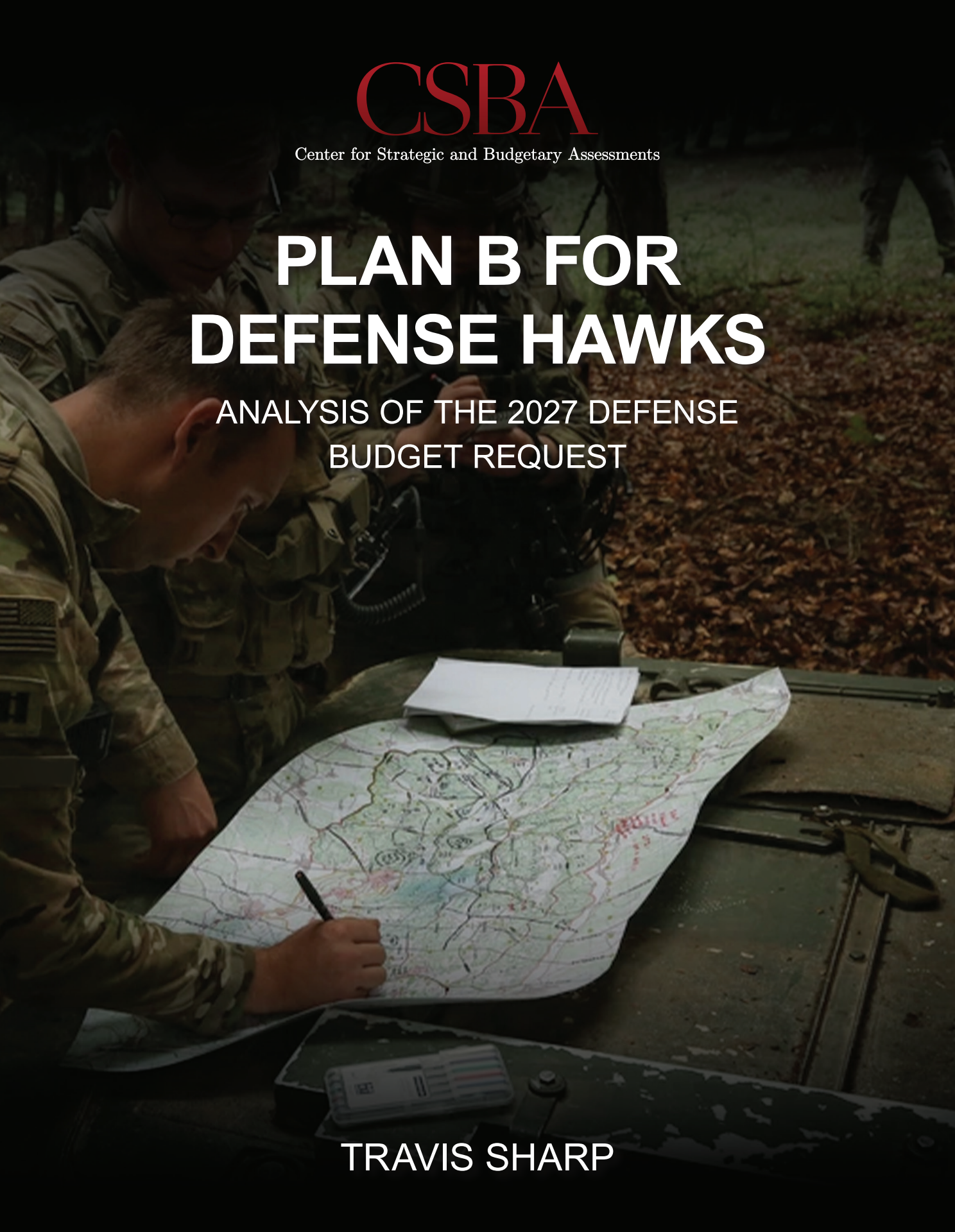


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PLAN B FOR DEFENSE HAWKS

ANALYSIS OF THE 2027 DEFENSE BUDGET REQUEST

TRAVIS SHARP

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Cover Graphic: U.S. soldiers, assigned to Iron troop, 3rd Squadron, 2nd Cavalry Regiment, conduct overview planning of their movement before an attack during Saber Junction 23 at Joint Multinational Readiness Center in the Hohenfels Training Area, Germany, September 14, 2023. Photo by Corporal Eric Perez.

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Executive Summary

The 2027 defense budget request is, without a doubt, the boldest of Donald Trump's intermittent attempts since 2017 to upend the military spending status quo. If enacted, the $1.5 trillion proposal would provide more than 40 percent real growth over last year's budget. It would steer resources toward investment and defense-wide initiatives and away from pay and operations and the military services. It would also prioritize the defense industrial base to a degree rarely seen in U.S. defense strategy. In size, composition, and strategic orientation, the request is anything but incremental. It is immoderate and unbalanced.

And yet, getting from desires to dollars has again proven tough for team Trump. Generational change is easier tweeted than done.[1] Congressional support for the 2027 request has been inconsistent, even among Republicans. In ways large and small, they have refused to back the administration's plans. This skepticism, combined with Democratic midterm victories, suggests that the budget ultimately passed by Congress will fall short of the administration's ambitions.

The question now is, what would be a good outcome for the 2027 budget? The request's enormous size, unusual structure, and controversial priorities make for a difficult legislative endgame. Analysts have admired the problems but offered few ideas to escape the mess.[2] Harmful continuing resolutions are clearly the wrong answer.

1 Brian Everstine, "Pentagon Previews 'Generational' Fiscal 2027 Budget Request," *Aerospace Daily & Defense Report*, March 12, 2026.

2 Greg Hadley, "A $1.5 Trillion Defense Budget? Not So Fast, Experts Warn," *Air & Space Forces Magazine*, July 23, 2026, https://www.airandspaceforces.com/chances-1-5t-defense-budget-fading-experts/.

Four Options for the 2027 Budget

This report proposes four options designed to appeal to defense hawks from both political parties who are committed to resourcing defense as best they can amid today's bracing partisanship. The options reflect five guiding principles:

1. **Size**: At least 2 percent real growth is necessary to protect high-priority investments and avoid potentially unmanageable tradeoffs, according to CSBA research.[3]
2. **Munitions**: Critical munitions are so important that they deserve special consideration.[4]
3. **Bipartisanship**: An option's ability to attract bipartisan support matters greatly, and the regular appropriations process allows that support to emerge.
4. **Baseline**: The 2027 request is not the only valid starting point for setting spending levels.
5. **Congress**: Legislative action on the 2027 budget should inform the options.

Under the options, the Defense Department budget would range from $1.05 trillion to $1.15 trillion (Table 1), exceeding the real growth benchmark identified by CSBA and meeting the target proposed by the congressionally-mandated National Defense Strategy Commission (Figure 1). All the options would quadruple critical munitions funding from last year and put all the money for them into the base budget (Figure 2). That recommendation is based on a rough estimate of how many munitions industry can produce, a constraint the 2027 request ignored.

Having satisfied the size and munitions principles, the options illustrate different approaches to the three remaining principles of bipartisanship, baselines, and congressional action to date.

3 Travis Sharp, Casey Nicastro, and Evan Braden Montgomery, *Relook Playbook: Defense Budgeting Insights from a CSBA Rebalancing Exercise* (Washington, DC: CSBA, 2025), https://csbaonline.org/resource/relook-playbook-defense-budgeting-insights-from-a-csba-rebalancing-exercise/.

4 Mackenzie Eaglen, "Rebuilding the Arsenal of Democracy," *The Dispatch*, May 11, 2026, https://thedispatch.com/article/military-weapons-munitions-shortage-iran-war/.

