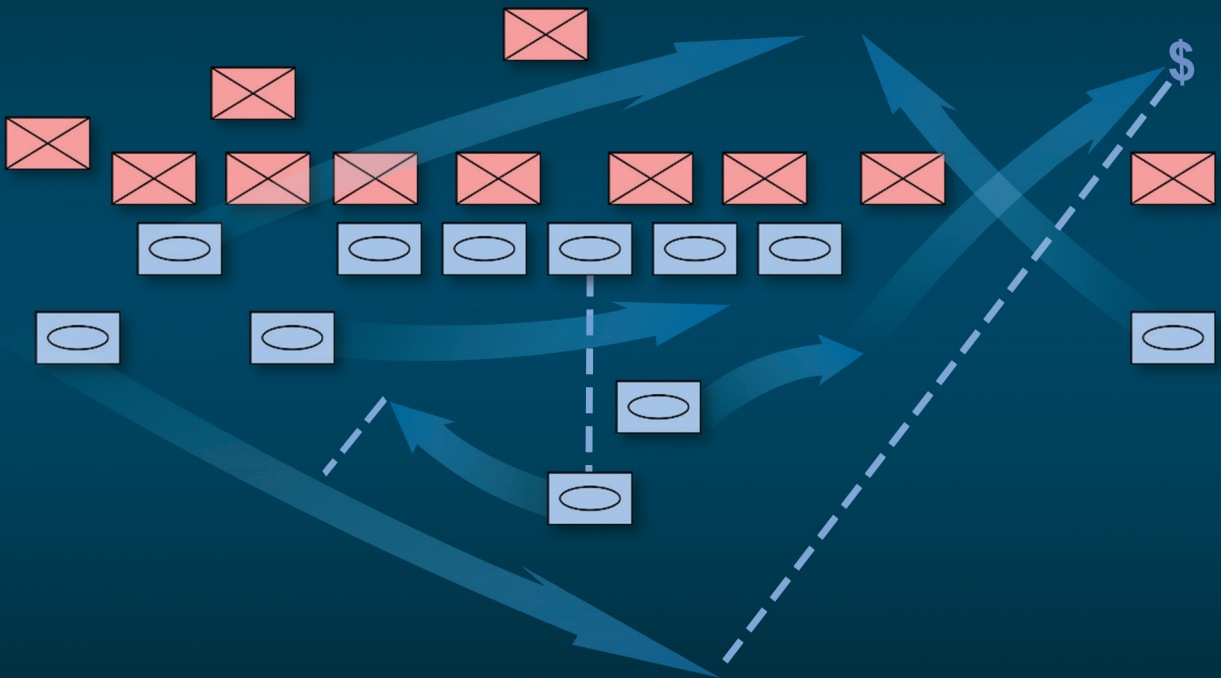




Center for Strategic and Budgetary Assessments

RELOOK PLAYBOOK

DEFENSE BUDGETING INSIGHTS
FROM A CSBA REBALANCING EXERCISE



TRAVIS SHARP

CASEY NICASTRO

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2025

ABOUT THE CENTER FOR STRATEGIC AND BUDGETARY ASSESSMENTS (CSBA)

The Center for Strategic and Budgetary Assessments is an independent, nonpartisan policy research institute established to promote innovative thinking and debate about national security strategy and investment options. CSBA's analysis focuses on key questions related to existing and emerging threats to U.S. national security, and its goal is to enable policymakers to make informed decisions on matters of strategy, security policy, and resource allocation.

ABOUT THE AUTHORS

Travis Sharp is a Senior Fellow at the Center for Strategic and Budgetary Assessments. He directs the defense budget studies program and works to inform policymakers, senior leaders, and the public about issues related to resourcing national security. He also serves as a lieutenant commander in the U.S. Navy Reserve and is a lecturer at The John Hopkins University's Paul H. Nitze School of Advanced International Studies. In 2023–2024, he served as a staff member on the National Defense Strategy Commission, a congressionally mandated bipartisan review group. He has held positions with academic and policy organizations, including George Washington University's Institute for Security and Conflict Studies, the Office of the Secretary of Defense, and the Center for a New American Security. His research has appeared in the *Journal of Strategic Studies*, *Policy Sciences*, *Defense and Peace Economics*, *Journal of Defense Modeling and Simulation*, *International Affairs*, and other outlets.

Casey Nicastro is an Analyst at the Center for Strategic and Budgetary Assessments. His work focuses on the defense budget, future warfare, and great power competition. He also manages CSBA's Strategic Choices Tool. Prior to becoming an analyst at CSBA, he served as an intern, working on issues related to U.S. and allied defense spending and force structure. Mr. Nicastro has a BA in political science from Villanova University and an MA in international relations from the Johns Hopkins School of Advanced International Studies (SAIS), where he focused on strategic and security studies with a regional concentration on Europe and Eurasia.

Evan Braden Montgomery is a Senior Fellow and the Director of Research and Studies at the Center for Strategic and Budgetary Assessments. Dr. Montgomery is the author of numerous CSBA reports, most recently *Speeding Toward Instability? Hypersonic Weapons and the Risks of Nuclear Use* (with Toshi Yoshihara). His commentary and analysis have also appeared in *The Wall Street Journal*, *Foreign Affairs*, *War on the Rocks*, *The Washington Quarterly*, *International Security*, *Security Studies*, and the *Journal of Strategic Studies*, among other outlets. His book, *In the Hegemon's Shadow: Leading States and the Rise of Regional Powers*, was published by Cornell University Press. He previously served as Special Advisor to the Vice Chairman of the Joint Chiefs of Staff, where he worked primarily on defense innovation and nuclear modernization.

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CHAPTER 1

Introduction

In February 2025, Defense Secretary Pete Hegseth directed the Pentagon to reexamine the 2026 budget request, which has been drafted but not sent to Congress, to ensure that it reflected the Trump administration’s priorities.¹ Specifically, he tasked the military departments and defense agencies with identifying lower-priority activities totaling 8 percent of their projected annual budgets from 2026 to 2030 (i.e., 8 percent of 2026 budget, 8 percent of 2027 budget, and so on). These lists of potential cuts will create a substantial pool of money available for potential reallocation. Additionally, the secretary identified 17 high-priority areas that were to be excluded from the lists and thus protected from any funding reductions.

The 8 percent relook provides an opportunity for senior civilian officials to imprint their preferences on the Department of Defense (DoD) budget. Relative to currently projected DoD spending for 2026-2030, the 8 percent target equals \$365 billion over five years or \$70 billion to \$75 billion per year.² That amount greatly exceeds what any defense efficiency initiative has attempted or achieved over the past 15 years, including high-profile efforts such as Defense Secretary Robert Gates’s reforms during the Obama administration.³

1 Anthony Capaccio, “Hegseth Set to Seek 8% Spending Shift at Pentagon,” *Bloomberg*, February 14, 2025, <https://www.bloomberg.com/news/articles/2025-02-14/hegseth-set-to-seek-8-spending-shift-at-pentagon-as-doge-looms>.

2 Office of Management and Budget (OMB), *FY 2025 Analytical Perspectives*, Table 25-1. Budget Authority and Outlays by Function, Category, and Program, March 2024, 1, <https://www.govinfo.gov/content/pkg/BUDGET-2025-PER/pdf/BUDGET-2025-PER-6-1-1.pdf>.

3 Jill Aitoro and Aaron Mehta, “Esper Points to \$5 Billion in ‘Night Court’ Savings,” *Defense News*, December 7, 2019, <https://www.defensenews.com/smr/reagan-defense-forum/2019/12/07/esper-points-to-5-billion-in-night-court-cuts/>; and Government Accountability Office, *DOD Needs to Address Inefficiencies and Implement Reform across Its Defense Agencies and DOD Field Activities*, September 2018, 27, <https://www.gao.gov/assets/gao-18-592.pdf>. The amount also exceeds the \$50 billion per year figure highlighted in a Pentagon statement. Department of Defense (DoD), “Statement by Performing the Duties of Deputy Secretary of Defense Robert G. Salesses,” February 19, 2025, <https://www.defense.gov/News/Releases/Release/article/4071371/statement-by-performing-the-duties-of-deputy-secretary-of-defense-robert-g-sale/>.

Where might the administration find several hundred billion dollars and, more importantly, what might it do with that money?

Although the relook could unfold in many ways, it stands to reason that senior officials will conduct this exercise with an eye toward improving the U.S. military position relative to the People's Republic of China (PRC). A hallmark of the first Trump administration was accelerating DoD's renewed focus on great power competition.⁴ Moreover, the second Trump administration is likely to be staffed by officials with strong views on the challenge that China and its armed forces pose to U.S. national security.⁵ Given this context, the 8 percent relook offers a chance to break through bureaucratic barriers and reinforce the U.S. military's ability to deter or, if necessary, defeat the PRC.

How much money will the relook yield? The target amount has caused some confusion. A Pentagon statement said that the relook was targeted at 8 percent of the Biden administration's fiscal year 2026 budget, totaling around \$50 billion. Yet the 2026 budget is projected to be \$876.8 billion, 8 percent of which is \$70 billion, not \$50 billion. Based on conversations with DoD officials, the authors believe that the \$50 billion figure is simply a math or communications error.

In January 2025, shortly before the Trump administration took office and before the relook began, CSBA conducted a Strategic Choices Exercise with experts from across the U.S. government, defense industry, and think tank community to consider how the new administration should approach the military challenge posed by China. Participants wrestled with how to adjust DoD investments to maximize U.S. warfighting advantages in alternative scenarios across different topline budget levels. This report draws on the findings from that exercise to provide analysts and policymakers the information they need to better understand, execute, and evaluate the relook.

