R.3838, the Streamlining Procurement for Effective Execution and Delivery (SPEED) and National Defense Authorization Act for Fiscal Year 2026, on Sep. 10, 2025. After both chambers passed their versions of the FY 2026 NDAA, the House and Senate Committees on Armed Services (HASC and SASC, respectively) began an informal conference to negotiate discrepancies until a final version is agreed to and voted on by both chambers.

The biggest area of discrepancy between the two bills was the topline, where the House version authorized $892.6 billion, while the Senate version authorized $924.7 billion, creating a roughly $32 billion difference. Further, although both bills prioritize acquisition reform, they offer different solutions. The House's SPEED Act seeks to prioritize rapid prototyping and reduce unnecessary bureaucracy within the existing acquisitions framework. The Senate's Fostering Reform and Government Efficiency in Defense (FoRGED) Act principles underlying S.2296 represent different structural changes.

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Nonetheless, reports indicate that negotiations between the HASC and SASC are complete. The remaining hurdles prior to HASC and SASC leadership releasing their conferenced bill in early December pertains to policy issues not related to defense where other congressional committees have jurisdiction.

**U.S.-China Economic and Security Review Commission Annual Report**

On Nov. 18, 2025, the U.S.-China Economic and Security Review Commission released its Annual Report to Congress.

While containing a broad analysis of the state of economic and geopolitical competition between the U.S. and China, the commission offered several recommendations directly relevant to the Defense Industrial Base (DIB). These include:

- directing the Secretary of War to establish a Government-Owned, Contractor-Operated (GOCO) facility dedicated to high-rate production of unmanned aerial and maritime systems to match China's capability
- creating an interagency task force and DOW "Robotics and Automation Task Force" to rapidly prototype and deploy autonomous systems across military logistics and combat operations
- establishing a national goal to achieve quantum computing dominance by 2030.
- reducing reliance on Chinese bio-infrastructure through resourcing a new Bio-Measurement Laboratory at the National Institute of Standards and Technology
- controlling access to advanced chips by shifting from a "sale" model of high-end, artificial intelligence (AI)-capable products to a "rent" model, while establishing an intelligence unit within the Bureau of Industry and Security.

With the report now published, anticipate commission members being invited to testify before relevant committees on specific elements of their findings. Additionally, this report provides a road map for final treatment of China-relevant provisions within the FY 2026 NDAA and further into next year for consideration in the FY 2027 NDAA.

**House China Select Committee Releases Critical Minerals Report**

On Nov. 12, 2025, the House Select Committee on Strategic Competition between the United States and the Chinese Communist Party (CCP) released a report investigating how the CCP manipulates the critical minerals markets to benefit its geopolitical objectives.

In short, the Select Committee outlines a "Whole of Government" approach by the People's Republic of China (PRC) to control the market, beginning with state-sponsored acquisition subsidies upwards of $57 billion, surging or restricting usable output by control of 80 percent to 90 percent of the world's rare earth element refining capacity and, ultimately, obfuscating true market conditions through releasable data manipulation.

The investigation also revealed several specific findings, including:

- The PRC government subsidizes its state mining companies with tens of billions of dollars, including zero percent interest loans to support its global acquisition of mining assets.
- The PRC has established a legal framework governing mineral price reporting, giving Beijing the ability to raise and lower prices to favor its national security interests.

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- The PRC pushed down the price of critical minerals, including lithium – an important element used in everyday items.
- When prices were low, the PRC subsidized its firms to aggressively acquire mining assets and cement its control over the global supply chain.

To combat these practices, the committee provided 13 specific policy recommendations centering around financing and structural support, market mechanics and pricing, production and workforce improvements, and strategic foresight with U.S. allies and anticipated market demands.

**SASC Nomination Hearings**

On Nov. 4, 2025, SASC held a confirmation hearing for the following appointees:

- Austin Dahmer to be Assistant Secretary of Defense for Strategy, Plans, and Capabilities
- Robert Kadlec to be Assistant Secretary of Defense for Nuclear Deterrence, Chemical, and Biological Defense Policy and Programs
- Michael Borders to be Assistant Secretary of the Air Force for Energy, Installations, and Environment

Dr. Kadlec faced the most direct scrutiny of the hearing, following President Trump's Oct. 30, 2025, social media post directing "the Department of War to start testing our Nuclear Weapons on an equal basis" to other countries. Sen. Mark Kelly (D-Ariz.) protested, concluding that U.S. resumption of nuclear testing would only embolden U.S. adversaries' programs and accelerate their capabilities. In response, Dr. Kadlec affirmed that he would "commit to the understanding [of] what the Presidential direction is to the Department."