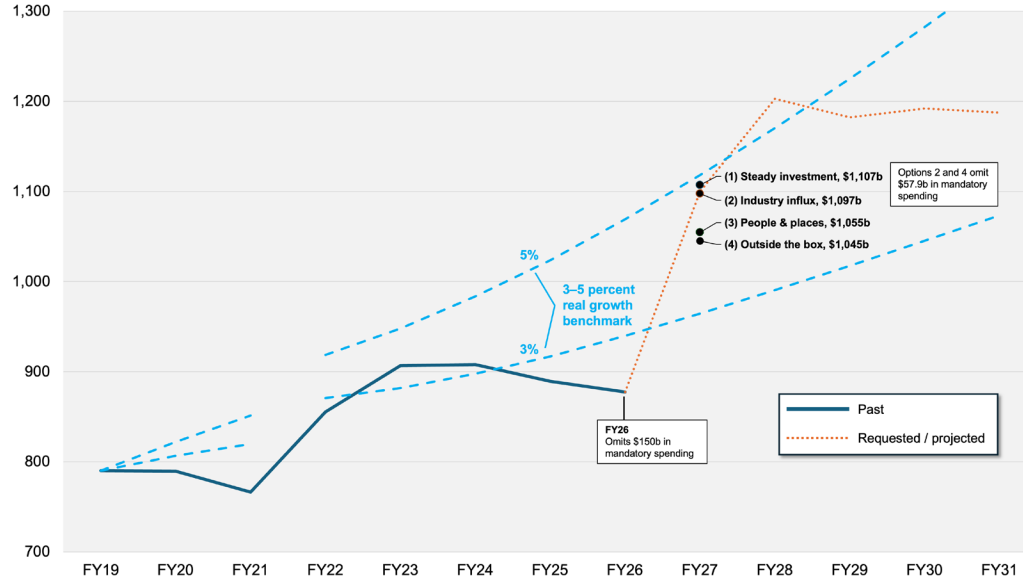
TABLE 1: FY27 REQUEST VS FOUR ALTERNATIVE OPTIONS (CURRENT DOLLAR BILLIONS)

	FY27 request	(1) Steady investment	(2) Industry influx	(3) People & places	(4) Outside the box
Base budget	**1,099.7**	**1,107.1**	**1,097.4**	**1,054.7**	**1,045.0**
Procurement	257.1	305.3	295.6	249.0	239.4
Research & development	218.8	218.7	218.7	165.2	165.2
Operation & maintenance	338.3	317.0	317.0	319.9	319.9
Military personnel	205.1	203.0	203.0	232.8	232.8
Military construction	28.6	18.9	18.9	29.8	29.8
Other programs	51.8	44.3	44.3	57.9	57.9
Mandatory spending	**350.0**	**0.0**	**57.9**	**0.0**	**57.9**
Total	**1,449.7**	**1,107.1**	**1,155.4**	**1,054.7**	**1,102.9**
Real growth (vs FY26 enacted)	40.8%	7.5%	12.2%	2.4%	7.1%
Percentage of GDP	4.3%	3.3%	3.4%	3.1%	3.3%

Source: CSBA analysis.

Notes: In billions nominal $ discretionary and mandatory budget authority. Totals may not add due to rounding. Mandatory spending refers to funding meant to be provided through the reconciliation proccess. Military construction includes family housing. Other programs includes defense health program and working capital funds.

FIGURE 1: NATIONAL DEFENSE STRATEGY COMMISSION BENCHMARK VS FOUR OPTIONS (CONSTANT FY27$ BILLIONS), EXCL. SUPPLEMENTALS AND MANDATORY SPENDING

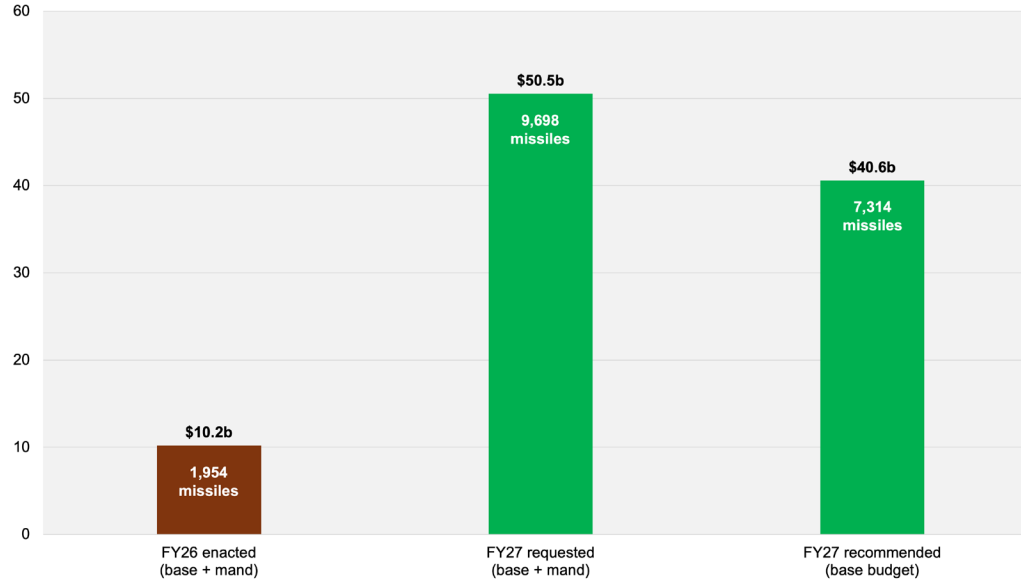


Sources: Defense Department, National Defense Strategy Commission.[5]

Notes: In billions FY27$ discretionary base budget authority. FY22 benchmark values adjusted upward by $42.1 billion to reflect merging $14.3 billion for direct war requirements and $27.8 billion for enduring requirements into FY22 base budget. Supplemental and mandatory funds are excluded because the commission's benchmark applies to the base budget only.

5 Department of Defense (DoD), *National Defense Budget Estimates for FY 2027*, September 2026, Tables, 5-6, 6-25, https://comptroller.war.gov/Portals/45/Documents/defbudget/FY2027/fy27_Green_Book.pdf; and National Defense Strategy Commission Final Report, July 2024, xi, https://www.rand.org/nsrd/projects/NDS-commission.html.

FIGURE 2: RECOMMENDED GROWTH IN CRITICAL MUNITIONS FUNDING (CURRENT DOLLAR BILLIONS)



Source: CSBA analysis.

Notes: In billions nominal $ discretionary and mandatory budget authority. See chapter 2 for list of critical munitions.

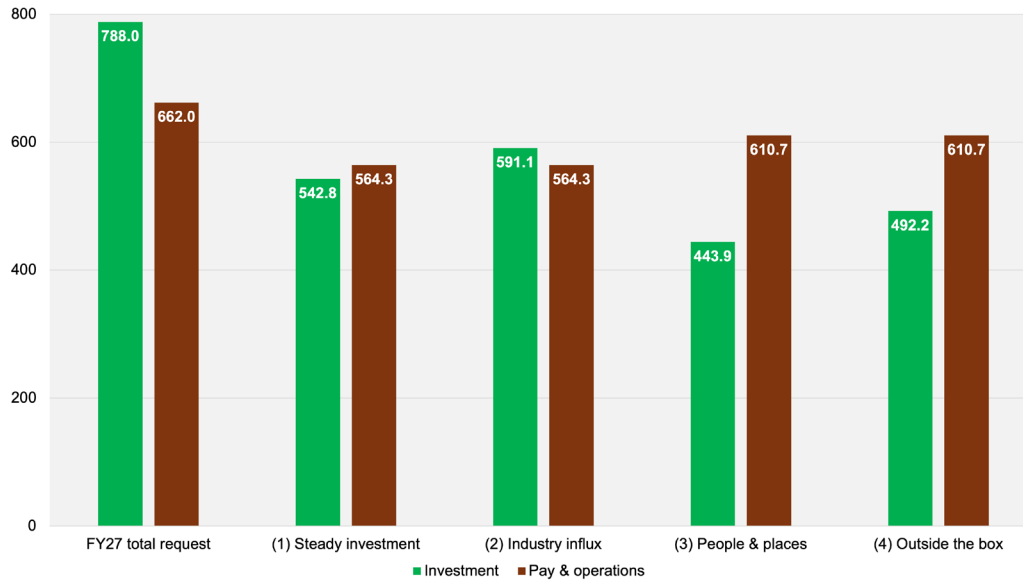
Option 1 ($1.11 trillion) provides all funding through the discretionary base budget, including $75.7 billion transferred in from the mandatory and supplemental spending requests. It therefore avoids the fractious politics of reconciliation. It starts from a higher baseline, the 2027 base budget request, but softens that by incorporating the biggest cuts proposed by the defense committees during markups this year. It is nicknamed "steady investment" because it devotes nearly half its total resources to investment, namely procurement and research and development (Figure 3). Under option 1, investment would receive its largest share of the budget since the 1980s, an appealing policy for those alarmed by the erosion of certain U.S. technological advantages relative to China.

Option 2 ($1.15 trillion) relies on mandatory spending provided through reconciliation, something Republicans could pursue during the lame-duck session. It would transfer into the base budget $66.1 billion from the mandatory and supplemental spending requests while also including a $57.9 billion mandatory package sized to comport with Republican action on defense reconciliation this year. Option 2 features the same higher-baseline-with-cuts construction as option 1. It is nicknamed "industry influx" because its mandatory package would funnel additional funds into strengthening the industrial base. Option 2 should appeal to those who see the 2027 budget as a last chance to surge defense spending prior to what could be several years of tepid policymaking under divided government and presidential campaigning.