Based on the report's analysis, one can think of defense investments as falling into four categories (Table 1). First are top priority investments. Exercise participants generally added money for these capabilities across the widest range of conditions. Second are strategy-dependent investments. Experts boosted funding for these capabilities in many cases, but whether they did and by how much depended on the warfighting strategy they were given, as described in the next chapter. Third are resource-dependent investments. Teams cut these capabilities when faced with smaller toplines but maintained or increased them when given budget growth. Fourth are bottom priority investments. Participants generally cut funds for these capabilities across all strategy and spending scenarios. In the view of experts, these capabilities deserve the last claim on available resources.

4 National Defense Strategy (NDS) Commission, *Providing for the Common Defense*, November 2018, vi–v, <https://www.usip.org/publications/2018/11/providing-common-defense>.

5 Jacob Heilbrunn, "Elbridge Colby Wants to Finish What Donald Trump Started," *Politico Magazine*, April 11, 2023, <https://www.politico.com/news/magazine/2023/04/11/tucker-carlson-eldridge-colby-00090211>.

TABLE 1: FOUR CATEGORIES OF DEFENSE INVESTMENT

Top priority investments	<ul style="list-style-type: none"> • Munitions • B-21 <i>Raider</i> • Space systems • Collaborative combat aircraft • <i>Virginia</i>-class submarine • Counter-sUAS initiatives 	<ul style="list-style-type: none"> • Aerial refueling tankers • Air and sea autonomous systems • Indo-Pacific military construction • Defense industrial base
Strategy-dependent investments	<ul style="list-style-type: none"> • Homeland missile defense • Cybersecurity • Support ships 	
Resource-dependent investments	<ul style="list-style-type: none"> • Nuclear modernization • Amphibious vessels • Aircraft carriers • Surface combatants • Readiness • 6th generation fighters 	
Bottom priority investments	<ul style="list-style-type: none"> • 4th generation fighters • Ground forces • DoD civilians and contractors • Littoral Combat Ship • A-10 	

Source: CSBA analysis.

The following chapters explore these categories and capabilities in greater detail. Chapter 2 summarizes the key strategy and budgeting questions that shaped the CSBA exercise, in addition to presenting an overview of our key findings. Chapter 3 explains why participants made the strategic choices they did, what that reveals about the perceived value of capabilities deemed untouchable during the relook, as well as what items should not have been left off this list. Chapter 4 offers more nuanced insights into capability areas that should be prioritized during any budget rebalancing effort given the historical challenges of resourcing them. It also provides a cautionary note regarding capability areas that have enormous value yet might not be ready or able to absorb a significant influx of additional resources. Chapter 5 turns to the issue of cuts and addresses where DoD might first look to save resources, the likely limits of those efforts, and where it may need to turn instead.

Finally, the conclusion briefly addresses the proverbial elephant in the room—the overall size of the DoD budget. Our exercise suggests that with 2 percent annual real growth or more, DoD could allocate larger funding increases to top priority investments while minimizing cuts to resource-dependent investments. With zero or negative real growth, in contrast, boosts to top priority investments likely would prove smaller while resource-dependent investments and bottom priority investments would be vulnerable to cuts. That would force the Pentagon to grapple with a set of tradeoffs that it, and the nation, might not be equipped to manage.

CHAPTER 2

Strategies, Budgets, and Rebalancing

In January 2025, CSBA conducted an in-person, two-day exercise using its proprietary Strategic Choices Tool (SCT), a secure online application that allows users to add or cut items in DoD's budget.⁶ CSBA has used this tool to conduct more than 75 exercises over the past 15 years. Because the SCT also includes budget databases for a variety of U.S. allies and partners, as well as for China, past CSBA exercises have produced a wide range of insights into the character of long-term military competition.⁷

This event marked the fourth consecutive time that CSBA has organized a defense rebalancing exercise at the outset of a new administration or presidential term.⁸ Since this event occurred just before President Trump entered office, our results were not affected by charged reactions to some of the administration's policy proposals to date—a potentially distorting factor for any exercise conducted since January.

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- 6 CSBA, "A Powerful Tool for Defense Strategy and Budget Planning," September 2019, <https://csbaonline.org/uploads/documents/StrategicChoicesflyer0919.pdf>.
- 7 On the development of the China database for the Strategic Choices Tool, see Jack Bianchi, Madison Creery, Harrison Schramm, and Toshi Yoshihara, *China's Choices: A New Tool for Assessing the PLA's Modernization* (Washington, DC: CSBA, July 2022), <https://csbaonline.org/research/publications/chinas-choices-a-new-tool-for-assessing-the-plas-modernization>. For a recent example of how the SCT can support analysis of U.S. and allied military capabilities, see Toshi Yoshihara, Jack Bianchi, and Casey Nicasro, *Focused Force: China's Military Challenge and Australia's Response* (Washington, DC: CSBA, January 2025), <https://csbaonline.org/research/publications/focused-force-chinas-military-challenge-and-australias-response>.
- 8 Todd Harrison and Mark Gunzinger, *Strategic Choices: Navigating Austerity* (Washington, DC: CSBA, November 2012), <https://csbaonline.org/research/publications/strategic-choices-navigating-austerity>; Jacob Cohn and Ryan Boone, eds., *How Much Is Enough? Alternative Defense Strategies* (Washington, DC: CSBA, November 2016), <https://csbaonline.org/research/publications/how-much-is-enough-alternative-defense-strategies>; and CSBA, *America's Strategic Choices: Defense Spending in a Post-COVID World* (Washington, DC: CSBA, January 2021), <https://csbaonline.org/research/publications/americas-strategic-choices-defense-spending-in-a-post-covid-19-world>.

Our exercise included more than two dozen hand-selected mid- to senior-level participants from government, industry, and think tanks with deep expertise in force development and force planning. Industry participants hailed from both traditional and non-traditional defense firms. Participants worked under not-for-attribution rules so that they could make decisions freely without worrying about defending parochial interests. With hours of face-to-face deliberation among carefully chosen experts, our exercise produced a rich set of insights on strategy, operational concepts, and resourcing, many of which are particularly relevant to those capabilities that landed on the DoD civilian leadership’s list, as well as many that did not.⁹

This report focuses exclusively on U.S. military effectiveness toward China. Therefore, it does not assess those items publicly reported to be on the DoD civilian leadership’s priorities list that are not directly related to a military clash between the United States and China, such as south-west border activities, western hemisphere transnational crime, the audit, and medical private sector care.

Denial, Defeat, and Defense Investments

The exercise itself was designed around two main research questions. First, how might different warfighting scenarios and operational guidance influence defense investment priorities?

At present, there is little debate that China is and should be the pacing challenge for DoD. For decades, Beijing has been modernizing its military with the aim of exploiting vulnerabilities in the American way of war, to include Washington’s dependence on a small number of fixed and mobile bases to project air power, its aging and shrinking inventory of expensive-to-maintain platforms, its insufficiently resilient information networks, and a logistics infrastructure that could struggle to support high-intensity operations in highly contested environments.¹⁰ As the congressionally-mandated National Defense Strategy Commission recently observed, current trends indicate that China is on pace to be “a peer, if not a superior, of the United States across domains, a situation the United States has not faced since the height of the Cold War.”¹¹

Despite this consensus, there is an emerging debate over which specific contingencies should drive U.S. defense planning and how Washington should employ its forces in the event of

9 Aaron Mehta and Ashley Roque, “Pentagon Seeks to Shift \$50B in Planned Funding to New Priorities in FY26,” *Breaking Defense*, February 19, 2025, <https://breakingdefense.com/2025/02/pentagon-seeks-to-shift-50b-in-planned-funding-to-new-priorities-in-fy26/>.

10 Evan Braden Montgomery, “Contested Primacy in the Western Pacific: China’s Rise and the Future of U.S. Power Projection,” *International Security* 38, no. 4, Spring 2014, https://doi.org/10.1162/ISEC_a_00160; and Christopher M. Dougherty, *Why America Needs a New Way of War* (Washington, DC: Center for a New American Security [CNAS], June 2019), <https://www.cnas.org/publications/reports/anawow>.

11 NDS Commission Final Report, July 2024, 6, <https://www.rand.org/nsrd/projects/NDS-commission.html>.

those contingencies. Up to this point, a potential amphibious assault on Taiwan (along with a prospective air and missile campaign against U.S. and allied targets) has been the focal point for planners, and for good reason.¹² The invasion of Taiwan would arguably be the most consequential and most difficult challenge that the U.S. military might face. The ability to deter or prevail in this scenario, moreover, should leave the joint force well-positioned to address most other contingencies.¹³

The invasion focus, in turn, has contributed to an emphasis on a brief, limited, and geographically constrained conflict; that is, a war that unfolds in weeks rather than months or years, targets an adversary's frontline military forces rather than its economy or society, and mainly takes place in, above, and below the Taiwan Strait rather than across the Indo-Pacific theater or beyond.¹⁴ There is, however, a growing concern that regardless of where or how a Sino-U.S. confrontation begins, the result is likely to be a protracted war, one that includes vertical and horizontal escalation beyond what is envisioned during a short, sharp Taiwan Strait clash.

To examine how alternative views on this debate could shape defense investments, participants were divided into teams and tasked with exploring two different strategies for responding to a Chinese assault on Taiwan: prompt denial and protracted defeat. As summarized in Table 2, under prompt denial, teams sought to optimize the U.S. military's ability to rapidly defeat Chinese invasion forces en route to Taiwan, even at considerable risk to U.S. forces. Under protracted defeat, by contrast, teams sought to maximize the U.S. military's ability to deny the PRC's ability to control Taiwan over a longer period through comparatively modest efforts to disrupt an invasion, a greater emphasis on force preservation at the outset of a war, and the imposition of costs on the Chinese Communist Party (CCP) and the People's Liberation Army (PLA) through vertical and horizontal escalation over many months.

