

Holland & Knight Defense Situation Report: April 2025

A roundup of defense policy news

Welcome back to Holland & Knight's 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

NDAA Update

Members of U.S. Congress have turned their attention toward the Fiscal Year (FY) 2026 National Defense Authorization Act (NDAA). The U.S. House of Representatives Committee on Armed Services (HASC) accepted requests from its members until March 7, 2025. As such, HASC members solicited requests from stakeholders who had an interest in the FY 2026 bill, having only a few weeks to submit requests to the committee before the internal deadline. U.S. Senate Committee on Armed Services (SASC) offices also have seen their deadlines pass.

The HASC and SASC are expected to mark up the FY 2026 NDAA in late spring or early summer, particularly now that the President's Budget Request (PBR) has been released (see below in Executive Branch Updates for more information). The two chambers will conference this summer, and a final NDAA bill text is expected to pass both chambers later this fall.

Appropriations Update

After months of negotiating, Congress averted a government shutdown by passing a year-long continuing resolution (CR) of FY 2024 funding through Sept. 30, 2025. For nearly all of the appropriations bills, it was a "clean CR," with levels nearly identical to those passed in the FY 2024 appropriations bills ([P.L. 118-42](#) and [P.L. 118-47](#)). However, appropriators prevented the FY 2024 earmarks from carrying forward into FY 2025, removing \$13 billion on the nondefense side and \$1.5 billion on the defense side in Military Construction accounts.

The defense section of the CR included adjusted totals for each account-level appropriation (Research Development Test and Education, Defense-Wide, Procurement, etc.). In some cases, the account-level appropriations were higher than the FY 2025 PBR.

Under Section 1421, an additional \$8 billion was noted in a flexible fund, which can be transferred across accounts, for "U.S. military operations, force protection, and deterrence" led by the commanders of U.S. Central Command and U.S. European Command. Not coincidentally, \$8 billion is the same amount the defense cap was to increase under the Fiscal Responsibility Act in FY 2025. The U.S. Department of Defense's (DOD) general transfer authority was also adjusted from \$6 billion to \$8 billion. Section 1409 included a new starts authority for defense projects, so long as such projects were included in either draft of the House or Senate FY 2025 appropriations bills, which is atypical for a CR. Finally, Section 1422 orders that, within 45 days of enactment of the bill, all departments and major agencies are to submit an expenditure plan. For DOD, this expenditure plan must closely adhere to the FY 2025 House and Senate bills, and the DOD must consult the House and Senate Committees on Appropriations Defense Subcommittees (HAC-D, SAC-D) when writing the plan.

In relation to consultation with Appropriations Defense Subcommittees, on March 17, 2025, the HAC-D and SAC-D chairs – Rep. Ken Calvert (R-Calif.) and Sen. Mitch McConnell (R-Ky.), respectively – sent a letter and "project level adjustment tables that indicate congressional intent for programs, projects, and activities." The chairs noted that this "serves as the first step in consultation" with the DOD.

These tables do not have the force of law, as they were not a part of the actual bill. Despite the lack of legal force, the tables highlight congressional priorities and ultimately allow the DOD flexibility in reallocating funds to its priority programs if it chooses not to implement the proposed funding.

Reconciliation Update

At the same time that Congress will be working on the FY 2026 NDAA and annual defense appropriations bills, Congress will also be working on a reconciliation bill. Under the reconciliation process, which is a special legislative tool that allows major changes in budget policy with only the majority party's votes in favor, Republicans would like to pass up to \$150 billion in additional defense spending. On April 10, 2025, the House adopted the Senate's framework of the budget by a vote of 216-214, clearing the way for drafting the final legislative product over the coming months.

The [HASC reconciliation bill](#) was released on April 27, 2025, with a [joint statement](#) from SASC Chair Roger Wicker (R-Miss.) and HASC Chair Mike Rogers (R-Ala.) two days before the HASC was set to mark up the defense portion of the reconciliation bill.

Going into markup, the bill contained 11 primary funding objectives ranging from the defense industrial base to border security. Section 20002 provides the largest mandatory funding in the bill, with \$33.7 billion allocated to improve capacity across the maritime industrial base, including the construction of new battle force ships and development of autonomous unmanned surface and subsurface vessels. Section 20003 provides \$24.7 billion in mandatory funding for integrated air and missile defense. Sections 20004 and 20005 provide \$20.4 billion in mandatory funding for munitions and supply chain resiliency and \$13.5 billion for scaling low-cost weapons into production. Also included in the bill are mandatory funding provisions for cybersecurity, air superiority, nuclear forces, operations under U.S. Indo-Pacific Command, DOD readiness, DOD border mission support, military intelligence programs, oversight and various military construction projects.