Option 3 ($1.05 trillion) shuns reconciliation and relies entirely on the base budget, like option 1, but the similarities end there. It starts with a lower baseline, the 2026 enacted base budget, but hardens that by adding 5 percent real growth plus the biggest increases proposed by the defense committees during markups this year. The result is a "people and places" plan that, relative to options 1 and 2, emphasizes military personnel and military construction while deemphasizing procurement and research and development (Figure 4). Option 3 should appeal to those who worry about upping the budget too fast and believe that end strength and force posture are critical factors too often neglected by the U.S. obsession with hardware.

Option 4 ($1.10 trillion) combines option 2's reconciliation with option 3's lower-baseline-with-adds construction, resulting in an "outside the box" plan that generously funds procurement, military personnel, and military construction but not research and development. This unorthodox combination of emphases should appeal to those who believe future U.S. military strength depends more on adopting policies that harness commercial innovation than on maintaining massive research and development budgets. Option 4's mandatory funding for the industrial base would support the transition to a transformed acquisition ecosystem.

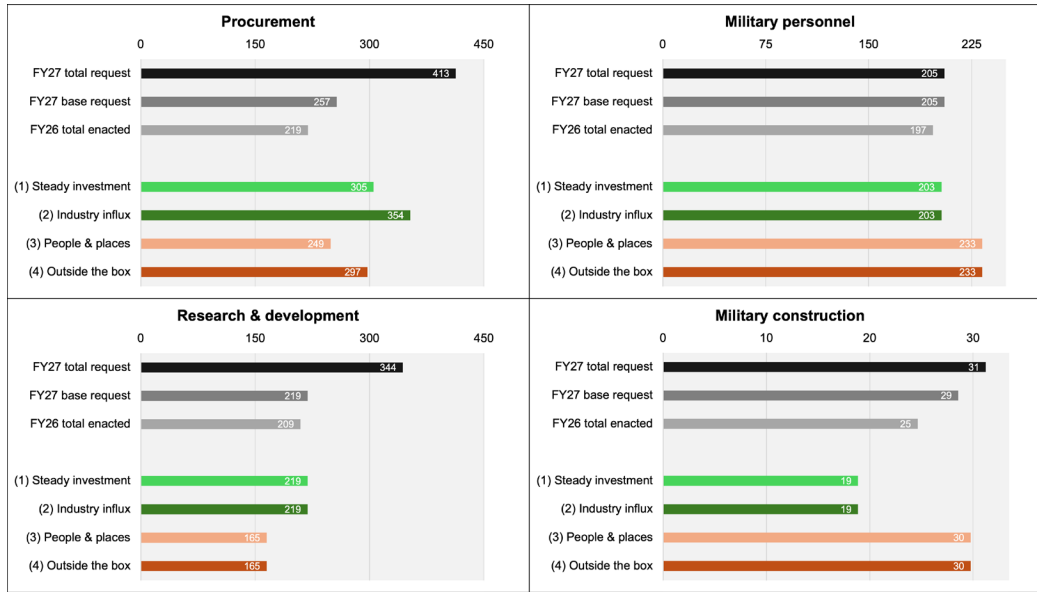
FIGURE 3: INVESTMENT VS PAY AND OPERATIONS IN FOUR OPTIONS (CURRENT DOLLAR BILLIONS)



Source: CSBA analysis.

Notes: In billions nominal $ discretionary and mandatory budget authority. Investment includes procurement, research and development, and military construction. Pay and operations includes military personnel, operation and maintenance, and other programs. In options 2 and 4, the $57.9 billion in mandatory spending goes to investment.

FIGURE 4: DIFFERENCES IN FUNDING BY ACCOUNT ACROSS FOUR OPTIONS (CURRENT DOLLAR BILLIONS)



Source: CSBA analysis.

Notes: In billions nominal $ discretionary and mandatory budget authority. Operation and maintenance funds are excluded because the amounts are similar across the four options, so there is little variation to depict.

Recommendation: Choose Option 1 or Option 3

The 2027 request has warped perceptions of what success looks like for defense hawks. Each option above could be a good outcome for the 2027 budget, depending on one's priorities. Although each option would provide less money than requested, all options would boost last year's budget. Furthermore, options 1, 2, and 4 would deliver growth on par with Reagan-era increases.[6] It is a sign of our strange times that a Reagan-sized expansion can somehow be seen as falling short. Hawks ought to reject that premise and framing. The 2027 request should not define who or what qualifies as strong on defense.

The author believes lawmakers should pursue option 1 because it intensifies U.S. defense effort without the fuss of reconciliation. Although option 1 is preferred, the author also sees option 3 as compelling, particularly if its adoption helps forge a bipartisan coalition of lawmakers willing to approve steady increases of similar size (2–3 percent real growth) over the next two years. The fear of destroying such a coalition leads the author to oppose options 2 and 4 relying on reconciliation. The military gains from the modestly sized mandatory spending package in the offing (~$60 billion) are not worth the political and institutional

6 DoD, *National Defense Budget Estimates for FY 2027*, Table 6-8.

damage that would be wrought by using party-line reconciliation tactics during the lame-duck session.

It is easy to get fixated on this year's budget, particularly with the 2027 request being unprecedented in so many ways. But policymakers should remember that military strength rises or falls based on the accumulated effect of many budgets over many years. Options 1 and 3 are the best choices because, by forsaking reconciliation, they help protect the bipartisan support for upward-drifting defense budgets that has held since 2016 across administrations of both parties. The survival of that political support is essential to maintaining the military preparedness necessary to deter and defeat the nation's adversaries in Asia, Europe, and the Middle East.

CHAPTER 1

Immoderate and Unbalanced: The 2027 Request

In a retrospective on the first Trump administration, the author concluded that changes to U.S. military spending, readiness, and forces were modest and balanced.[7] Results in the first term hewed closer to historical norms than the president and many experts claimed. Budgets did not shift dramatically despite sky-high expectations. Instead, the status quo proved highly stable and resistant to change, just as it had for decades. The implication for the future was clear: "Incrementalism prevailed in Trump's first administration, and it will likely prevail in his second administration, too."[8]

The 2027 request presents the ultimate test of that argument. The $1.5 trillion proposal is, without a doubt, the boldest of Donald Trump's intermittent attempts since 2017 to upend the defense spending status quo. If enacted, it would provide more than 40 percent real growth over last year's budget. It would steer resources toward investment and defense-wide initiatives and away from pay and operations and the military services. It would also prioritize the defense industrial base to a degree rarely seen in U.S. defense strategy. In size, composition, and strategic orientation, the request is anything but incremental. It is immoderate and unbalanced.

7 Travis Sharp, "Modest and Balanced: The U.S. Defense Budget Buildup during the First Trump Administration, 2017–2020," *Defence and Peace Economics* 37, no. 1, 2026, https://doi.org/10.1080/10242694.2025.2477110.

8 Sharp, "Modest and Balanced," 3.

And yet, getting from desires to dollars has again proven tough for team Trump. Generational change is easier tweeted than done.[9] Congressional support for the 2027 request has been inconsistent, even among Republicans. In ways large and small, they have refused to back the administration's plans. This skepticism, combined with Democratic midterm victories, suggests that the budget ultimately passed by Congress will fall short of the administration's ambitions. The first-term theme of anticlimax will therefore repeat itself.

More Money, More Investment, More Defense-Wide

The fiscal year (FY) 2027 Department of Defense (DoD) budget request has two main parts (Table 2). The first part is a $1.1 trillion discretionary base budget aimed at the regular appropriations process on Capitol Hill. The second part is a $350 billion mandatory spending proposal meant to be enacted through reconciliation, a fast-track process that permits congressional approval through simple majorities in both houses (as opposed to the two-thirds majority usually required in the Senate).

9 Brian Everstine, "Pentagon Previews 'Generational' Fiscal 2027 Budget Request," *Aerospace Daily & Defense Report*, March 12, 2026.