12 See, for example, Ely Ratner, "Statement Before the 117th Congress, Committee on Foreign Relations, United States Senate," December 8, 2021, https://www.foreign.senate.gov/imo/media/doc/120821_Ratner_Testimony1.pdf.

13 Evan Braden Montgomery, "Primacy and Punishment: U.S. Grand Strategy, Maritime Power, and Military Options to Manage Decline," *Security Studies* 29, no. 4, 2020, <https://doi.org/10.1080/09636412.2020.1811463>.

14 Evan Montgomery and Julian Ouellet, "American Defense Planning in the Shadow of Protracted War," *War on the Rocks*, November 18, 2024, <https://warontherocks.com/2024/11/american-defense-planning-in-the-shadow-of-protracted-war/>.

TABLE 2: COMPARING PROMPT DENIAL WITH PROTRACTED DEFEAT

	Prompt denial	Protracted defeat
Strategic assumptions	<p>Taiwan is not independently capable of denying a PLA invasion</p> <p>The loss of Taiwan to the PRC would be catastrophic for U.S. security and impair U.S. viability as a strategic competitor to China</p> <p>Military operations beyond the Taiwan Strait are likely to be unacceptably escalatory or ineffective</p> <p>U.S. allies and partners will provide basing and access necessary to support a prompt denial campaign</p> <p>Reducing risk to mission should outweigh reducing risk to force when attempting to deny the PLA invasion of Taiwan</p>	<p>Taiwan is not independently capable of denying a PLA invasion</p> <p>The loss of Taiwan would damage U.S. security, but is only one aspect of long-term U.S.-China strategic competition</p> <p>Vertical and horizontal escalation may be useful for disrupting an invasion and coercing the CCP</p> <p>U.S. allies and partners may not provide basing and access necessary to support a prompt denial campaign</p> <p>Reducing risk to force should outweigh reducing risk to mission when attempting to disrupt the PLA invasion of Taiwan</p>
Rebalancing guidelines	<p>Design a force that can inflict sufficient attrition on the PLA to prevent the establishment of a beachhead on Taiwan</p> <p>Design a force that can impose cumulative losses such that the PLA is unable or unwilling to continue large-scale amphibious operations against Taiwan</p>	<p>Design a force that can impose select attrition on the PLA to raise the costs of establishing a beachhead on Taiwan</p> <p>Design a force that can impose costs on the PLA and CCP through vertical and horizontal escalation</p>

Source: CSBA analysis.

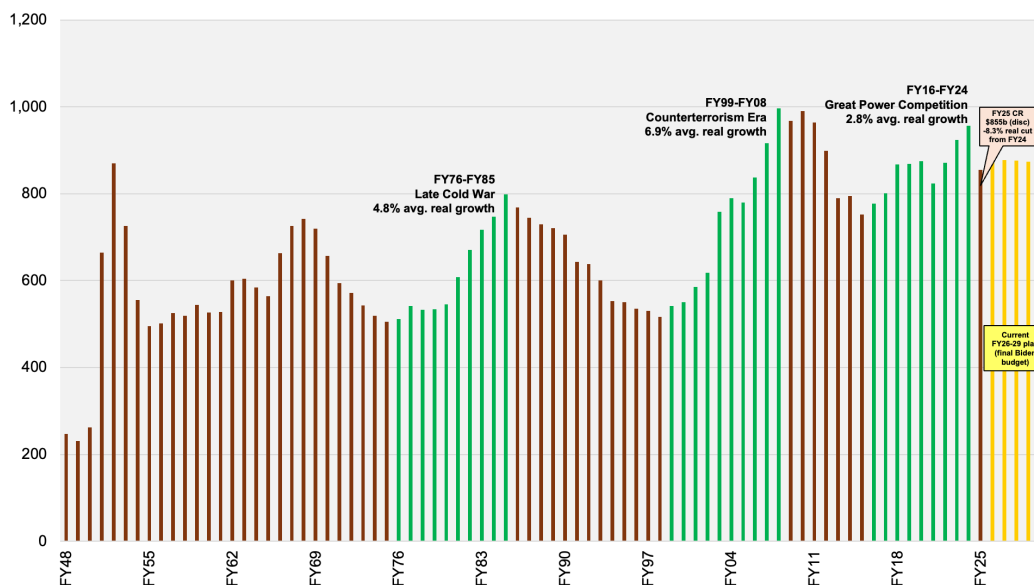
Coping with Topline Turbulence

The second research question that motivated the exercise was how changes in the defense budget topline could shape investment and divestment choices. It is not at all clear what will happen with DoD budgets in the second Trump administration. The current policy situation presents a bundle of contradictions.

On the one hand, there are downward pressures on defense spending. In March, Congress passed a continuing resolution (CR) to cover the remainder of fiscal year (FY) 2025. This marks the first time in history that the entire government will operate under a CR for the entire year. The CR granted DoD greater flexibility to spend funds than it usually receives. Still, greater flexibility will not fully compensate for DoD's shrinking budget. The fact is, the FY 2025 DoD funding level under the CR, \$855 billion, is an 8 percent cut in real terms from

last year's level, which included a large supplemental funding package for Ukraine, Israel, and Indo-Pacific security activities (Figure 1).

FIGURE 1: DOD TOPLINE (FY25\$ BILLIONS), FY48 TO FY29, INCL. SUPPLEMENTALS



Source: CSBA analysis of data from DoD, Congressional Budget Office, and House of Representatives.¹⁵

Notes: Figure reflects discretionary and mandatory budget authority. FY25-FY29 values exclude any supplementals that may be added for those years. FY24 and FY25 values reflect mandatory spending amounts requested by DoD.

The 8 percent relook could also become a vehicle for reducing DoD's budget.¹⁶ What the administration will do with the pool of money created by the relook remains unknown at this time. Leaders might realign funds from lower to higher priorities within DoD, causing a net zero change in the DoD budget's size. In executing that type of realignment, leaders might choose balanced cuts from the 8 percent lists to spread pain broadly. Or they might concentrate cuts on disfavored items. Of course, they need not keep money in the Pentagon. Instead, they might shift defense funds to the Department of Homeland Security or another agency, reducing the DoD budget's size.

15 DoD, *National Defense Budget Estimates for FY 2025*, April 2024, Tables 1-1 and 6-8, 6, 138–145, https://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2025/fy25_Green_Book.pdf; DoD, *National Defense Budget Estimates for FY 2024*, May 2023, Table 1-1, 6, https://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2024/FY24_Green_Book.pdf; Congressional Budget Office, *Cost Estimate of H.R. 1968, Full-Year Continuing Appropriations and Extensions Act, 2025*, March 11, 2025, 1, <https://www.cbo.gov/system/files/2025-03/hr1968.pdf>; and House of Representatives, *H.R. 1968, Full-Year Continuing Appropriations and Extensions Act, 2025*, Title XI, 67–69, <https://appropriations.house.gov/sites/evo-subsites/republicans-appropriations.house.gov/files/evo-media-document/bill-text.pdf>.

16 Briana Reilly, "Pentagon to Unveil Cuts Alongside Fiscal 2026 Budget Request," *CQ Roll Call*, March 13, 2025, <https://rollcall.com/2025/03/13/pentagon-to-unveil-cuts-alongside-fiscal-2026-budget-request/>.

On the other hand, there are also signs that defense spending could grow in the immediate future. Last year, Senator Roger Wicker, chairman of the Senate Armed Services Committee, proposed raising defense spending to 5 percent of gross domestic product (GDP) by the early 2030s.¹⁷ Today, spending only equals about 3 percent of GDP. The National Defense Strategy Commission also recommended setting the defense budget on an upward trajectory, with real growth between 3 percent and 5 percent identified as a reasonable near-term objective.¹⁸

Defense spending increases have become part of the reconciliation packages currently being crafted by Congress. In February, the Senate adopted a budget resolution adding \$150 billion for defense.¹⁹ The House's own resolution added \$100 billion for defense. Legislators still need to negotiate the final amount and iron out various details as they navigate the reconciliation process. Still, the Senate and House both endorsing defense increases shows the political support for upping Pentagon spending.

