

December 19, 2025

PRACTICAL IMPLICATIONS OF THE FY26 NDAA AND DEFENSE APPROPRIATIONS

Strategic Reorientation of the national defense enterprise

The FY26 NDAA, signed December 18, 2025, authorizes \$900.6B for national defense and sets the policy framework under which the Department of War and industry will operate once appropriations are enacted, signaling continued emphasis on speed, portfolio execution, and commercial solutions without eliminating cost, test, or oversight discipline.

Fiscal Architecture and Strategic Priorities

The Act authorizes \$855.7B for base Department of War programs and \$34.3B for DOE national security activities, reinforcing demand in Indo-Pacific deterrence, missile defense, munitions, and advanced RDT&E—but does not itself enable obligation or expenditure.

Acquisition Reform and Portfolio Orientation

The NDAA advances “warfighting acquisition” reforms by pushing execution toward portfolio-level management aligned to major capability areas, requiring industry engagement to emphasize mission contribution and interoperability, not single-program optimization.

Requirements and Decision Tempo

Requirements and assessment processes are further compressed—especially for commercial or non-developmental solutions—placing greater pressure on contractors to demonstrate maturity, integration readiness, and production realism earlier.

Lowering Barriers for Commercial and Non-Traditional Firms

Raised Cost Accounting Standards (CAS) and certified cost data thresholds, a reinforced commercial-first presumption, and expanded CSO pathways reduce regulatory friction for mid-tier awards, while still demanding credible scale, security, and sustainment plans.

Industrial Base and Supply Chain Focus

Expanded use of multiyear procurement, domestic capacity measures, and tighter covered-nation sourcing restrictions elevate throughput, resilience, and supply-chain transparency to first-order evaluation criteria alongside innovation.

Small Business Note: The FY26 NDAA did not reauthorize SBIR, meaning continuation of the program remains dependent on separate legislative action outside the defense authorization.

Defense Appropriations Status as of December 19 (FY26)

Defense appropriations remain unresolved, with current government funding set to expire on January 30, 2026. Senate Republicans have lifted remaining holds on a five-bill appropriations minibuss that includes Defense, removing a procedural obstacle. However, Democratic support and amendment agreements are still under discussion, and packaging the bills requires unanimous consent.

A key indicator to watch is whether the Senate schedules and successfully completes a procedural vote in early January to tee up floor consideration. Failure to move procedurally in January would materially increase the risk of either another shutdown scenario or an extended, potentially full-year continuing resolution.

Industry implications:

- New starts, production ramps, and quantity increases remain constrained until full-year appropriations are enacted.
- Contract awards, options, and modifications may be delayed or phased.
- The Department of War can continue planning, portfolio alignment, and pre-award activity under NDAA authority, but execution at scale remains dependent on appropriations resolution.

Signal to Watch: Whether the Senate schedules and advances a procedural vote on the FY26 Defense minibuss in early January (movement would signal a path to full-year funding; failure to act materially increases the risk of a shutdown or extended CR).

BOTTOM LINE

The FY26 NDAA clearly orients the Department of War toward faster acquisition, portfolio execution, and broader commercial participation, but near-term outcomes will be governed as much by appropriations timing as by authorization language—requiring industry to align now while planning for continued funding uncertainty into early 2026.