TABLE 2: BUDGET AUTHORITY IN PRESIDENT'S REQUEST (CURRENT DOLLAR BILLIONS), FY26 TO FY31

Totals may not add due to rounding	FY26 enacted	**FY27 requested**	FY28 projected	FY29 projected	FY30 projected	FY31 projected
DoD (excl. supplemental & mandatory)	**857.6**	**1,100.0**	1,229.8	1,235.3	1,273.3	1,296.5
DoD base budget (discretionary)	857.6	1,100.0	1,229.8	1,235.3	1,273.3	1,296.5
DoD (incl. supplemental & mandatory)	**1,009.1**	**1,517.1**	1,229.8	1,235.3	1,273.3	1,296.5
Supplemental (Iran conflict, autonomy, drones, space)[A]	-	67.1	-	-	-	-
DoD mandatory (reconciliation)[B]	151.5	350.0	-	-	-	-
National defense (excl. supplemental & mandatory)	902.8	1,153.5	1,284.4	1,291.0	1,330.2	1,354.5
DoD base budget (discretionary)	857.6	1,100.0	1,229.8	1,235.3	1,273.3	1,296.5
Atomic energy defense activities (discretionary)	34.2	41.6	42.5	43.3	44.2	45.1
Defense-related activities (discretionary)	11.0	11.9	12.2	12.4	12.7	13.0
National defense (incl. supplemental & mandatory)	1,060.3	1,572.3	1,284.4	1,291.0	1,330.2	1,354.5
Supplemental (DoD plus DOE Iran-related spending)[A]	-	68.7	-	-	-	-
DoD mandatory (reconciliation)[B]	151.5	350.0	-	-	-	-
Non-DoD mandatory (reconciliation)	6.0	-	-	-	-	-
Nominal growth DoD (excl. suppl. & mand.)	1.1%	28.3%	11.8%	0.4%	3.1%	1.8%
Nominal growth DoD (incl. suppl. & mand.)	17.1%	50.3%	-18.9%	0.4%	3.1%	1.8%
Real growth DoD (excl. suppl. & mand.) (FY27 GDP price index)	-1.8%	**25.7%**	9.6%	-1.5%	1.1%	-0.2%
Real growth DoD (incl. suppl. & mand.) (FY27 GDP price index)	13.7%	**47.3%**	-20.5%	-1.5%	1.1%	-0.2%

Sources: DoD, Office of Management and Budget (OMB).[10]

Notes: In billions nominal $ discretionary and mandatory budget authority. DOE: Department of Energy.

A. The administration requested FY26 supplemental funds for the Iran conflict and other purposes, but Congress provided no funding in FY26. Table 2 logs the supplemental request under FY27 because it assumes the administration will continue seeking the funds in FY27.

B. FY26 DoD mandatory figure reflects the administration's assumption about the portion of total reconciliation resources to be spent in FY26.[11] As of October 28, DoD had obligated 97.5 percent of the funds from Public Law (P.L.) 119-121 ("One Big Beautiful Bill Act"), indicating it fell just shy of its $151.5 billion FY26 target.[12] Funds in P.L. 119-121 can be spent through FY29.

10 Department of Defense (DoD), *FY 2027 Budget Overview Book*, April 2026, Figure 1.1, https://comptroller.war.gov/Portals/45/Documents/defbudget/FY2027/FY2027_Budget_Request_Overview_Book.pdf; DoD, *National Defense Budget Estimates for FY 2027*, September 2026, Table 1-2, https://comptroller.war.gov/Portals/45/Documents/defbudget/FY2027/fy27_Green_Book.pdf; Office of Management and Budget (OMB), "FY 2026 Supplemental," June 24, 2026, https://www.whitehouse.gov/wp-content/uploads/2026/06/2026.06.24-Letter-to-the-Honorable-Mike-Johnson.pdf; and OMB, *FY 2027 Historical Tables*, April 2026, Table 10.1, https://www.whitehouse.gov/wp-content/uploads/2026/04/hist10z1_fy2027.xlsx.

11 DoD, "Reconciliation Spend Plan," May 4, 2026, 2, https://comptroller.war.gov/Portals/45/Documents/news/FY2026_Mandatory_Funding_Allocation_Plan.pdf. DoD's FY27 budget documents report reconciliation spending in two different ways, often blending them together. The first method, "report when spent," is the portion of total reconciliation resources obligated per fiscal year (see *Budget Overview Book*, Figure 1.1). The second method, "report when provided," is the total reconciliation resources made available in the originating fiscal year (see *National Defense Budget Estimates*, Table 1-2). Following DoD, table 2 mixes the methods, with the FY26 reconciliation figure using report when spent while the FY27 reconciliation figure uses report when provided (unless one believes all $350 billion would be spent in FY27—an unlikely outcome). Other analysts have noted the inconsistent reconciliation reporting; see Elaine McCusker and John G. Ferrari, "Analyzing the 2027 Defense Budget Request," American Enterprise Institute (AEI), April 16, 2026, 2, https://www.aei.org/research-products/working-paper/analyzing-the-2027-defense-budget-request/.

12 DoD, "Department of War Achieves 97.5% Obligation Goal of FY 2026 OBBBA Funding," October 28, 2026, https://www.war.gov/News/Releases/Release/Article/4635748/department-of-war-achieves-975-obligation-goal-of-fy-2026-obbba-funding/.

Together, the base budget and mandatory proposal equal $1.45 trillion, representing 40.8 percent real growth relative to last year's budget. A single-year increase of that size is almost unprecedented since World War II; the U.S. defense budget usually expands or contracts by no more than a few percent each year.

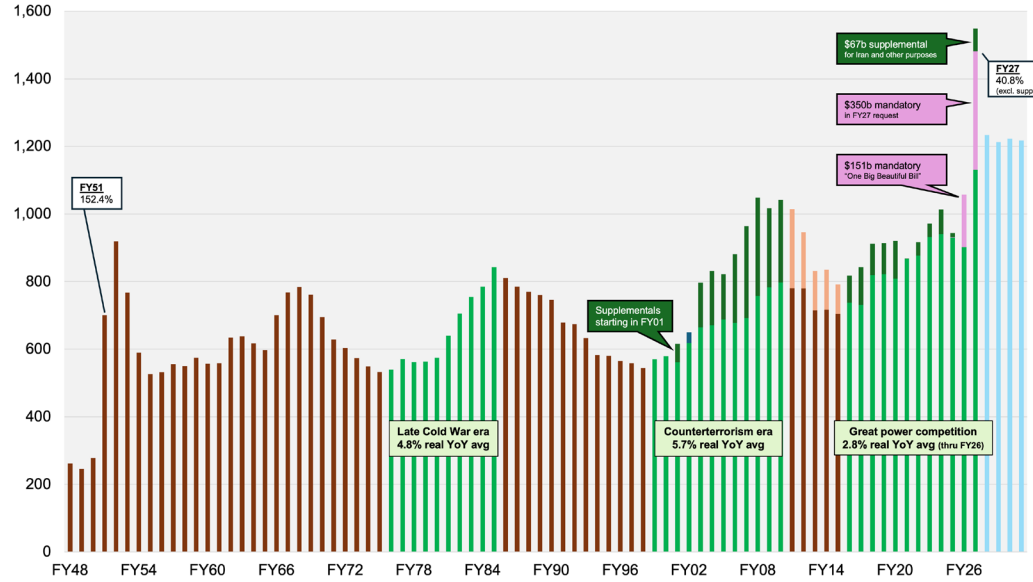
The base budget and mandatory proposal are not the only funding requests sent to Congress this year. In June, the White House also requested $67.1 billion in supplemental DoD funding to cover costs incurred during the Iran conflict as well as investments in autonomy, drones, and space capabilities. Since the supplemental would finance items also funded in the base budget and mandatory proposal, disentangling the three packages has become quite difficult.[13]

The supplemental was meant to supply FY 2026 funds, but the fiscal year ended without Congress acting on it. The author assumes the administration will continue seeking (or at least gladly accept) the same supplemental funding in FY 2027. For that reason, several of the chapter's exhibits log the supplemental under 2027. Lumping the supplemental into 2027 pushes DoD's total request to over $1.5 trillion, or 47.3 percent real growth from last year. That is an immoderate proposal.

For the past decade, DoD's topline has followed what that author calls an upward drift (Figure 5). Funding has increased in real terms nearly every year since 2016, but the growth rate has trailed the buildups during the late Cold War and counterterrorism eras. Within this context, the 2027 request is notable in two respects. It would (a) disrupt the upward drift pattern with a sudden spending surge and (b) bring the current drift's duration, 12 years, equal to the counterterrorism era's duration.

13 Todd Harrison, "The Discontinuous Defense Budget: Understanding the $1.5 Trillion Pivot," AEI, August 12, 2026, 15, https://www.aei.org/research-products/working-paper/the-discontinuous-defense-budget-understanding-the-1-5-trillion-pivot/.

FIGURE 5: DOD TOPLINE WITH THREE UPWARD DRIFT PERIODS (CONSTANT FY27$ BILLIONS), FY48 TO FY31, INCL. SUPPLEMENTALS AND MANDATORY SPENDING



Sources: DoD, OMB.[14]

Notes: In billions FY27$ discretionary and mandatory budget authority. Figure does not break out supplementals prior to FY01. Iran supplemental and mandatory spending treated in same manner as table 2. YoY: year over year.

If Congress sets the 2027 budget below the request but above the inflation rate, as this report's options recommend, the current upward drift will continue. If next year's budget also provides real growth, then the current upward drift will become the longest since World War II. Such a steady intensification of defense effort is remarkable for a democracy, even if the return on investment has proved underwhelming for various reasons, not least of which is the rapid military progress by potential U.S. adversaries over the same period.