To evaluate how different budgetary paths could affect investment choices, exercise teams were assigned one of four general trajectories for real growth in DoD's budget: +2 percent, 0 percent, -1 percent, or -3 percent. The trajectories reflected CSBA's assessment of the most likely scenarios given the wide range of proposals put forth by policymakers and outside experts in recent years (Figure 2). We judge that incremental midrange outcomes are more likely, and dramatic changes are less likely. We base this prediction on historical trends, outcomes in the first Trump administration, and the fact that policymaker attention is currently neither galvanized nor unified around shattering the status quo with massive and sudden spending adjustments, whether those be increases or decreases.²⁰

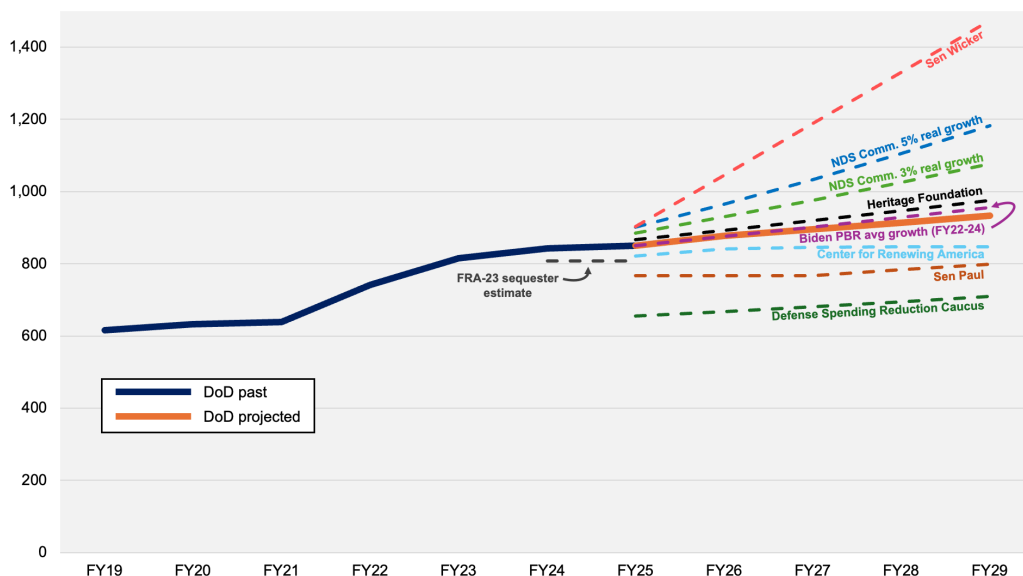
17 Roger Wicker, *Peace through Strength: A Generational Investment in the U.S. Military*, May 29, 2024, 10, <https://www.wicker.senate.gov/services/files/BC957888-0A93-432F-A49E-6202768A9CE0>.

18 NDS Commission Final Report 2024, ix–xii.

19 Svetlana Shkolnikova, "Senate Advances \$150B in Added Military Spending as Hegseth Looks to Shuffle Money in Pentagon Budget," *Stars and Stripes*, February 21, 2025, <https://www.stripes.com/theaters/us/2025-02-21/senate-military-spending-trump-hegseth-16908967.html>.

20 Travis Sharp, *Slow and Steady: Analysis of the 2022 Defense Budget Request* (Washington, DC: CSBA, July 2021), 12; Travis Sharp, "Modest and Balanced: The U.S. Defense Budget Buildup during the First Trump Administration, 2017-2020," *Defense and Peace Economics*, forthcoming, <https://doi.org/10.1080/10242694.2025.2477110>; and Travis Sharp, "Wars, Presidents, and Punctuated Equilibriums in U.S. Defense Spending," *Policy Sciences* 52, no. 3, September 2019, 367–396, <https://doi.org/10.1007/s11077-019-09349-z>.

FIGURE 2: COMPETING PROPOSALS FOR DOD BASE BUDGET (CURRENT DOLLAR BILLIONS)



Source: CSBA analysis.²¹

Notes: Figure reflects discretionary budget authority and excludes supplementals. See cited source for explanation of estimate methodology.

The +2 percent scenario involves a spending expansion which would result in DoD's budget growing faster than the average annual growth rate prevailing during the first Trump administration. The 0 percent scenario features incremental spending increases which would keep pace with forecasted inflation but nothing more. The -1 percent scenario reflects a contraction in the DoD topline on par with what occurred during the Obama administration (excluding sequestration in 2013). Finally, the -3 percent scenario involves a major contraction in defense spending resembling outcomes during the Clinton administration's first term.

Exercise Results Summary

Combining the two strategies and four budget trajectories resulted in eight strategy/spending scenarios for exercise participants to consider. In subsequent chapters, we sometimes use scenario and team interchangeably. In both cases, we mean the eight strategy/spending configurations considered by eight groups of exercise participants.

After the exercise, CSBA grouped the team decisions into 26 categories. The categories reflect the DoD civilian leadership's favorites list, according to press reports, as well as

²¹ Travis Sharp, *Putting It All Together: The 2025 Defense Budget Request, Alternative Budget Proposals, and NATO Spending* (Washington, DC: CSBA, December 2024), 4–8, 39, <https://csbaonline.org/research/publications/putting-it-all-together-the-2025-defense-budget-request-alternative-budget-proposals-and-nato-spending>.

other items that we deemed noteworthy.²² Certain items such as surface ships were broken into subcategories to highlight within-item variation in team preferences. The 26 categories covered about 70 percent of the total funding adjustments made by the eight teams. The remaining 30 percent was mostly personnel costs tied to various force elements. Since personnel costs moved in the same direction as the overarching force element (e.g. cutting aircraft carriers means cutting personnel costs tied to carriers), omitting the 30 percent does not affect the summary results.

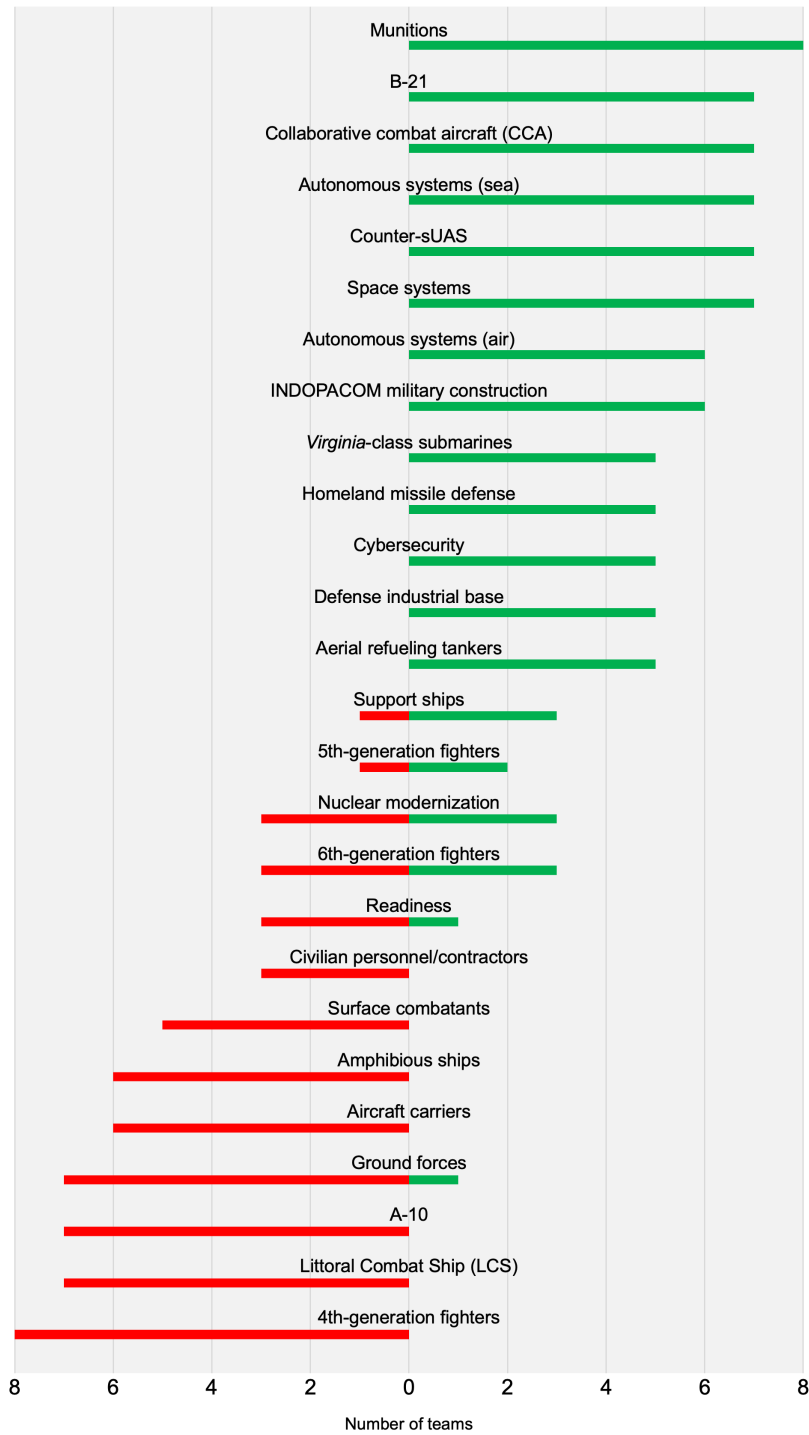
Figure 3 shows the number of teams (out of eight total) that made net spending increases or decreases in each category. If a team preserved a category's currently planned spending, then that zero net change decision does not appear as an additional increment in the figure. As a result, categories sum to less than eight whenever at least one team decided not to make any net spending adjustment.

Our data presentation treats team decision-making as the outcome of interest and excludes the dollar values of adds and cuts. We present the results this way deliberately. The SCT excels at forcing participants to think through higher-level tradeoffs. It is not meant to produce granular cost estimates of alternative DoD force structures. We call it the "Strategic" Choices Tool for a reason. Thus, the general thrust of team decisions is what interests us most, just as the sign on a coefficient (+/-), rather than its magnitude, is what often interests scholars using regression analysis to understand messy observational data.²³ Ultimately, in the context of imperfect information, we believe that a broadly-aggregated, decision-focused approach to data presentation is most appropriate and most useful.

22 Determining which options in the SCT to include in each category was straightforward for priority areas with narrow and specific descriptions. For instance, the *Virginia*-class category obviously includes only purchases of additional *Virginia*-class submarines. Broader, more ambiguous priorities required more inference. Homeland missile defense, for example, was deemed to mean the protection of military sites and critical infrastructure in the United States from long-range ballistic missiles. Thus, purchases of additional Patriot, THAAD, and Next Generation Interceptor batteries and munitions, construction of AEGIS ashore systems, and procurement of terrestrial missile defense sensors were all included in the homeland missile defense category. Other, shorter-range air defenses against cruise missiles or aircraft were grouped under the counter-small unmanned aircraft system category.