On Nov. 6, 2025, SASC held a confirmation hearing for the following appointees:

- Michael Payne to be Director of Cost Assessment and Program Evaluation, DOW
- Alexander Velez-Green to be Deputy Under Secretary of Defense for Policy
- Timothy Dill to be Assistant Secretary of Defense for Manpower and Reserve Affairs
- Maurice Todd to be Assistant Secretary of Defense for Readiness

The Office of the Undersecretary of Defense was at the center of discussion throughout the hearing after a U.S. Army brigade was removed from Romania in support of NATO, with members of both sides of the aisle questioning the decision. Additionally, SASC Chairman Roger Wicker (R-Miss.) laid out his philosophy of defense acquisition reform included in the aforementioned FoRGED Act, which would eliminate the Cost Assessment and Program Evaluation (CAPE) office for which Mr. Payne was nominated to lead. In response, Mr. Payne stated his first priority is "focusing CAPE on its defined mission of providing independent cost-estimating and program evaluation analyses."

**New Member Added to HASC**

Following Rep. Mikie Sherill's (D-N.J.) recent election victory to become governor of her state, Rep. Herb Conaway (D-N.J.) was recommended by the Democratic Steering and Policy Committee and approved by the Democratic caucus on Nov. 18, 2025, to fill her vacancy on the HASC.

Rep. Conaway, a first-term congressman and U.S. Air Force Medical Corps veteran, represents parts of Joint Base McGuire-Dix-Lakehurst, the DOW's only tri-service base and the second-largest employer

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in New Jersey. His appointment also represents a strong tradition for the Third Congressional District of New Jersey as Rep. Conaway's immediate predecessor, Sen. Andy Kim (D-N.J.), previously held a seat on the HASC, as did the three representatives before him.

## EXECUTIVE AND DEPARTMENTAL UPDATES

**Defense Acquisition Reform Strategy Released**

On Nov. 7, 2025, during remarks at the National War College on Fort Lesley J. McNair, DOW Secretary Pete Hegseth unveiled a memorandum and accompanying strategy on defense acquisition reform titled "Transforming the Warfighting Acquisition System." The memo – rooted in a directive from President Trump's Executive Order 14265, which was covered in a previous Holland & Knight alert – represents a fundamental shift in how the Pentagon intends to develop, procure and field new capabilities. The reform centers on a shift in acquisition philosophy whereby "speed to capability" is now the guiding principle of the DOW, and each element of the acquisition system is expected to demonstrate how it accelerates delivery to warfighters.

The memo outlines several core themes that will reshape the DOW acquisition landscape:

- speed and agility, moving from slower, traditional acquisition cycles to more rapid development, procurement and fielding
- risk acceptance, explicitly tolerating higher risk in order to get capabilities fielded faster
- commercial leverage, with greater use of commercial practices, rapid prototyping, modularity and incremental delivery
- strategic alignment, as procurement must be more tightly aligned with strategic threat realities, rather than only long-term programmatic planning
- department-wide accountability, offering clear, deadline-driven tasks for departments, increased oversight and metrics of progress

For a full review of the memo and strategy – including the structural and procedural changes, acquisition transformation strategy and impact on defense contractors – see Holland & Knight's previous alert, "War Secretary Announces Strategy Regarding Defense Acquisition Reform," Nov. 12, 2025.

**New Critical Technology Areas Identified for Research and Engineering**

On Nov. 17, 2025, Under Secretary of War for Research and Engineering (USW(R&E)) Emil Michael unveiled six Critical Technology Areas (CTAs) designed to address the most pressing challenges facing the modern battlefield. The six CTAs are Applied Artificial Intelligence (AAI), Biomanufacturing (BIO), Contested Logistics Technologies (LOG), Quantum and Battlefield Information Dominance (Q-BID), Scaled Directed Energy (SCADE) and Scaled Hypersonics (SHY). They were identified as tactical, operational and strategic imperatives across theaters. These CTAs will shape the department's strategic goals for the coming year as they work with industry to determine the most efficient and effective ways to support these lines of effort and progress technological advantages for warfighters.

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**Defense Innovation Unit (DIU) Open Solicitations**

There are two open solicitations with the DIU:

- Project Janus seeks to prototype microreactor power plants (MPP) capable of developing a suite of advanced nuclear power plant energy solutions to meet the needs of the DOW. Responses are due by Dec. 15, 2025.

- Barracks Resilience Through Industrialized Construction (BR-IC) seeks a transformative approach to military construction, one that leverages controlled factory environments to shift significant portions of work off-site. Responses were due by Nov. 25, 2025.

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