The bill was approved by a bipartisan vote of 35-21, with Reps. Donald Davis (D-N.C.), Jared Golden (D-Maine), George Whitesides (D-Calif.), Gabe Vasquez (D-N.M.) and Eugene Vindman (D-Va.) joining all Republicans to send the bill on to the House Committee on the Budget. From there, the Budget Committee will act as a compiler for the HASC bill with all other relevant House committee resolutions for inclusion into one omnibus reconciliation bill. The House Committee on Rules will then decide how the omnibus reconciliation bill will be debated on the House floor and which, if any, amendments will be allowed.

HASC, SASC and Defense Appropriations Hearings

The past month has been busy with HASC and SASC beginning annual posture hearings with senior members of the DOD and the services to allow the executive branch an opportunity to discuss the programs under their purview. Members of Congress also have the chance to dive deeper into various funding lines. The hearings offer insight into the readiness, challenges and priorities of senior military officials and DOD personnel of their respective commands and services. After these posture hearings,

the HASC and SASC will write their annual NDAA legislation, and the House and Senate Appropriations Committees' Subcommittees on Defense will also author their bills.

SASC Hearing on Nominee for U.S. Defense Industrial Base Policy

On April 29, 2025, Michael P. Cadenazzi Jr. appeared before the SASC to testify as the nominee for Assistant Secretary of Defense for Industrial Policy. In his opening remarks, Cadenazzi expressed that the U.S. Defense Industrial Base (DIB) "faces constraints in crucial and exquisite capabilities, delivered in uncomfortably limited quantities over long timelines, while experiencing delivery delays and increasing costs. There are simply not enough weapons or platforms. And our readiness is inadequate."

Cadenazzi highlighted three core principles to meet the aforementioned challenges: prioritizing urgent defense needs while preparing for the future, increasing productivity across the U.S. DIB, and accelerating and expanding production. If reported favorably and confirmed, Cadenazzi will be the second official to hold this recently created Senate-confirmed position.

While his hearing was generally nonpartisan, the issue of tariffs became a particular point of contention. When questioned on the impact of tariffs across the DIB, Cadenazzi responded to Sen. Jeanne Shaheen (D-N.H.) that tariff impacts are "likely wide and varied. There's probably pockets where they're benefiting from it and other pockets where you're highlighting one of the challenges."

EXECUTIVE AND DEPARTMENTAL UPDATES

President Trump Releases Fiscal Year 2026 "Skinny" Budget Proposal

On May 2, 2025, President Donald Trump and his administration sent the [Discretionary Funding](#) request for FY 2026 to Congress. In addition to the budgetary items themselves, the White House published a [Discretionary Funding: Overview](#) and several fact sheets highlighting various thematic elements of the administration's agenda within the request. With this initial planning guidance now in hand, both House and Senate Appropriations Committees can continue progress on writing the FY 2026 NDAA while awaiting publication of the full PBR and DOD justification books in the coming weeks.

The topline funding request for DOD totals \$1.01 trillion for FY 2026, which would be an increase of 13 percent compared to FY 2025 spending. However, according to the Discretionary Funding tables, the DOD request is for \$892.6 billion plus \$119.3 billion, which would be added to the overall FY 2026 funding should congressional Republicans pass a reconciliation bill. The FY 2026 DOD request of \$892.6 billion is the same amount that Congress passed in the FY 2025 appropriations package. Reaction from congressional leaders on this budget request has been unenthusiastic, especially after rumors swirled that President Trump would request a trillion-dollar defense budget that would not include extra funding provided under reconciliation, as well as the fact that this budget request reflects the same number passed under the last year of former President Joe Biden's presidency. In a statement, SASC Chair Wicker said that the administration "is not requesting a trillion-dollar budget. It is requesting a budget of \$892.6 billion, which is a cut in real terms." HASC Chair Rogers also said in a [statement](#) that he is "very concerned the requested base budget does not reflect a realistic path to building the military capability we need to achieve." SAC-D Chair McConnell said in a [statement](#), "Make no mistake: a one-time influx reconciliation spending is not a substitute for full-year appropriations. It's a supplement. ... The correct response to the most dangerous threats to U.S.

interests in decades is not a fifth straight budget request that proposes a real-dollar cut to the U.S. military."