23 Andrew Gelman and Francis Tuerlinckx, "Type S Error Rates for Classical and Bayesian Single and Multiple Comparison Procedures," *Computational Statistics* 15, no. 3, 2000, 373–390, <https://doi.org/10.1007/s001800000040>.

FIGURE 3: NUMBER OF TEAMS THAT INCREASED OR DECREASED NET SPENDING IN 26 CATEGORIES



Source: CSBA analysis.

CHAPTER 3

Unpacking the Untouchables

In the brief period of time since reports emerged that the Pentagon was reexamining its 2026 budget submission, two critiques have taken hold: that this effort is rushed and that it is arbitrary.²⁴ The former accusation is partially valid. As the *Wall Street Journal* noted, the administration’s explanation of the relook “wasn’t a model of clarity.”²⁵ Indeed, despite the understandable impetus for a new administration to adjust the budget it inherits to reflect its own vision, confusion abounds regarding the process of identifying potential cuts, the criteria for determining where funds might be added, and even whether any resources that are harvested in the relook will remain in the Pentagon or instead be distributed to other departments.

The latter critique, by contrast, is overstated. Exercise participants broadly agreed with the DoD civilian leadership’s list of untouchable items. In fact, teams frequently added money for these high-priority items, often regardless of strategy and spending scenario. This suggests that some untouchable items deserve funding growth beyond planned levels, not just protection from spending cuts.

This should not be surprising. Years of wargaming and analysis have shown that many of the high-priority items on the DoD civilian leadership’s list would contribute greatly to U.S. performance in a conflict with China.²⁶ Long-range precision munitions and *Virginia*-class submarines, for example, are universally revered by planners as critically important but perpetually scarce. Simply put, DoD does not need to spend two years writing a new national defense strategy to learn that these are key investment areas and to know that it should

24 Jack Reed, “Statement on SecDef Hegseth’s Call to Slash Defense Spending by Eight Percent Annually,” February 20, 2025, <https://www.reed.senate.gov/news/releases/reed-statement-on-secdef-hegseths-call-to-slash-defense-spending-by-eight-percent-annually>.

25 Wall Street Journal, “About That 8% a Year Pentagon Cut,” February 21, 2025, <https://www.wsj.com/opinion/defense-cut-8-percent-pete-hegseth-pentagon-roger-wicker-donald-trump-c01e87b5>.

26 David A. Ochmanek et al., *Inflection Point: How to Reverse the Erosion of U.S. and Allied Military Power and Influence* (Santa Monica, CA: RAND Corporation, 2023), 24–33, https://www.rand.org/pubs/research_reports/RRA2555-1.html.

spend generously on them now. Analysts have done the spadework. These are sound investments.

Nevertheless, this does not mean that all the categories on the DoD civilian leadership’s list fared equally well during our exercise, that they fared well under all conditions, or that they exhaust the roster of capabilities that merit greater investment to improve U.S. military power and effectiveness relative to China.

Warfighting Strategy and Strategic Choices

Giving participants multiple planning scenarios and providing them with alternative guidance can be revealing in two ways: it can highlight areas of investment that are expected to have significant utility across warfighting strategies, and it can help to identify capabilities that are likely to have more value for some strategies than for others. Our exercise pointed to capabilities that fell into both camps.

For instance, all or nearly all teams devoted additional resources to a handful of capabilities—including munitions, the B-21 *Raider*, autonomous systems, and tanker aircraft—irrespective of whether they were tasked with designing a force to support a strategy of prompt denial or protracted defeat. In some cases, the roles of these capabilities differed across strategies, which indicates their ability to perform multiple functions.

Given its payload, range, and survivability, the B-21 received high marks in a prompt denial scenario, where teams looked to inflict as much damage as possible as quickly as possible against PLA forces spearheading an invasion of Taiwan, particularly given China’s ability to threaten shorter-range combat aircraft on the ground, afloat, or in the sky. Alternatively, when tasked with preparing for the protracted defeat of the PRC, participants also increased investments in the B-21 as they sought out tools that could hold at risk Chinese military and economic targets throughout its mainland and across the globe as part of a cost-imposing strategy.²⁷

Teams also showered money on affordable autonomous systems regardless of strategy. However, they did so with one nuance that popular discussions often ignore.²⁸ The nuance was, as they invested in autonomous systems, they simultaneously spent heavily on some

Although bottom priority areas have remained relatively constant across more than a decade of Strategic Choices Exercises, any reductions to them would not be easy. Some of these capabilities, like 4th generation fighters, generally bear the burden of day-to-day operations and emergent contingencies, such as the ongoing campaign of airstrikes against Houthi targets in Yemen. Others, like ground forces, are being tasked with added responsibilities, such as southern border operations.

²⁷ Ultimately, seven of eight teams increased funding for the B-21, including under the tightest budget (-3 percent).

²⁸ Eleanor Dearman, “Elon Musk, Charged with Cutting Federal Spending, Calls Fort Worth’s F-35 a Waste of Money,” *Fort Worth Star-Telegram*, November 29, 2024, <https://www.star-telegram.com/news/local/fort-worth/article296199654.html>.

combination of exquisite capabilities, such as the B-21, *Virginia*-class submarine, space systems, advanced manned fighters, or aerial refueling tankers. Participants therefore treated less expensive autonomous systems and more expensive exquisite systems as complements, not substitutes, in both strategies, meaning they viewed balanced investments in both as necessary (even if they disagreed about where exactly to strike that balance).

For prompt denial, teams proposed using massed autonomous systems to attrit parts of the Chinese invasion fleet while exquisite systems attacked hard targets and disabled critical nodes in China's A2/AD network. Concepts for protracted defeat varied more widely, but a few teams recommended using autonomous systems to contest the initial Chinese invasion while exquisite systems were held in reserve to the greatest extent possible so they would be available to attack the full range of targets in the protracted military campaign to follow.

Interestingly, there were capabilities that received support across scenarios but were noticeably absent from the DoD civilian leadership's list. In particular, tankers ranked relatively highly, with five of eight teams adding funds, including for new tanker concepts.²⁹ Their omission from the DoD civilian leadership's list is surprising. For years, studies of prospective U.S. air combat campaigns against China have highlighted tanker shortfalls.³⁰

The DoD civilian leadership's favoring of autonomous systems perhaps suggests a view of tankers as less vital to a future fleet containing more unmanned aircraft. That logic is questionable. The future fleet will still have thousands of manned aircraft, and those aircraft will still need more tankers than currently planned.³¹ For instance, the recent unveiling of the F-47 6th generation fighter demonstrates the continuing need for tanker support.³² Additionally, a larger tanker fleet could more readily support both manned and unmanned aircraft, enabling both aircraft types to operate over greater ranges from more survivable basing locations in the Indo-Pacific region. Tankers may not capture the popular imagination the way fighters and autonomous drones do, but participants largely agreed that they deserve more resources.

Although some capabilities were highly valued across scenarios, the relative value of other capabilities was strategy dependent; that is, they only received significant resource increases under one strategy or the other. When tasked with prompt denial, for example, participants did not make significant increases to homeland air and missile defense or

29 Neither the B-21 nor space systems appeared on the DoD civilian leadership's untouchable list, although they could be lumped in with nuclear modernization given their role in delivering nuclear weapons or supporting nuclear command, control, and communications, respectively.

30 Abraham Mahshie, "Pacific Refueling," *Air & Space Forces Magazine*, August 29, 2022, <https://www.airandspaceforces.com/article/pacific-refueling/>.

31 Mark Gunzinger, Carl Rehberg, and Lukas Autenreid, *Five Priorities for the Air Force's Future Combat Air Force* (Washington, DC: CSBA, January 2020), chapter 3, <https://csbaonline.org/research/publications/five-priorities-for-the-air-forces-future-combat-air-force>.

32 Joseph Trevithick, "F-47 Fighter Reveal Draws New Attention to USAF Stealth Tanker Plans," *The War Zone*, March 24, 2025, <https://www.twz.com/air/f-47-fighter-reveal-draws-new-attention-to-usaf-stealth-tanker-plans>.

critical infrastructure cybersecurity. The general rationale was that, in the context of a short, sharp war, the United States and China would likely moderate (although perhaps not avoid) kinetic and non-kinetic attacks on each other’s territory in an effort to keep a limited conventional war from escalating in intensity. When tasked with protracted defeat, however, that calculation shifted dramatically. In this case, participants looked for ways to strike a variety of targets on China’s territory to impose costs on the CCP and PLA and expected China to threaten U.S. territory for similar reasons. They also concluded that more robust defenses against kinetic and non-kinetic homeland attacks—which would be one component of President Trump’s highly ambitious “Golden Dome” initiative—would allow the United States to go on the offensive more easily.

Budget Size and Big Decisions

Not all the DoD civilian leadership’s favored items emerged unscathed from the exercise, particularly when participants had to contend with significant resource constraints. Indeed, just as our exercise identified a number of strategy-dependent investments, it also revealed resource-dependent investments; that is, areas where funding decisions were conditional on the amount of money that was available.

For example, teams with flat or declining topline (0 percent, -1 percent, -3 percent) reduced nuclear modernization spending by delaying the *Sentinel* nuclear-armed intercontinental ballistic missile (ICBM). The delays were budget driven and did not reflect a downgrading of the nuclear mission. In fact, the teams that delayed *Sentinel* simultaneously increased funding for B-21, space systems, and other programs tied to the nuclear mission. Nevertheless, topline pressure led to difficult and potentially risky cuts. Without at least 2 percent real growth in defense spending, teams found it virtually impossible to modernize nuclear and conventional forces simultaneously.