The 2027 request is not only immoderate in size but also unbalanced in composition (Figure 6). It plays favorites hard. Excluding the supplemental, it allocates 53 percent of total resources to investment, primarily procurement and research and development, and only 47 percent to pay and operations. (Those percentages are basically reversed when excluding mandatory funds; investment gets 46 percent of the base budget).[15] Investment dollars would flow to many areas, but munitions and space systems stand out as clear favorites.[16] The

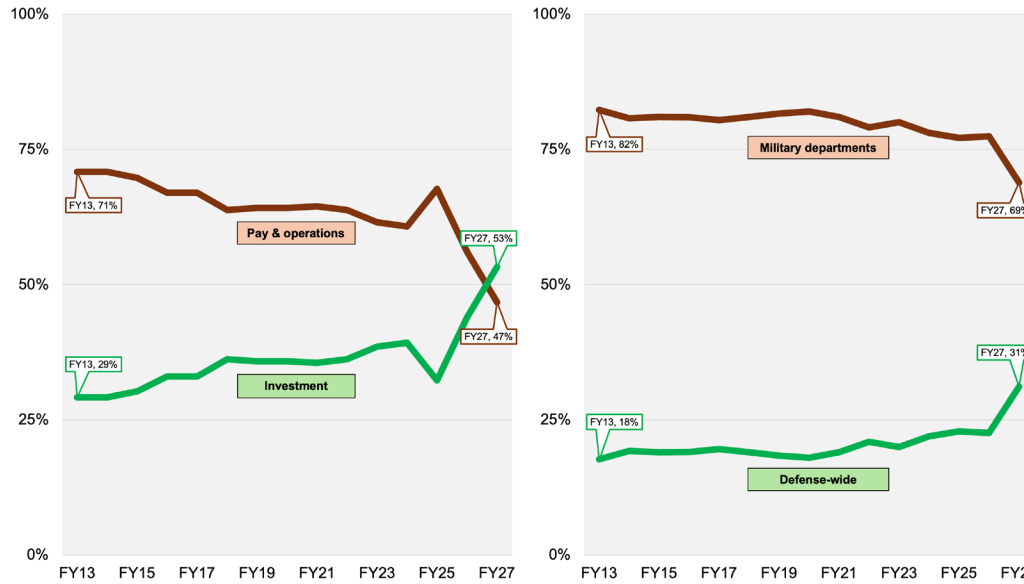
14 DoD, *National Defense Budget Estimates for FY 2027*, Tables 1-1, 2-1, 5-6, 6-8; DoD, *FY 2027 Budget Overview Book*, Figure 1.1; and OMB, "FY 2026 Supplemental."

15 Allocating 46 percent to investment would still represent investment's largest spending share since the 1980s. DoD, *FY 2027 Budget Overview Book*, Table A-1; and DoD, *National Defense Budget Estimates for FY 2027*, Table 6-8.

16 Sam Wilson, "FY 2027 Defense Space Budget: Dramatic and Targeted Growth," Center for Space Policy and Strategy, Aerospace Corporation, August 2026, https://csps.aerospace.org/papers/fy-2027-defense-space-budget-dramatic-and-targeted-growth; and Congressional Research Service (CRS), *FY2027 Defense Budget: Funding for Selected Weapon Systems*, September 3, 2026, https://www.congress.gov/crs-product/R49023.

request breaks from the usual pattern in which pay and operations consume roughly two-thirds of defense spending. It is a stark change from 2013, when sequestration cuts resulted in investment receiving its smallest budget share in 70 years.[17] Stuffing money into investment carries well-known risks related to execution and executive control.[18] Still, it is another way the 2027 request bucks the status quo.

FIGURE 6: GROWING BUDGET SHARES FOR INVESTMENT AND DEFENSE-WIDE (PERCENTAGE OF DOD TOPLINE), FY13 TO FY27, INCL. SUPPLEMENTALS (NOT IRAN) AND MANDATORY SPENDING



Source: DoD.[19]

Notes: Excludes $67.1 billion Iran supplemental request. Investment includes procurement, research and development, military construction, and family housing. Pay and operations includes military personnel, operation and maintenance, and revolving and management funds. Calculated from discretionary and mandatory budget authority. Underlying topline numbers are the same as those presented in figure 5.

The request also favors defense-wide spending that occurs outside the military departments. That spending reflects the preferences of DoD's civilian leadership. Defense-wide would absorb 31 percent of the request, excluding the supplemental, its highest budget share since World War II and well above its second-highest share (23 percent) hit in 2025 and 2026.[20]

17 DoD, *National Defense Budget Estimates for FY 2027*, Table 6-8.

18 Gordon Adams, "Defense Choices and Resource Constraints: The Dilemma of the Investment-Driven Defense Budget," *Yale Law & Policy Review* 5, no. 1, Fall-Winter 1986, 7–37; and Matt Vallone, "Why a $1.5 Trillion Defense Budget Request Might Slow the Pentagon's Reform Efforts," *War on the Rocks*, March 5, 2026, https://warontherocks.com/cogs-of-war/why-a-1-5-trillion-defense-budget-request-might-slow-the-pentagons-reform-efforts/.

19 DoD, *National Defense Budget Estimates for FY 2027*, Tables 6-8, 6-10; and DoD, *FY 2027 Budget Overview Book*, Tables A-8, A-9.

20 DoD, *National Defense Budget Estimates for FY 2027*, Table 6-10.

Though the defense-wide emphasis is norm-defying, it is also concentrated in mandatory funds—to the tune of $245 billion (70 percent) of the $350 billion mandatory total.[21] (The base budget, in contrast, allocates 17 percent to defense-wide, well within historical norms). Golden Dome represents only 5 percent of the mandatory spending request, so it alone is not the reason that request is skewed toward defense-wide funds.

Most defense-wide mandatory funds would go to investment, creating an interdependence that is politically minded. If lawmakers choose to spend generously on investment, which they often do, then the request steers them to approve the mandatory funding proposal with its defense-wide programs over which DoD's civilian leaders have much influence. One risk of this centralizing move is that military end users may not effectively absorb what is being bought.[22] If military leaders wanted something that badly, then they would have put it in their own budgets. The 2027 request's strong bias in favor of defense-wide magnifies that risk.

The 2027 DoD budget request is immoderate and unbalanced in its pursuit of more money, more investment, and more defense-wide. Those choices depart from the status quo. So too does the strategic rationale behind them.

Supercharging the Industrial Base: A 1951 Analogy

The 2027 request's call for over 40 percent real growth would be the second-largest increase in percentage terms since World War II, trailing only 1951. The comparison to that year is instructive. The budget skyrocketed in 1951 because the Truman administration pursued three interrelated initiatives.[23] It simultaneously reversed post-World War II demobilization, fought the opening stages of the Korean War, and adopted an aggressive strategy (NSC-68) to contain global communism. Together, those costly pursuits drove 1951 to be the most extreme budgetary shift in DoD's history.[24]

One would expect the 2027 request, as runner up to 1951, to be driven by similarly ambitious objectives. Its aims might not match the zeal of the early Cold War, but they ought to be lofty enough to justify the biggest budget boost since Truman's time.

The 2026 National Defense Strategy demonstrates such ambition in only one area: its call to supercharge the U.S. defense industrial base. Advocating a "once-in-a-century revival of American industry" is consistent with the large-scale spending increase seen in the

21 DoD, *FY 2027 Budget Overview Book*, Table A-3.

22 Thomas G. Mahnken, *Technology and the American Way of War Since 1945* (New York: Columbia University Press, 2008).

23 Doris M. Condit, *History of the Office of the Secretary of Defense, Volume 2: The Test of War, 1950–1953* (Washington, DC: Office of the Secretary of Defense, 1988), chapter XII.

24 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.

2027 request.[25] Other parts of the strategy, in contrast, do not seem to demand such a large budget. Defending the homeland, maintaining a balance of power with China, and increasing burden-sharing with allies do not obviously require a spending spike. They would require a massive boost only if the administration assessed the United States to be so woefully behind on the homeland and China threats that the 2027 request was the only way to catch up. If that really was its assessment, however, then the administration should have written a much different strategy—one that starkly stated the present dangers to "bludgeon the mass mind of 'top government'" into taking decisive action, as NSC-68 tried to do.[26] The strategy does not do that. If anything, it strikes a surprisingly conciliatory tone toward Beijing.[27]

As written, then, the strategy's goal for the industrial base provides the only compelling rationale for a budget buildup.[28] If we very roughly equate that goal to 1951's reversal of the post-World War II drawdown, then the 2027 request possesses one of the three major ambitions of the 1951 budget.[29] It then makes some sense that the 2027 request proposed an increase about one-third the size of 1951's increase in percentage terms.[30] Accomplishing one generational objective requires one-third the resources of pursuing three such objectives.