Secretary Hegseth Directs Army Transformation and Acquisition Reform

In a [memorandum](#) for senior Pentagon leadership, signed April 30, 2025, Defense Secretary Pete Hegseth directed the U.S. Secretary of the Army to implement a comprehensive transformation strategy. Explicitly defined pillars of this directed transformation include streamlining force structure, eliminating wasteful spending, reforming the acquisition process, modernizing inefficient defense contracts and offloading outdated equipment.

While individual timelines are not given in the memorandum for each of the wide-ranging transformation initiatives, several technological advancements are explicitly ordered between the end of 2026 and 2028. Other items have been previously outlined as priorities for both Secretary Hegseth and President Trump. For instance, the Army was directed to "modernize the organic industrial base to generate ammunition stockpiles" – an effort widely discussed at Cadenazzi's [nomination hearing](#) – and explicitly addressed in an [executive order](#) (EO) from the president.

While some objectives in the memo serve to provide direction for broader initiatives such as the directive to "optimize force structure to achieve maximum readiness," other objectives are remarkably specific, such as the orders to merge the Army Futures Command and the Training and Doctrine Command into one command.

Following the release of Secretary Hegseth's memo, the Secretary of the Army and Chief of Staff of the Army sent a joint [Letter to the Force](#) on May 1, 2025, announcing the Army Transformation Initiative to meet Secretary Hegseth's intent.

DOD Announces Software Fast Track Initiative

On April 24, 2025, Katie Arrington, performing the duties of the DOD chief information officer (CIO), [signed a memo](#) titled "Accelerating Secure Software," which establishes the Software Fast Track (SWFT) Initiative for the DOD. This effort is aligned with Secretary Hegseth's guidance (Directing Modern Software Acquisition to Maximize Lethality, March 6, 2025) and will reform the way the DOD acquires, tests and authorizes secure software.

The memo notes that current systems for software procurement were developed for a different environment and using processes that are outdated and slow, with little to no supply chain visibility. This new guidance directs the Office of the CIO (OCIO) to work with the Under Secretaries of Acquisition and Sustainment, Research and Engineering, and Intelligence and Security to address these critical areas.

This action directs the OCIO to undertake a 90-day sprint to develop a framework and implementation plan to define clear, specific 1) cybersecurity and SCRM requirements, 2) rigorous software security verification processes, 3) secure information sharing mechanisms and 4) federal government-led risk determinations to expedite the cybersecurity authorizations for secure, rapid software adoption.

On May 5, 2025, the DOD announced three requests for information (RFIs) to gather market information and capabilities in accelerating secure software delivery to the federal government. This is

an important step forward in transforming how the U.S. government verifies software security and informs risk-based decisions when introducing new capabilities to the DOD.

The three RFIs are for 1) [Software Fast Track \(SWFT\) Tools](#), 2) [SWFT External Assessment Methodologies](#) and 3) [SWFT Automation & Artificial Intelligence](#).

Executive Orders on Acquisition Reform

At the end of the 118th Congress, SASC Chair Wicker introduced the Fostering Reform and Government Efficiency (FORGED) ACT. While the bill itself is now defunct and awaiting reintroduction, it likely represents the blueprint Wicker intends to use in the FY 2026 NDAA for defense acquisition modernization, particularly by means of commercial solutions and rapid acquisition authorities. Further action has come from the president through several EOs with parallel policy objectives.

"[Modernizing Defense Acquisitions and Spurring Innovation in the Defense Industrial Base](#)," signed April 9, 2025, directs the defense secretary, within 60 days, to provide a plan for accomplishing this goal by giving a "first preference" for acquisition of commercial solutions and a "general preference" for use of Other Transaction Authority (OTA), as well as Rapid Capabilities Office policies and the Adaptive Acquisition Framework pathways. (See Holland & Knight's previous alert, "[New Executive Orders Seek to Improve Acquisition in the Defense Industrial Base](#)," April 11, 2025.)

The next week, President Trump signed two additional EOs aimed at acquisition reform.

"[Restoring Common Sense to Federal Procurement](#)," signed on April 15, 2025, directs that the Federal Acquisition Regulation (FAR) be reduced to only those provisions required by statute or which are otherwise necessary for certain limited purposes. The EO goes on to define those limited purposes as those "that are otherwise necessary to support simplicity and usability, strengthen the efficacy of the procurement system, or protect economic or national security interests."