Teams with smaller topline also reduced spending on amphibious vessels, carriers, and surface combatants. These cuts were paired with large funding increases to buy thousands of unmanned vessels. Through nearly 15 years of CSBA exercises, participants have routinely shifted the surface fleet from manned to unmanned ships, particularly large quantities of smaller unmanned ships.³³ Yet their ambition remains unrealized in the real world. As is true across Navy shipbuilding, unmanned vessel acquisition has suffered from schedule delays, cost overruns, and other programmatic underperformance.³⁴

Teams were forced to cut nuclear modernization and surface ships under smaller topline despite making huge cuts elsewhere. Across strategy and spending scenarios, teams

33 Harrison and Gunzinger, *Strategic Choices*, ii.

34 Ronald O’Rourke, *Navy Large Unmanned Surface and Undersea Vehicles: Background and Issues for Congress* (Washington, DC: Congressional Research Service, December 2024), 6, 15, 18–21, https://www.congress.gov/crs_external_products/R/PDF/R45757/R45757.76.pdf.

reduced funding for 4th generation fighters, ground forces, DoD civilians and contractors, the Littoral Combat Ship, and the A-10. Although these reductions saved tens of billions of dollars, they were still too small to allow teams to boost funding for top priority items by as much as they wanted while leaving nuclear modernization and surface ships untouched.

It is also important to note that participants did not face bureaucratic or congressional opposition to cutting older platforms, ground forces, or civilian personnel. They could cut these areas by as much as they wanted consistent with their judgment about U.S. security needs. In the real world, DoD has far less flexibility. Several of the capabilities cut by participants are actively involved in current military operations. U.S. F-16s, for example, have operated against the Houthis in and around the Red Sea over the past year.³⁵ If DoD cannot save as much money from these areas (older platforms, ground forces, civilian personnel) as exercise teams did, then it may have no choice but to levy larger cuts in other areas. The expenses associated with nuclear modernization and shipbuilding make them natural targets for cuts under tighter topline. Higher defense spending is all that offered them protection, according to our results.

35 Joseph Trevithick, Howard Altman, and Tyler Rogoway, "F-16s Have Been Using Laser-Guided Rockets to Shoot Down Houthi Drones," *The War Zone*, January 29, 2025, <https://www.twz.com/air/f-16s-have-been-using-laser-guided-rockets-to-shoot-down-houthi-drones>.

CHAPTER 4

On Orphans and Golden Children

The exercise uncovered many valuable insights for U.S. defense planning. This chapter presents two important lessons. The common thread running through both lessons is that fully resourcing the untouchable items presents far more difficulties than one might expect.

Adopting Orphans

A central responsibility of civilian force planners is to advocate the acquisition of capabilities that offer significant operational benefits but lack the organizational, political, or industry support needed to thrive in the Pentagon's bureaucratic meat grinder.³⁶ These orphan capabilities tend to suffer abandonment if senior civilians do not adopt them.

In our exercise, teams embraced four orphans that also appeared on the DoD civilian leadership's favorites list: munitions, air and sea autonomous systems, Indo-Pacific Command (INDOPACOM) military construction, and counter small unmanned aircraft system (sUAS) initiatives. Participants generally added funds for these capabilities across strategy and spending scenarios. Based on these results, these four categories deserve extra funding and vigorous backing from civilian leaders.

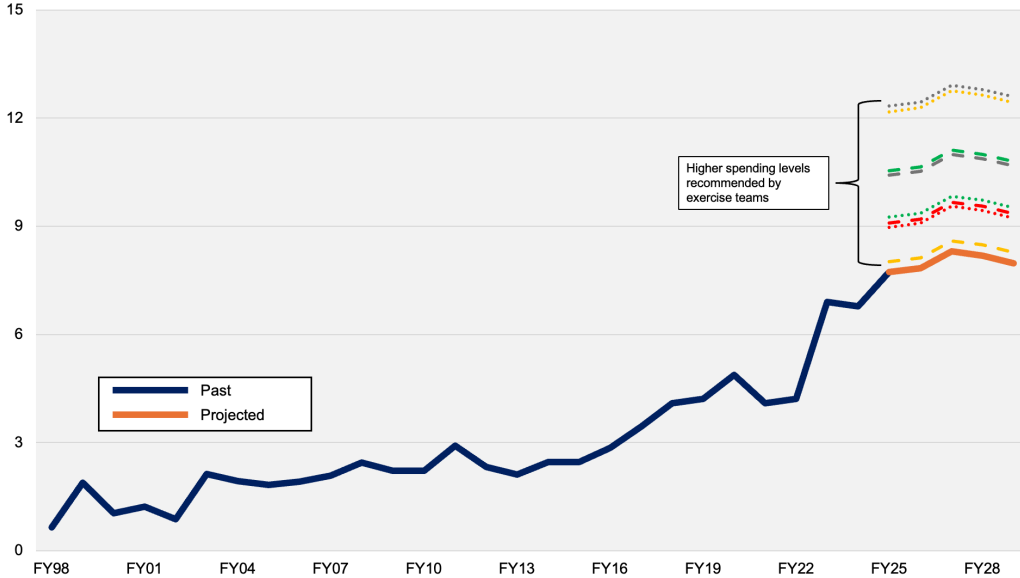
The demand for munitions in a war with China would far exceed current stockpiles and production capacity.³⁷ Previous CSBA analysis shows that a counter-invasion campaign like

36 Alain C. Enthoven and K. Wayne Smith, *How Much Is Enough? Shaping the Defense Program, 1961-1969* (Santa Monica, CA: RAND Corporation, 1971), 98–100, https://www.rand.org/pubs/commercial_books/CB403.html; and David A. Ochmanek, *Improving Force Development Within the U.S. Department of Defense* (Santa Monica, CA: RAND Corporation, 2018), 3-4, <https://www.rand.org/pubs/perspectives/PE302.html>.

37 Tyler Hacker, *Beyond Precision: Maintaining America's Strike Advantage in Great Power Conflict* (Washington, DC: CSBA, June 2023), 7, <https://csbaonline.org/research/publications/beyond-precision-maintaining-americas-strike-advantage-in-great-power-conflict>.

the prompt denial scenario could require upwards of 6,500 precision-guided munitions in the initial effort alone.³⁸ A protracted conflict would require multitudes more assuming a similar operational tempo. Yet DoD historically has treated munitions as billpayers, and long-range munitions investments over the last 27 years have remained relatively static (Figure 4).³⁹

FIGURE 4: SELECTED PRECISION MUNITIONS PROCUREMENT FUNDING (FY25\$ BILLIONS), FY98 TO FY29



Source: CSBA analysis.⁴⁰

Notes: Figure includes stand in, stand off, and long-range strike offensive munitions. It excludes direct attack munitions.

Exercise participants recognized the short-sightedness of such an approach and invested heavily in procuring more long-range precision weapons to deepen existing stockpiles. But simply buying more is not enough. Although increasing existing munitions stockpiles would help meet immediate needs, DoD needs to invest in the overall munitions industrial base to ensure that these stockpiles get updated and replenished over the long term.

Like munitions, DoD has often overlooked military construction. Funding for military construction in INDOPACOM has remained largely flat for most of the last 27 years (Figure 5). Around a quarter of the overall funds included on the military services’ FY 2025

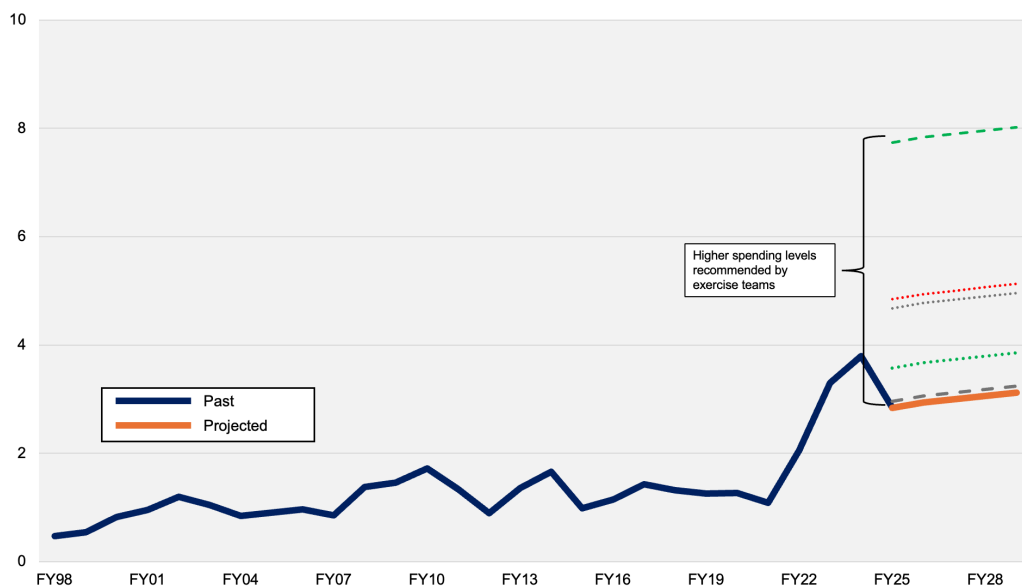
38 Hacker, *Beyond Precision*, 32.

