

Holland & Knight Defense Situation Report: October 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

In October 2025, the Pentagon sent a partial spend plan for reconciliation funds to the U.S. Congress, covering \$90 billion of the \$150 billion dedicated to the U.S. Department of War (DOW) under the One Big Beautiful Bill Act (OBBB). Originally covered in the [July 2025 Holland & Knight Defense Situation Report](#) and updated in [September's report](#), the request for this spend plan originated in a July 22, 2025, letter from Rep. Mike Rogers (R-Ala.) and Sen. Roger Wicker (R-Miss.), chairs of the U.S. House of Representatives Committee on Armed Services (HASC) and U.S. Senate Committee on Armed Services (SASC), respectively, to DOW Secretary Pete Hegseth. Though funding tables indicating congressional intent of OBBB funding accompanied the spend plan request from HASC and SASC, the purpose of the spend plan is to provide Congress with fidelity on remaining funding gaps as to how the DOW will use the reconciliation dollars. In addition, the House and Senate versions of the National Defense Authorization Act (NDAA) and annual defense appropriations bills may be influenced by OBBB allocations.

Though reporting indicated this first tranche of funding data does not represent the entire OBBB defense funding, the document that the DOW sent was classified upon submission to Congress. As such, the program-level data shared with Congress is not publicly available, nor has a release date been set for subsequent tranches addressing the remaining funds.

NDAA Updates

On Oct. 09, 2025, the Senate passed [S.2296](#), its version of the fiscal year (FY) 2026 NDAA, by a vote of 77-20. Amidst the lapse of government funding, which is covered below, passage quickly came together after pressure from members across both sides of the aisle, particularly SASC Chair Wicker and Ranking Member Jack Reed (D-R.I.). Despite previous speculation that the Senate would not pass its own version of the NDAA and conference against the House-passed NDAA – which was done last year – the two chambers will negotiate key changes in conference.

Included in the Senate passage was an en bloc "manager's package" of 48 noncontroversial amendments, which were accepted for inclusion in the bill by voice vote. Noteworthy items within the manager's package include the [BIOSECURE Act \(S.Amdt.3841\)](#), which prohibits federal agencies from contracting with "biotechnical companies of concern," as well as [S.Amdt.3928](#), which requires the DOW secretary to establish a pilot program for microreactors on military installations. An additional seven amendments were accepted for inclusion, voted on individually, and nine amendments were rejected and not accepted for inclusion into the NDAA.

After Senate passage of the FY 2026 NDAA, HASC and SASC began an informal conference. The two committees will negotiate discrepancies until a final version is agreed to and voted on by both chambers. It is anticipated that a final NDAA will be filed toward the end of November 2025, with a final vote on passage by both chambers at some point during December 2025, in accordance with recent years.

Appropriations and Shutdown Updates

As previously reported in the [September 2025 Holland & Knight Defense Situation Report](#), FY 2025 government funding expired on Sept. 30, 2025, triggering the current government shutdown, which is now the longest lapse in government funding in modern U.S. history.

On Sept. 19, 2025, the House passed a [short-term continuing resolution \(CR\)](#) that would fund the government until Nov. 21, 2025. Though not initially the plan, the House has been out of session since then, conducting business on a pro forma basis only. After multiple rounds of voting to pass the CR, the Senate has failed to garner support to pass the 60-vote threshold, with only three Democratic senators joining all 53 Republican senators.

Because of the lapse in government funding, federal employees – including civilian employees at the DOW – have been furloughed until Congress restores funding. However, ahead of the first paycheck for active duty servicemembers, President Donald Trump announced that he would take \$5.3 billion in DOW research and development (R&D) funding to pay U.S. servicemembers. However, the sum was enough to cover only the paychecks dated Oct. 15, 2025. Recent news reported that the DOW intends to take approximately \$1.4 billion from the U.S. Navy's shipbuilding accounts and another \$1 billion from R&D accounts that had unobligated prior-year funding left to pay troops on Oct. 31, 2025.

Amidst the government shutdown, multiple members of Congress have introduced legislation to pay federal employees, including a bill to pay air traffic controllers and active duty military members. In addition, Rep. Jen Kiggans (R-Va.) introduced [Pay Our Troops Act of 2026 \(H.R.5401\)](#), which would pay civilian DOW employees who have not been paid.