The 1951 analogy is interesting but no doubt risks bestowing greater intellectual coherence on the 2027 request than it deserves. President Trump may very well have requested a $1.5 trillion defense budget because he likes huge round numbers.[31] Any apparent congruence between budget size and strategy is merely after-the-fact rationalizing. Though that possibility cannot be dismissed, the wisdom of policymakers' actions sometimes becomes clearer in retrospect even if it was not fully intended by them or appreciated by onlookers at

25 DoD, *2026 National Defense* Strategy, January 2026, 21, https://media.defense.gov/2026/Jan/23/2003864773/-1/-1/0/2026-NATIONAL-DEFENSE-STRATEGY.PDF.

26 Dean Acheson, *Present at the Creation: My Years in the State Department* (New York: W.W. Norton & Company, 1969), 374.

27 Michael R. Gordon, "Pentagon's New Defense Strategy Strikes Conciliatory Tone on China," *Wall Street Journal*, January 23, 2026, https://www.wsj.com/politics/national-security/pentagons-new-defense-strategy-strikes-conciliatory-tone-on-china-03b0940f.

28 Administration officials highlighted the primacy of industrial base considerations in determining the budget's size and composition. See DoD, "Honorable Jay Hurst and Lt. Gen. Steven Whitney Hold Press Briefing on the Department's Fiscal Year 2027 Defense Budget," April 21, 2026, https://www.war.gov/News/Transcripts/Transcript/Article/4466209/honorable-jay-hurst-and-lt-gen-steven-whitney-hold-press-briefing-on-the-depart/.

29 Recall that the 2027 request's size was set in January 2026 prior to the Iran conflict, so war-related ambitions do not really factor into the comparison with 1951. The administration may have anticipated in January that future Iran war costs were possible, but it surely did not anticipate a Korean War-sized effort. Costas Pitas and Andrea Shalal, "Trump Calls for $1.5 Trillion Military Budget in 2027, Up from $901 Bln in 2026," *Reuters*, January 8, 2026, https://www.reuters.com/world/us/trump-says-us-military-budget-2027-should-be-15-trillion-2026-01-07/.

30 Including the Iran supplemental, the 2027 request's real increase of 47.3 percent is roughly one-third of 1951's increase of 152.4 percent. See table 2 and figure 5.

31 Walter Pincus, "The $1.5 Trillion Defense Budget Without a Strategy," *The Cipher Brief*, July 21, 2026, https://www.thecipherbrief.com/the-1-5-trillion-defense-budget-without-a-strategy.

the time.[32] Presidents can do something for one reason that ends up being a good move for another reason. Trump is no Truman, but his emphasis on revitalizing the industrial base is sorely needed and long overdue.

Congress ought to look favorably on an industrially-oriented budget. Lawmakers relish steering money toward weapons production and research performed by their constituents.[33] Fortifying the defense industrial base would provide more opportunities for more people throughout the United States to perform meaningful work on behalf of the U.S. military. Despite this draw, the 2027 request has encountered resistance in Congress, and not just from Democrats.

Congressional Resistance to the Request

The 2027 request has gotten a lukewarm reception on Capitol Hill. Democrats have criticized its size and priorities.[34] Yet, that is what the loyal opposition is supposed to do. The more surprising reactions have come from Republicans. In ways large and small, they have refused to back the administration's plans.

The biggest example is Republicans not passing a party-line reconciliation measure for defense prior to the midterms.[35] That outcome contrasts with last year's GOP-led passing of the "One Big Beautiful Bill Act," which provided over $150 billion for DoD. The politics of defense reconciliation this year were significantly harder for Republicans than they were last year.[36] Two sticking points have been the Iran war and the absence of a tax cut that could be offered to fiscal conservatives in exchange for their backing defense boosts (as happened last year).[37]

Even the preliminary steps taken on defense reconciliation this year were modest compared to the 2027 request. The House passed a budget resolution in July calling for $60 billion in

32 Ionut Popescu, *Emergent Strategy and Grand Strategy: How American Presidents Succeed in Foreign Policy* (Baltimore, MD: Johns Hopkins University Press, 2017).

33 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, https://www.airuniversity.af.edu/Portals/10/AEtherJournal/Journals/Volume-3_Number-1/Sharp_Nicastro.pdf.

34 Jack Reed, "Reed Opposes Trump's Unjustified Defense Budget Increase," April 3, 2026, https://www.reed.senate.gov/news/releases/reed-opposes-trumps-unjustified-defense-budget-increase.

35 Seamus Daniels, "Tracking FY 2027 Defense Appropriations, Reconciliation, and the Supplemental Request," Center for Strategic and International Studies (CSIS), August 18, 2026, https://www.csis.org/analysis/tracking-fy-2027-defense-appropriations-reconciliation-and-supplemental-request.

36 Alex Miller and Adam Pack, "Trump's Push for $350 Billion 'Arsenal of Freedom' Hits GOP Skepticism," *Fox News*, June 11, 2026, https://www.foxnews.com/politics/trumps-push-350-billion-arsenal-freedom-hits-gop-skepticism.

37 Author interview with senior Republican congressional staffers, May 5, 2026. On fiscal conservatives' concerns, see Alexander Ciccone, "Defense Budget Increase Is Too Large, Other Reforms Are Also Needed," National Taxpayers Union, June 4, 2026, https://www.ntu.org/publications/detail/defense-budget-increase-is-too-large-other-reforms-are-also-needed.

mandatory defense funds. The Senate delayed consideration of its own resolution with the same $60 billion for defense until after the midterms.[38] A $60 billion package is less than one-fifth the $350 billion sought by the administration. Republican enthusiasm for a larger amount just never emerged, despite lobbying by DoD officials.[39]

Republican unhappiness with the 2027 request's mandatory proposal has shown up in other ways, too. Reports by the GOP-controlled House Appropriations Committee and Senate Armed Services Committee have complained about the administration packing investment priorities into the mandatory request rather than the base budget.[40] The reports note that reconciliation is a one-time event lacking the steadiness of the annual appropriations process. Appropriators' unhappiness is understandable given that reconciliation sidesteps their committee's power. The concern also coming from authorizers, however, is noteworthy. Reconciliation gives them greater control over funding decisions, so they have a strong incentive to embrace it. The fact that they too have expressed reservations indicates a deeper worry.

Indeed, the larger concern is about loss of congressional influence. OMB has dictated the spending of "One Big Beautiful Bill Act" mandatory funds approved last year, repeatedly acting contrary to congressional intent.[41] It is reasonable for defense-minded Republicans to worry that passing another defense reconciliation measure will again hand control to OMB, which at its upper (political) levels has limited expertise and enthusiasm for military affairs.[42]

38 Alexander Bolton, "Lame-Duck Agenda Balloons as Congress Punts Priorities Until After Election," *The Hill*, September 2, 2026, https://thehill.com/homenews/senate/6064611-gop-punted-lame-duck-agenda/.

39 Pete Hegseth, "Defense and Fiscal Hawks, Unite!" June 23, 2026, https://x.com/DeptofWar/article/2069470838009864649.

40 House Appropriations Committee, H. Rept. 119-715, June 26, 2026, 4, https://www.congress.gov/committee-report/119th-congress/house-report/715/1; and Senate Armed Services Committee, S. Rept. 119-127, June 15, 2026, 401–402, https://www.congress.gov/committee-report/119th-congress/senate-report/127/1.

41 Author interview with senior Republican congressional staffers, May 5, 2026; and Anastasia Obis, "DoD Plans to Spend Entire $152 Billion from Reconciliation Bill in One Year," *Federal News Network*, February 24, 2026, https://federalnewsnetwork.com/defense-main/2026/02/dod-plans-to-spend-entire-152-billion-from-reconciliation-bill-in-one-year/.

42 Paul M. Krawzak and Peter Cohn, "The Man with a Plan to Upend Government, and What It Entails," *Roll Call*, December 2, 2024, https://rollcall.com/2024/12/02/the-man-with-a-plan-to-upend-government-and-what-it-entails/.

Smaller examples of Republican resistance also abound. One interesting area that rarely receives attention is reprogramming requests. Each year, DoD asks the defense committees for permission to shift funds previously appropriated by Congress.[43] Reprogramming helps DoD to increase efficiency and respond to unforeseen events through internal adjustments. This year, DoD submitted several reprogramming requests to fill gaps created by the Iran conflict.[44] Although the requests often dealt with pay and operations funds being spent in FY 2026, they also covered investment funds that will be spent in FY 2027 (and beyond). By studying the outcomes of these requests, we can gauge the general attitude of the GOP-led defense committees toward the administration's budget plans.

Investment-related reprogramming outcomes show that Republicans approved more cuts than adds and rejected many of the administration's asks (Figure 7). The approval rate for decreases (84.4 percent) sits right at the historical average but the rate for increases (49.9 percent) is far lower, indicating skepticism about the administration's add-ons.[45] The GOP-controlled defense committees did not give DoD a blank check for war, as some Democrats have claimed.[46] The committees also did not just robotically funnel more money into investment despite that being Congress's favored area of DoD spending. In sum, reprogramming outcomes provide additional evidence of congressional Republicans quietly defying President Trump's wishes.