39 Bryant Harris and Noah Robertson, “Soaring U.S. Munitions Demand Strains Support for Israel, Ukraine, Taiwan,” *Defense News*, April 30, 2024, <https://www.defensenews.com/pentagon/2024/04/30/soaring-us-munitions-demand-strains-support-for-israel-ukraine-taiwan/>; and John A. Tirpak, “Climbing Out of the Munitions Hole,” *Air & Space Forces Magazine*, March 22, 2019, <https://www.airandspaceforces.com/article/climbing-out-of-the-munitions-hole/>.

40 Hacker, *Beyond Precision*, 64.

unfunded priority lists related to military construction.⁴¹ Despite this lack of attention, military construction projects in INDOPACOM can help improve the survivability of forces in the theater—expanding and improving airfields allows for easier aircraft dispersal, and hardening munitions, aircraft, and fuel storage can further ensure the continuation of air operations.⁴²

FIGURE 5: INDOPACOM MILITARY CONSTRUCTION FUNDING (FY25\$ BILLIONS), FY98 TO FY29



Source: CSBA analysis of DoD data contained in annual “C-1” budget justification documents.

Notes: FY26-FY29 projection values are CSBA estimates based on the currently projected DoD topline growth rate.

Although a recent uptick in spending indicates that INDOPACOM military construction is not being ignored, exercise participants still saw the need to further expand military construction projects in the region. The same reasons military construction is an orphan, namely the long timelines and practical limitations of transporting equipment and material abroad, are the same reasons why DoD should invest more in it today. As difficult and time consuming as military construction projects are in peacetime, they only become harder and take longer when the international situation has shifted from competition to crisis or conflict.

41 Mark Cancian and Chris Park, “Major Trends and Takeaways from the Defense Department’s Unfunded Priority Lists,” *Breaking Defense*, April 19, 2024, <https://breakingdefense.com/2024/04/major-trends-and-takeaways-from-the-defense-departments-unfunded-priority-lists/>.

42 Alan J. Vick, *Air Base Attacks and Defensive Counters* (Santa Monica, CA: RAND Corporation, 2015), 43–56, https://www.rand.org/pubs/research_reports/RR968.html.

Munitions and military construction have long lacked champions, but even programs with staunch supporters in the past could become orphans in the future. Counter-sUAS and autonomous systems illustrate the point. The widespread use of small drones in Ukraine and the Middle East has demonstrated the importance of developing and deploying small unmanned systems and effective countermeasures to one-way attack drones.⁴³ The Replicator initiative seeks to accelerate the acquisition of sUAS and improve joint force counter-sUAS capabilities.⁴⁴ Former Deputy Defense Secretary Kathleen Hicks championed the Replicator effort in the previous administration, but counter-sUAS, autonomous systems, and other similar programs risk becoming orphans if new senior civilian appointees fail to adopt them.

Beware of Spoiling Golden Children

Exercise participants boosted funding for several capabilities strongly supported by defense insiders and the DoD civilian leadership. Backed by sturdy coalitions, these capabilities are the golden children—the anti-orphans. Policymakers will be tempted to pump extra funding into these capabilities because their combat potential is indisputable. However, funding influxes could produce disappointing results if programs lack the conceptual maturity or acquisition structure needed to spend extra funds effectively.

The Air Force collaborative combat aircraft (CCA) program illustrates the point. In its case, strong and steady funding over time may be preferable to a deluge of dollars that may drown it unintentionally.

The CCA is an autonomous UAS that will operate under the custody of manned aircraft as a loyal wingman. The Air Force and Navy each have separate CCA programs. When teamed with CCAs, manned aircraft will, according to officials, suffer fewer losses and achieve more kills against adversary air threats.⁴⁵

Despite its promise, forthcoming CSBA research finds that the Air Force CCA program has made uneven progress on the sequence of steps required to field new military capability. It has succeeded at defining the problem and generating resources, but it has fared less well at specifying how CCAs will be deployed and employed.⁴⁶ In a future U.S.-China conflict over

43 Center for Strategic and International Studies, “Countering Uncrewed Aerial Systems: A Conversation with General Sean Gainey,” November 14, 2023, <https://www.csis.org/analysis/countering-uncrewed-aerial-systems-conversation-general-sean-gainey>.

44 Lloyd Austin, “Replicator 2 Direction and Execution,” September 27, 2024, <https://media.defense.gov/2024/Sep/30/2003555473/-1/-1/0/REPLICATOR-2-MEMO-SD-SIGNED.PDF>.

45 Air & Space Forces Association Warfare Symposium, “Advancements in Collaborative Combat Aircraft CONOPs,” March 8, 2023, 2, <https://www.afa.org/app/uploads/2023/12/Advancements-in-Collaborative-Combat-Aircraft-CONOPs-Transcript.pdf>.

46 Travis Sharp, *Ready Player None? An End-to-End Assessment of the Air Force Collaborative Combat Aircraft Program* (Washington, DC: CSBA, forthcoming).

Taiwan, for example, a CCA fleet conducting persistence missions close to Taiwan airspace would need a different aircraft design, sustainment setup, and attrition reserve than a CCA fleet launching hit-and-run attacks outside Taiwan.⁴⁷ Unfortunately, the Air Force has tended to obscure such problems of choice by stressing the CCA's broad utility "across diverse missions," thereby downplaying the fact that tradeoffs must be made to excel at any given mission.⁴⁸ Although flexibility is desirable, force planners must make choices that tie the hands of future service members in one way or another.

Flooding the CCA program with money now might reinforce a commitment to current approaches and inadvertently curtail continued pursuit of future improvements. The program's acquisition strategy is based on rapidly iterating incremental advancements to stimulate innovation and avoid vendor lock.⁴⁹ If the program aims to deliver this stream of evolving capability, then it logically needs a stream of steady funding. Intermittent infusions of large extra funding would seem to undermine the program's whole approach.

Boosting CCA budgets now might also steer funds toward easier problems with known costs and away from harder problems with unknown costs. A large, well-funded development effort is required to support the mission autonomy systems underpinning the CCA. The Air Force wants this autonomy to flow into other programs, meaning the effort extends beyond the CCA program. The questions then become, how much will this autonomy effort cost, including for sustainment? How much of that cost should be attributed to the CCA? Clear answers do not yet exist, but addressing the issues will take sustained effort over time. A smooth funding profile will help ensure that harder problems receive the continuous attention they deserve.

Pumping up CCA spending now would potentially take resources away from the many other aircraft that the Air Force wants to buy over the next decade, including the F-47 fighter, F-35 fighter, B-21 bomber, E-7 early warning aircraft, T-7 trainer aircraft, and refueling tankers. Squeezing all these purchases into a \$20 billion annual aircraft procurement budget will prove next to impossible, a reality acknowledged by Air Force officials.⁵⁰ Tradeoffs therefore will have to be made, potentially between CCAs and manned aircraft. However, those tradeoffs have a limit. The Air Force envisions CCAs being loyal wingmen to manned aircraft. CCAs and manned aircraft are therefore complements, not substitutes. Buying

47 Travis Sharp, *No Dominant Strategy for Air Dominance: Collaborative Combat Aircraft Employment, Basing, and Sortie Generation in a Taiwan Scenario* (Washington, DC: CSBA, forthcoming).

48 Air Force, *PACAF Strategy 2023: Evolving Airpower*, September 2023, 9, https://www.af.mil/Portals/1/documents/2023SAF/PACAF_Strategy_2030.pdf; and John A. Tirpak, "Brown: Collaborative Combat Aircraft Not Just for NGAD," *Air & Space Forces Magazine*, August 29, 2022, <https://www.airandspaceforces.com/brown-collaborative-combat-aircraft-not-just-for-ngad/>.

49 Air Force, "Collaborative Combat Aircraft (CCA) Overview," briefing provided to CSBA, 2024, 4–5.

50 House of Representatives, *H.R. 1968*, Title IV, 27; and Stephen Losey, "Next-Gen Stealth Tanker May Be Unaffordable, Air Force Secretary Fears," *Defense News*, November 8, 2024, <https://www.airforcetimes.com/air/2024/11/08/next-gen-stealth-tanker-may-be-unaffordable-air-force-secretary-fears/>.

one without the other makes little operational sense. By keeping CCA spending strong but steady, the Air Force will stand a better chance of balancing investments in the unmanned and manned parts of its aircraft portfolio.

The extra money allocated to CCAs by exercise participants shows strong support for the capability. Are there smart ways to boost the CCA program's budget that avoid the risks outlined above? The answer may be yes, but it needs to be done carefully. After all, sometimes the biggest help policymakers can provide to a program is to leave it alone.

CHAPTER 5

Do Not Bet Big on Budget Dust

The Trump administration has declared that it will free up money for higher-priority investments by cutting DoD spending on diversity activities and climate change.⁵¹ Zeroing out these expenditures will save little. The Pentagon's 2025 budget requested \$162 million for diversity initiatives and \$3.6 billion for climate resilience.⁵² The sum, \$3.8 billion, equals just 5.4 percent of the 2026 relook target (\$70 billion).⁵³

Since eliminating these programs is no silver bullet, the relook has no choice but to consider cutting other areas. Leaders may hope to avoid this reality by pursuing efficiencies or other reforms. Based on decades of experience, however, such reforms are unlikely to produce savings large enough or quickly enough to reach the 8 percent target.⁵⁴ As a result, meeting the target means considering cuts to DoD personnel, training, operations, or investments.

In our exercise, capability cuts fell heavily upon ground forces, older aircraft, manned surface ships, and DoD civilians and contractors. These items have been perennial billpayers in CSBA exercises since the early 2010s.⁵⁵ Many force planners consider them more dispensable than other capabilities, particularly when measured against what is needed to pierce China's lethal and layered A2/AD posture.⁵⁶ However, cutting them may not be wise and will not be easy.