For daily updates on the current lapse in government funding, including analyses on both parties' political calculations, key dates, ramifications and next steps, see the *Holland & Knight Eyes on Washington Shutdown Briefings* on [Holland & Knight's Eyes on Washington Blog](#).

In an individual vote on Oct. 17, 2025, the Senate Defense Appropriations bill failed to achieve the 60 votes necessary for floor passage, with a final tally of 50-44. However, reports have indicated that members of Congress are negotiating a package of appropriations bills to help fund at least some federal government agencies, which includes the Defense Appropriations bill.

Several Key Government Programs and Authorities Lapse

As previewed in last month's report, the Small Business Innovation Research (SBIR) and Small Business Technology Transfer (STTR) program authorizations expired on Sept. 30, 2025. With the DOW comprising more than half of the award dollars and contracts across the SBIR and STTR's combined \$4.6 billion portfolio, this lapse in authorization is significant for the defense industrial base and small defense contractors.

Amid the lapse, Pentagon officials have clarified that current contracts under those programs "remain valid unless otherwise directed," while new solicitations are paused and pending awards will proceed only if FY 2025 funding is available. Beyond funding opportunities, several key defense authorities lapsed with the government shutdown on Oct. 1, 2025, including drone takedown authorities granted to the U.S. Department of Justice (DOJ) and U.S. Department of Homeland Security (DHS). In response, on Oct. 22, 2025, Sens. Joni Ernst (R-Iowa) and Gary Peters (D-Mich.) introduced the [Counter-UAS Authority Extension Act \(S.3032\)](#) as a pure extension of the prior authorization from Sept. 30, 2025, to Sept. 30, 2028. The bill has not been put to a vote.

SASC Nomination Hearings

On Oct. 7, 2025, SASC [held a confirmation hearing](#) for the following appointees:

- John Noh to be Assistant Secretary of War for Indo-Pacific Security Affairs
- Charles L. Young III to be General Counsel of the U.S. Department of the Army
- William K. Lane III to be General Counsel of the U.S. Department of the Air Force
- David E. Beck to be Deputy Administrator for Defense Programs, National Nuclear Security Administration

Though much questioning from committee members was directed to Mr. Young regarding presidential authority for kinetic action against narcotics traffickers, Mr. Noh and Mr. Beck faced scrutiny on the U.S. posture in the Indo-Pacific and nuclear modernization priorities, respectively. Having expressed in his opening statement, "I know that America First does not mean America alone," when asked specifically about the recent review of the Australia, United Kingdom and United States (AUKUS) trilateral security pact, Mr. Noh indicated concern about the U.S.' ability to meet submarine production timelines, but he affirmed his belief in the importance of the framework. Mr. Beck, when asked about nuclear modernization challenges, offered, "The system we've devised for acquisition and oversight strategy has created an unaffordable schedule and cost environment."

On Oct. 9, 2025, SASC [held a confirmation hearing](#) for Air Force General Kenneth S. Wilsbach to be Chief of Staff of the Air Force. Four major areas of discussion arose throughout the hearing. Most frequently addressed by SASC members was the aircraft readiness crisis that the Air Force is experiencing. General Wilsbach identified parts shortages and pilot retention as driving significant detriments to readiness. Regarding modernization, General Wilsbach acknowledged the balance necessary in a "divest-to-invest" approach to minimize capability gaps as new platforms are fielded and trained up. Third, regarding strategic competition, General Wilsbach affirmed that China remains the pacing threat to US security from his perspective. Lastly, General Wilsbach fielded questions pertaining to presidential authority for domestic deployment of active duty airmen, as well as meritocracy in the Air Force.

On Oct. 28, 2025, SASC [held a confirmation hearing](#) for the following appointees:

- Marc J. Berkowitz to be Assistant Secretary of War for Space Policy
- Dr. Joseph S. Jewell to be Assistant Secretary of War for Science and Technology
- James R. Caggy to be Assistant Secretary of War for Mission Capabilities
- Brendan P. Rogers to be Assistant Secretary of the Navy for Energy, Installations and Environment

Mr. Berkowitz testified on the challenges and requirements of the Golden Dome system, and Dr. Jewell and Mr. Caggy both spoke about the need to accelerate acquisition processes. Ranking Member Reed highlighted the creation of the Assistant Secretary for Mission Capabilities position, describing it as "a new and consequential role created to better integrate technology, concepts and systems." Mr. Rogers fielded concerns on an array of issues, including military housing, shipyard modernization, the DOW's plant replacement requirement and environmental issues.