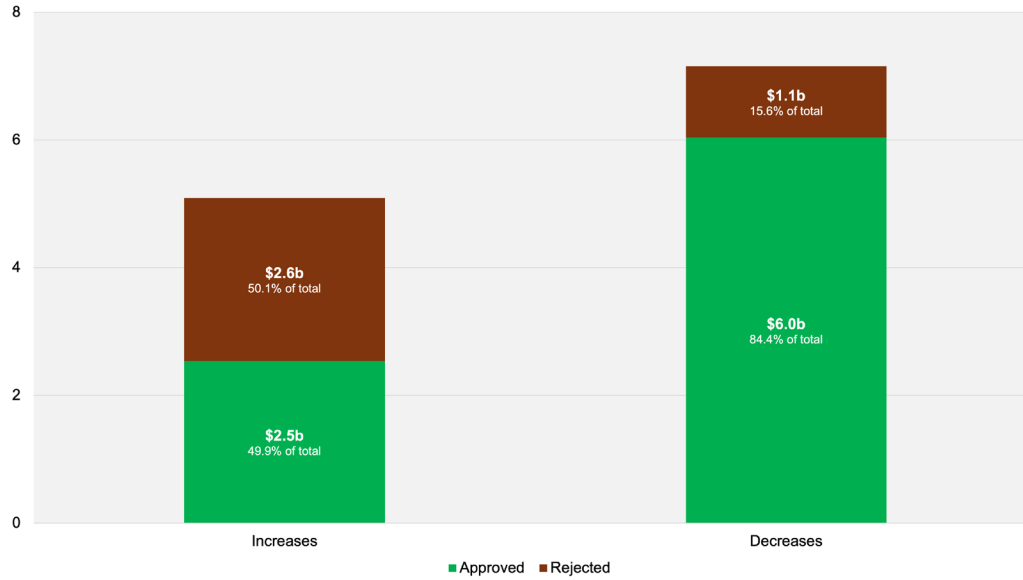
43 DoD, "Budget Execution Flexibilities and the Reprogramming Process," July 18, 2024, https://comptroller.war.gov/Portals/45/Documents/execution/Budget_Execution_Tutorial.docx.

44 Tony Bertuca, "Pentagon Sends Congress $1.56B Munitions Reprogramming Request Amid Iran Strikes," *Inside Defense*, March 17, 2026; and Tony Bertuca, "Pentagon Proposes $1.5B Funding Shift to Support AI Push, Epic Fury Priorities," *Inside Defense*, September 4, 2026.

45 Frederico Bartels, "A 'Pre-Check System' for Defense Reprogramming," *National Interest*, October 16, 2020, https://nationalinterest.org/blog/buzz/pre-check-system-defense-reprogramming-170885.

46 Lisa Mascaro, "Senate Democrats Block $1 Trillion Defense Bill in Protest Over Iran War," *Associated Press*, July 14, 2026, https://apnews.com/article/senate-defense-bill-iran-war-fe6f7d37197f8e04dbe12dcec390aad2.

FIGURE 7: OUTCOMES OF FY26 PRIOR APPROVAL REPROGRAMMING REQUESTS TO CONGRESS (CURRENT DOLLAR BILLIONS), DATA LIMITED TO FUNDS AVAILABLE INTO FY27 AND BEYOND (PRIMARILY INVESTMENT FUNDS)



Sources: DoD, Inside Defense, Open OMB.[47]

Notes: In billions nominal $ total obligation authority. Excludes internal, letter, and military construction reprogramming requests. Within prior approvals, excludes all adjustments to funds with a period of availability ending in FY26 because those adjustments have less bearing on FY27 budget choices. This exclusion results in the figure primarily depicting funds for investment (i.e. procurement and research and development) while not depicting funds for military personnel and operation and maintenance.

Conclusion

Political support for a budgetary increase as big as proposed in the 2027 request has not existed this year and is unlikely to materialize after the midterms. A new way forward is required. This report's options offer several viable paths. The next chapter provides additional information about those options.

47 All requests except for FY 26-03 and FY 26-11 obtained from DoD, "Implemented Reprogramming Actions - FY2026," accessed October 20, 2026, https://comptroller.war.gov/Budget-Execution/ReprogrammingFY2026/. Requests FY 26-03 and FY 26-11 obtained from Bertuca, "Pentagon Sends Congress $1.56B Munitions Reprogramming Request Amid Iran Strikes"; and Bertuca, "Pentagon Proposes $1.5B Funding Shift to Support AI Push, Epic Fury Priorities." Based on OMB apportionment data searchable at https://openomb.org/, it appears that Congress approved zero adjustments requested in FY 26-03 and two adjustments requested in FY 26-11. If those findings are a false negative and Congress in fact approved more adjustments requested in FY 26-03 and FY 26-11, the difference would not be significant enough to alter the conclusion reached in the main text.

CHAPTER 2

Additional Details about the Four Options

This chapter explains how the alternative budget options were constructed. It does not discuss the options' substantive merits beyond what appeared in the executive summary. The chapter covers four areas: critical munitions, base budget transfers, mandatory spending package, and baselines and legislative action.

Critical Munitions

The 2027 request proposes critical munitions quantities that greatly exceed the estimated maximum annual production rates (Table 3). The proposal is viable if the funds come in the form of mandatory spending, which allows more flexibility and time to obligate the money. By frontloading mandatory dollars spendable over five or six years, DoD could phase in munitions procurements according to (expanded) future production capacity. In essence, mandatory-funded munitions would serve to top up the munitions money delivered by future base budgets.

TABLE 3: CRITICAL MUNITIONS FUNDED IN BASE BUDGET IN FOUR OPTIONS (CURRENT DOLLAR BILLIONS)

Item	Requested quantity (base + mand)	Requested funding (base + mand)	Estimated max prod. rate (FY27)	Estimated 1-8-5 prod. rate (FY27)	Recommended prod. rate target	Recommended quantity (base budget)	Recommended funding (base budget)
PAC-3 MSE	3,203	$14.0	2,000	650	1.5 max	3,000	$13.1
Terminal High Altitude Area Defense	857	$11.4	96	96	1.5 max	144	$1.9
SM-3 IIA	136	$4.2	96	24	1.5 max	144	$4.5
SM-6	540	$4.3	239	125	1.5 max	358	$2.9
Tomahawk (both variants)	785	$5.8	1,068	356	1.5 max	1,602	$11.8
AMRAAM	1,811	$2.9	1,900	400	1.5 1-8-5	600	$0.9
JASSM	821	$2.1	860	143	1.5 1-8-5	214	$0.6
SM-3 IB	78	$1.2	60	48	1.5 max	90	$1.4
LRASM	333	$1.6	320	110	1.5 1-8-5	165	$0.8
PrSM	1,134	$1.9	664	664	1.5 1-8-5	996	$1.7
Low-cost cruise missile	--	$0.3	--	--	--	--	$0.3
Low-cost hypersonic strike weapon	--	$0.02	--	--	--	--	$0.02
F-35 JATM integration	--	$0.1	--	--	--	--	$0.1
F-35 low observable pylon LRASM	--	$0.1	--	--	--	--	$0.1
CPS / LRHW development	--	$0.5	--	--	--	--	$0.5
Total	**9,698** *Base + mand*	**$50.5** *Base + mand*	**7,303**	**2,616**	--	**7,313** *Base budget*	**$40.6** *Base budget*

Sources: DoD, Center for a New American Security.[48]

Notes: In billions nominal $ discretionary and mandatory budget authority. Totals may not add due to rounding. The "1-8-5" rate equals one eight-hour work shift per day, five days per week. All options would fund the items in the base budget rather than the mandatory or supplemental spending packages in which they were (partially) requested. AMRAAM: Advanced Medium-Range Air-to-Air Missile. CPS: Conventional Prompt Strike. JASSM: Joint Air-to-Surface Standoff Missile. JATM: Joint Advanced Tactical Missile. LRASM: Long Range Anti-Ship Missile. LRHW: Long Range Hypersonic Weapon. MSE: Missile Segment Enhancement. PrSM: Precision Strike Missile. SM: Standard Missile.