"[Ensuring Commercial and Cost-Effective Solutions in Government Contracts](#)," signed on April 16, 2025, directs a strong preference for agencies to utilize commercial products and services. Explicitly, agencies are to conduct a comprehensive review over the next 60 days of all open solicitations, pre-solicitation notices, award notices and sole-source notices. For any acquisitions of noncommercial products or services, contracting officers must obtain approval for purchase from the "agency's approval authority," defined as a senior procurement executive designated pursuant to 41 U.S.C. 1702(c). Agency approval authorities will then determine if the market research and price analysis justify the procurement of noncommercial products or services, or if the solicitation of commercial products or services would be sufficient to serve the agency's needs.

For more information about these EOs, see Holland & Knight's previous alert, "[Executive Orders Issued to Overhaul FAR, Direct Procurement of Commercial Products and Services](#)," April 18, 2025.

President Trump Addresses Foreign Military Sales

On April 9, 2025, President Trump signed an EO, "[Reforming Foreign Defense Sales to Improve Speed and Accountability](#)." This reform is geared toward establishing a "rapid and transparent" foreign defense sales system in order to enable "effective defense cooperation" with U.S. allies. This goal entails a suite of policy changes, including ensuring "predictable and reliable delivery" of American products; consolidating parallel decision-making on providing military capabilities; reducing rules and regulations

for the development, execution and monitoring of foreign defense sales; collaborating with industry for cost and schedule efficiencies in Foreign Military Sales (FMS); and achieving greater U.S. competitiveness, a revitalized DIB and lower unit costs. (See Holland & Knight's previous alert, "[New Executive Orders Seek to Improve Acquisition in the Defense Industrial Base](#)," April 11, 2025.)

President Trump Calls For Maritime Dominance in Executive Order

In an April 9, 2025, EO, "[Restoring America's Maritime Dominance](#)," President Trump reinforced many of the priorities surrounding maritime challenges that were highlighted in a March 4, 2025, joint address to Congress, as well as the principles laid out in the bipartisan [Shipbuilding and Harbor Infrastructure for Prosperity and Security for America Act \(SHIPS ACT\)](#).

President Trump has tasked the national security advisor within 210 days of the EO's signature to coordinate across agencies and submit a Maritime Action Plan (MAP). The MAP will provide a strategy with specific actions to restore and create sustained resiliency for the American maritime industry. Key anticipated initiatives include revitalizing the U.S. Merchant Marine Academy, incentivizing domestic shipbuilding, enhancing infrastructure and capacity, growing demand for U.S. shipping, investing in maritime technology, enhancing workforce development and strengthening maritime security.

For a full review of this EO, see Holland & Knight's previous alert, "[New Executive Order Signals Trump Administration Investment in U.S. Maritime Sector](#)," April 11, 2025.

Defense Nominees

Since his election win, President Trump has nominated a number of people to his cabinet and senior DOD leadership roles. Those pending are:

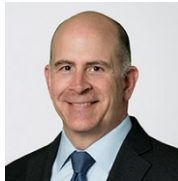
- Keith Bass to be Assistant Secretary of Defense for Health Affairs
- Michael Cadenazzi Jr. to be Assistant Secretary of Defense for Industrial Base Policy
- Michael Duffey to be Undersecretary of Defense for Acquisition and Sustainment
- Bradley Hansell to be Undersecretary of Defense for Intelligence and Security
- Dr. Tory Meink to be Secretary of the Air Force
- Matthew Lohmeier to be Undersecretary of the Air Force
- Earl Matthews to be General Counsel for the Department of Defense
- Dale Marks to be Assistant Secretary of Defense for Energy, Installations and Environment
- Emil Michael to be Undersecretary of Defense for Research and Engineering
- Justin Overbaugh to be Deputy Undersecretary of Defense for Intelligence and Security
- Vice Admiral Scott Pappano to be Principal Deputy Administrator of the National Nuclear Security Administration
- Former Rep. Brandon Williams to be Undersecretary of Energy for Nuclear Security
- Daniel Zimmerman to be Assistant Secretary of Defense for International Security Affairs
- Hung Cao to be Undersecretary of the Navy
- Katherine Sutton to be Assistant Secretary of Defense for Cyber Policy
- Anthony Tata to be Undersecretary of Defense for Personnel and Readiness
- Sean O'Keefe to be Deputy Undersecretary of Defense for Personnel and Readiness
- Michael Obadal to be Undersecretary of the Army

Additionally, President Trump announced that Mike Waltz will step down as national security advisor and nominated him to serve as the United Nations (UN) Ambassador. Secretary of State Marco Rubio will take over Waltz's NSA duties in the interim, and it is unclear at this time who will be tapped to take Waltz's place as President Trump's national security advisor.

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