On Oct. 30, 2025, SASC [held a confirmation hearing](#) for Navy Vice Admiral Richard A. Correll to be Commander of the U.S. Strategic Command. The hearing was strongly overshadowed by President Trump's [social media post](#) the night prior, announcing, "Because of other countries' testing programs, I have instructed the Department of War to start testing our Nuclear Weapons on an equal basis." Aside from fielding questions on this matter, Vice Admiral Correll spoke on nuclear modernization challenges for programs including the Sentinel ICBM, B-21 Bomber, Columbia-class submarine, and Nuclear Command, Control and Communication (NC3) systems.

EXECUTIVE AND DEPARTMENTAL UPDATES

New DOW Directive on Congressional Communications Policy

On Oct. 15, 2025, DOW Secretary Hegseth and Deputy Secretary of War Steve Feinberg published a memo outlining new expectations for communications between DOW officials and Congress.

The reforms include a mandate that Pentagon officials work through their service's Legislative Affairs Office to get prior approval before communication with Congress or state legislators. Additionally, all Congressional engagements are now coordinated through the Office of the Assistant Secretary of War for Legislative Affairs, whereas previously each service and agency managed its own engagements. The scope of the rule encompasses a wide array of interactions, from requests for information to technical consultation.

An Oct. 17, 2025, follow-on memo established a working group to better define the standards for implementation. Additionally, a 90-day review was ordered to identify "issues, inefficiencies or misalignments" in interactions with Congress.

Australian, Malaysian, Thai Critical Mineral Deals Signed

On Oct. 20, 2025, President Trump and Australian Prime Minister Anthony Albanese [signed a multifaceted defense and economic deal](#). Per the White House statement, the U.S. and Australian governments intend to invest more than \$3 billion together in critical mineral projects in the next six months, with recoverable resources in the projects estimated to be worth \$53 billion. Additionally, the Export-Import Bank of the United States is issuing seven Letters of Interest for more than \$2.2 billion in financing, unlocking up to \$5 billion of total investment. Finally, the DOW will invest in the construction of a 100-metric-ton-per-year advanced gallium refinery in Western Australia, further advancing self-reliance in critical minerals processing.

Additionally, Australia agreed to purchase \$1.2 billion in unmanned underwater vehicles and take delivery of the first tranche of Apache helicopters in a separate \$2.6 billion deal. Looking forward, the U.S. and Australia agreed to build a bilateral Technology Prosperity Deal to establish joint initiatives to cooperate and invest in artificial intelligence (AI), quantum and other critical technologies. This is in

addition to securing munitions supply chain resilience under Australia's Guided Weapons and Explosive Ordnance (GWEO) enterprise and building on streamlined export cooperation.

On Oct. 26, 2025, President Trump and Malaysian Prime Minister Anwar Ibrahim signed a memorandum of understanding to strengthen governance of the critical minerals sector and deepen ties between the two countries. Specifically, Malaysia agreed not to impose quotas on exports of critical minerals to the U.S. as part of its agreement. Later, President Trump and Thailand Prime Minister Anutin Charnvirakul signed a memorandum of understanding that will secure and diversify critical minerals supplies, promote partnerships between U.S. and Thai companies and increase global supply chain resilience.

NATO Increasing Funding for Ukraine Weapons Purchases

On Oct. 15, 2025, NATO defense ministers met in Brussels to discuss the security posture across Europe. One of the topic's most critical items for discussion was the Prioritized Ukraine Requirements List (PURL) program. Under PURL, NATO funds weapons purchases for Ukraine from U.S. defense manufacturers. In anticipation of the meeting, Matthew Whitaker, the U.S. ambassador to NATO, told reporters on a conference call, "Right now we're just expecting our European allies to continue to buy."

Subsequently, on Oct. 23, 2025, it was announced that Spain and Finland had officially joined the PURL program, with Finland alone pledging \$100 million. Senior Ukrainian officials remain engaged with NATO representatives to secure additional funds, which Ambassador Whitaker estimates the program could be worth \$12 billion to \$15 billion in 2026. These announcements come on the back of NATO countries agreeing to increase their nations' core defense spending by five percent of gross domestic product by 2035 – seen as a major win for the defense industry in NATO member states.

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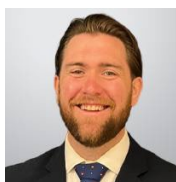
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