51 DoD, "Statement by Robert G. Salesses."

52 DoD, *FY 2025 Defense Budget Overview*, revised April 2024, 4-18, 4-31, https://comptroller.defense.gov/Portals/45/Documents/defbudget/FY2025/FY2025_Budget_Request_Overview_Book.pdf.

53 \$876.8b (2026 projected DoD topline) x 8% = \$70.1 billion (2026 relook target). OMB, *FY 2025 Analytical Perspectives*, Table 25-1, 1.

54 NDS Commission Final Report 2024, 74–75.

55 Harrison and Gunzinger, *Strategic Choices*, ii–iii, 17–19.

56 Ochmanek et al., *Inflection Point*, 24–33.

Ground forces offer enduring utility. They also beat budgetary expectations during the first Trump administration.⁵⁷ With Middle East tensions simmering and border security being a top administration priority, ground force spending may once again fare better than expected.

Congress has increased aircraft and ship procurement funding more than any other DoD budget area since 2016.⁵⁸ It often blocks proposals to retire older platforms. Getting the Hill to pare aircraft and ship spending is mission improbable.

That leaves DoD civilians and contractors, which we consider the most plausible place to look for significant savings, as do other experienced experts.⁵⁹ The administration already has taken steps to downsize DoD's civilian workforce.⁶⁰

Notably, our exercise participants did not treat 5th generation fighters (F-35 and F-22) as dispensable despite their significant cost. Across the eight strategy/spending excursions, only one team cut net spending on the 5th generation portfolio, and that team faced the direst resource constraint. Seven other teams either left the portfolio untouched or increased net funding.

These choices reflect a divergence between popular and expert opinions on the F-35. Non-specialists often consider the aircraft to be dispensable due to its cost and its reliance on a human pilot, which some consider outdated based on the importance of drones in the Ukraine war (a view that is, in our judgment, a false equivalence fallacy given that a Sino-U.S. conflict would unfold under very different circumstances).⁶¹ In contrast, specialists value the F-35's capability, even if they still sometimes wish it had been designed with different features. They also understand that there are no feasible alternatives that can meet U.S. air power requirements in the near- to medium-term.

57 Sharp, "Modest and Balanced."

58 Travis Sharp and Casey Nicastro, "Hardwired for Hardware: Congressional Adjustments to the Administration's Defense Budget Requests, 2016 to 2023," *Aether* 3, no. 1, Spring 2024, 10, https://www.airuniversity.af.edu/Portals/10/AEtherJournal/Journals/Volume-3_Number-1/Sharp_Nicastro.pdf.

59 Dov S. Zakheim, "Hegseth Wants Massive Pentagon Cuts, but Many Obstacles Stand in His Way," *The Hill*, February 21, 2025, <https://thehill.com/opinion/national-security/5155154-hegseth-wants-massive-pentagon-cuts-but-many-obstacles-stand-in-his-way/>.

60 Lolita C. Baldor, "Pentagon Is Cutting Up to 60,000 Civilian Jobs," *Associated Press*, March 18, 2025, <https://apnews.com/article/pentagon-doge-civilian-job-cuts-fbcb154fb9d5904f456aa3655e57c44>.

61 Dearman, "Elon Musk, Charged with Cutting Federal Spending, Calls Fort Worth's F-35 a Waste of Money."

CHAPTER 6

Conclusion

Based on the exercise results, we conclude that meeting the China challenge will require that the United States (1) realign funds within the DoD budget from lesser to higher priorities and (2) provide at least 2 percent annual real growth in the DoD budget. In other words, spending more effectively and spending more are both necessary, but neither alone is sufficient, for the United States to counter the Chinese threat.⁶²

There is no consequence-free way to increase funding for the top priority investments identified by CSBA's exercise if defense spending remains flat or declines. Potential savings from diversity activities, climate change, or efficiency reforms would amount to little more than pennies on the dollar. Eliminating older weapons systems or excess facilities would take time to produce savings and would face inevitable resistance from Congress. With these approaches offering no panacea, freeing up funds to invest in top priorities will demand making risk-laden tradeoffs elsewhere in the defense budget. The smaller the DoD budget, the riskier those tradeoffs would become.

One risky tradeoff involves balancing between the U.S. military's preparedness for present versus future conflicts. None of the exercise teams strictly modernized for the future without regard for the danger of near-term war. That outcome marks a change from past exercises. For years, many strategists believed that the United States ought to emphasize investments in cutting-edge capabilities while reducing the size of current forces, if necessary, to finance investments in qualitative military superiority.⁶³ These strategists reasoned that the United

62 Jane Harman and Eric S. Edelman, "A Course Correction on National Security," *Foreign Policy*, September 18, 2024, <https://foreignpolicy.com/2024/09/18/national-defense-strategy-united-states-security/>.

63 Michael E. O'Hanlon and James N. Miller, *Focusing on Quality over Quantity in the U.S. Military Budget* (Washington, DC: Brookings Institution, December 2019), <https://www.brookings.edu/articles/focusing-on-quality-over-quantity-in-the-us-military-budget/>.

States likely had time before it might face off militarily with China, so it could stand to take risk now to reduce risk later.⁶⁴

These arguments were compelling when made years ago. Today, however, the United States has run out of time. The odds of facing a serious military challenge from China in the next five years are high enough that one cannot be cavalier about cutting any part of the current force that might contribute to U.S. victory in that confrontation. Continuing current U.S. military operations in the competition phase might be precisely what deters China from undertaking military aggression in the first place. Conversely, the prospect of war breaking out more than five years from now also remains possible, meaning the U.S. military cannot neglect modernizing for future warfare. The strategy of mortgaging present preparedness for future preparedness had its heyday, but that heyday is over.

A second risky tradeoff involves balancing between nuclear force modernization versus conventional force modernization. Exercise teams with flat or declining budgets delayed the Sentinel nuclear-armed ICBM. In the exercise, that choice was necessary to balance the books. In the real world, it would incur risks that many American strategists would consider intolerable.

Although changes in the security environment are often overstated, the United States is on the verge of facing a truly unique and extremely worrisome development: the existence of two peer competitors in the nuclear domain. Russia, long Washington's chief nuclear rival and the benchmark for its nuclear posture and plans, remains an atomic heavyweight. Not only has Moscow been replacing its large inventory of Soviet-era strategic and non-strategic nuclear systems, but it has also been experimenting with novel weapons and delivery platforms.⁶⁵ China, long content with maintaining a minimal deterrent, is rapidly moving into the same weight-class. Not only is Beijing on pace to amass an arsenal of 1,000 nuclear weapons or more by 2030, but it also is modernizing its delivery systems across the board and appears likely to field many non-strategic nuclear options as well.⁶⁶ These developments put a premium on U.S. nuclear modernization efforts and can be expected to put a renewed spotlight on a critical role for the land-based ICBM leg of the strategic nuclear triad: providing a large, dispersed, and hardened target set for any rival—or rivals—contemplating a counterforce attack.⁶⁷

64 Shawn Brimley, *While We Can: Arresting the Erosion of America's Military Edge* (Washington, DC: CNAS, December 2015), <https://www.cnas.org/publications/reports/while-we-can-arresting-the-erosion-of-americas-military-edge>.

65 Hans M. Kristensen, Matt Korda, Eliana Johns, and Mackenzie Knight, "Russian Nuclear Weapons, 2024," *Bulletin of the Atomic Scientists* 80, no. 2, 2024, 118–145, <https://doi.org/10.1080/00963402.2024.2314437>.

66 DoD, *Military and Security Developments Involving the People's Republic of China 2024*, December 2024, 101–110, <https://media.defense.gov/2024/Dec/18/2003615520/-1/-1/0/MILITARY-AND-SECURITY-DEVELOPMENTS-INVOLVING-THE-PEOPLES-REPUBLIC-OF-CHINA-2024.PDF>; and Hans M. Kristensen, Matt Korda, Eliana Johns, and Mackenzie Knight, "Chinese Nuclear Weapons, 2024," *Bulletin of the Atomic Scientists* 80, no. 1, 2024, 49–72, <https://doi.org/10.1080/00963402.2023.2295206>.

67 Evan Braden Montgomery, *The Future of America's Strategic Nuclear Deterrent* (Washington, DC: CSBA, 2013), <https://csbaonline.org/research/publications/the-future-of-americas-strategic-nuclear-deterrent>.

Ultimately, the current administration has a window of opportunity for change, but that window may not remain open for long. Concerns about a U.S.-China military confrontation are growing steadily, while any administration's ability to recast defense spending tends to diminish later in its tenure.⁶⁸ The 8 percent relook therefore could end up being one of the most consequential defense decisions of President Trump's second term. Even still, absent defense budget growth, even the smartest choices are likely to be insufficient.

68 Sharp, *Slow and Steady*, 9–13.

LIST OF ACRONYMS

CCA	collaborative combat aircraft
CCP	Chinese Communist Party
CSBA	Center for Strategic and Budgetary Assessments
DoD	U.S. Department of Defense
FY	fiscal year
GDP	gross domestic product
ICBM	intercontinental ballistic missile
INDOPACOM	U.S. Indo-Pacific Command
LCS	Littoral Combat Ship
NDS	National Defense Strategy
OMB	Office of Management and Budget
PBR	president's budget request
PLA	People's Liberation Army
PRC	People's Republic of China
SCT	Strategic Choices Tool
sUAS	small unmanned aircraft system

CSBA

Center for Strategic and Budgetary Assessments

1667 K Street, NW, Suite 900

Washington, DC 20006

Tel. 202.331.7990 • Fax 202.331.8019

www.csbaonline.org