The downside of the proposal is, as a one-time action, reconciliation-supplied mandatory spending sends a weaker signal about future demand than base budget-supplied discretionary spending, which epitomizes stability and predictability.[49] Industry needs to believe that future demand will remain high to justify the business decision to expand production capacity in the way the U.S. government wants it to. Reconciliation is a suboptimal way to inspire that confidence because, as the GOP-controlled House Appropriations Committee noted, it is "uncertain [and] unaligned with the annual appropriations cycle."[50]

Given that downside, the report's options would fund munitions procurement entirely in the base budget using discretionary dollars subject to the normal three-year period of availability.[51] That constraint requires the 2027 request's quantities to be reduced to avoid delivering

48 DoD, *FY 2027 Program Acquisition Cost by Weapon System*, April 2026, https://comptroller.war.gov/Portals/45/Documents/defbudget/FY2027/FY2027_Weapons.pdf; and Carlton Haelig, "Munitions Procurement and the Fiscal Year 2027 Defense Budget: Three Conditions for Munitions Acceleration," Center for a New American Security, October 2026, https://www.cnas.org/publications/reports/munitions-procurement-and-the-fiscal-year-2027-defense-budget.

49 Erin D. Dumbacher, Michael C. Horowitz, and Lauren Kahn, "Will Trump's 'Big Beautiful' Defense Spending Last?" Council on Foreign Relations, July 2025, https://www.cfr.org/expert-brief/will-trumpsbig-beautiful-defense-spending-last.

50 House Appropriations Committee, H. Rept. 119-715, 4.

51 CRS, *Defense Primer: Procurement*, February 11, 2026, https://www.congress.gov/crs-product/IF10599.

more funding than production capacity can possibly handle (even if expanded), which would lead to expiration of funds and general wastefulness.

Crafting a production rate target for each critical munition lies beyond the report's scope and would be difficult to do without access to classified and proprietary information. As a workaround, the report assumed two targets, (a) 1.5 times the maximum production rate and (b) 1.5 times the "1-8-5" production rate, with the overage (of 0.5) in each target meant to allow for raising production capacity in the years ahead. (The "1-8-5" rate equals one eight-hour work shift per day, five days per week). Munitions that burned through one-third or more of their estimated pre-war inventories during the Iran conflict were assigned target (a) while all others received target (b).[52] After using the targets to determine recommended quantities, the report multiplied those quantities by the request's implied cost per munition to reach recommended funding amounts.[53]

Base Budget Transfers

The rationale for funding munitions through the base budget also applies in other areas. If proposed investments are that important, then they should reside in the base budget where they can reap the benefits of annual attention, structured scrutiny, and bipartisan backing.

The report closely reviewed the mandatory request and Iran supplemental to identify the most important items properly belonging in the base budget. Table 4 summarizes the recommendations. If an item was included in the mandatory or supplemental requests but is not listed in table 4 (or the next section's mandatory plan), then the report's options recommend zero funding for that item.

52 The exception to that rule was PrSM. Its estimated inventory was heavily depleted in Iran, but its higher 1-8-5 rate compared to other munitions makes it more quickly restockable. It was therefore assigned target (b). Mark F. Cancian and Chris H. Park, "Last Rounds? Status of Key Munitions at the Iran War Ceasefire," CSIS, April 21, 2026, https://www.csis.org/analysis/last-rounds-status-key-munitions-iran-war-ceasefire.

53 Using PAC-3 MSE as an example, the implied unit cost is $14.0 billion / 3,203 missiles = $4.37 million, which multiplied by the recommended quantity of 3,000 missiles leads to recommended funding of $13.1 billion.

TABLE 4: MANDATORY AND SUPPLEMENTAL SPENDING ITEMS FUNDED IN BASE BUDGET ACROSS FOUR OPTIONS (CURRENT DOLLAR BILLIONS)

Item	Request source	Requested funding	Recommended FY27 funding	Rationale and details
Replace equipment lost during Iran conflict	Supplemental	2.0	2.0	CBO cost estimate matches administration request.[A]
Establish strategic hub in Diego Garcia	Supplemental	0.2	0.2	Prudent investment based on lessons from Iran conflict.
Global Resilience Initiative	Mandatory	0.9	0.9	Cost-effective risk reduction measure.
Golden Dome for America	Mandatory	17.5	1.9	Support key efforts while program works to better inform Congress in FY28.[B] Buy next tranche of HBTSS satellites (1.4b) and increase SBI funding by 0.5b.[C]
Landing ship medium	Mandatory	1.7	1.7	Buy six McClung-class ships.
Surface ship maritime industrial base	Mandatory	1.7	1.1	Fully fund the industrial base investments but do not procure miscellaneous ships.
Submarine industrial base contract incentives	Mandatory	1.4	1.4	Fully fund this incremental investment in FY27 and continue supporting in future.
Submarine maritime industrial base	Mandatory	0.2	0.2	Key support for supplier, workforce, and infrastructure development.
Critical munitions	Mandatory	47.0	40.6	Supplemental not differentiated from mandatory request, which far exceeds production rate. Big steady funding in base budget is best path.
F-35 procurement and sustainment	Mandatory	9.7	9.7	Should not be in mandatory request. Fully fund in base budget.
F/A-XX development	Mandatory	0.1	0.1	Should not be in mandatory request. Fully fund in base budget.
Space-based AMTI & space data network backbone	Mandatory	11.7	2.0	Fund this critical capability one year at a time through base budget. Provide 1/6 of requested amount in FY27.
Drone dominance	Mandatory	53.6	4.3	Too little detail provided about what full request does. Fund only force generation portion (4.3b) focused on organizational adaptation, which is often neglected.[D]
		Recommended total	**66.1** *Base budget*	

Sources: DoD.[54]

Notes: In billions nominal $ discretionary and mandatory budget authority. Totals may not add due to rounding. All options would fund the items in the base budget rather than the mandatory or supplemental spending packages in which they were requested. AMTI: airborne moving target indicator. CBO: Congressional Budget Office. HBTSS: Hypersonic and Ballistic Tracking Space Sensor. SBI: Space-Based Interceptor.

A. CBO, "Estimating the Cost of Combat Operations Against Iran," September 15, 2026, 6, https://www.cbo.gov/system/files/2026-09/62756-Iran.pdf.

B. House Appropriations Committee, H. Rept. 119-715, 185; and Senate Armed Services Committee, S. Rept. 119-127, 303.

C. Assumes next tranche includes 27 satellites with per-unit costs on par with previous tranches. Space Development Agency, "Space Development Agency Issues Awards to Build 36 Accelerated Missile Defense Tracking Layer Satellites for Tranche 3 in Support of Golden Dome for America," July 13, 2026, https://www.sda.mil/space-development-agency-issues-awards-to-build-36-accelerated-missile-defense-tracking-layer-satellites-for-tranche-3-in-support-of-golden-dome-for-america/; and Senate Armed Services Committee, S. Rept. 119-127, 286.

D. Travis Sharp, *Ready Player None? An End-To-End Assessment of the Air Force Collaborative Combat Aircraft Program* (Washington, DC: CSBA, 2025), 32–34, https://csbaonline.org/resource/ready-player-none-an-end-to-end-assessment-of-the-air-force-collaborative-combat-aircraft-program/.

The options would fund Golden Dome, space-based AMTI, and drone dominance in the base budget to provide the programmatic stability they will need to succeed. In all three cases, the options fund the most important activities in 2027. Future base budgets can add or subtract funding based on the programs' demonstrated progress (or lack thereof). The beauty of the base budget is that Congress can make bets one year at a time without having to go all in today on initiatives that are promising but present technical and organizational risk.[55]

54 OMB, "FY 2026 Supplemental"; DoD, *Fiscal Year 2027 Mandatory Budget Overview*, April 2026, https://comptroller.war.gov/Portals/45/Documents/defbudget/FY2027/DoW_FY2027_Mandatory_Funding_Overview.pdf; and Pete Hegseth, testimony before the Senate Appropriations Committee, July 21, 2026, 2, https://www.appropriations.senate.gov/imo/media/doc/sechegsethwrittenstatement.pdf.

55 Michael E. O'Hanlon, David Wessel, Mara Karlin, and Todd Harrison, "The FY 2027 Defense Budget: How Much Is Enough?" Brookings Institution discussion, July 14, 2026, https://www.brookings.edu/wp-content/uploads/2026/07/fp_20260714_fy27_dod_budget_transcript.pdf.

Mandatory Spending Package

If Republicans pursue a defense reconciliation measure, it should encompass one-time stimulative investment aimed at strengthening the industrial base in line with the 2026 National Defense Strategy. This mandatory spending would add to the billions of dollars of industrial base funding transferred into the base budget under all four options.

Table 5 outlines a notional mandatory package that fully funds three key items from the 2027 request. Under options 2 and 4, the items would receive a combined $57.9 billion in mandatory funds. Under options 1 and 3, in contrast, the items would receive a combined $9.6 billion in FY 2027 base budget funds. Options 1 and 3 enable lawmakers to skip reconciliation but still steer more money into these industrial initiatives.

TABLE 5: TREATMENT OF SELECTED MANDATORY SPENDING ITEMS IN FOUR OPTIONS (CURRENT DOLLAR BILLIONS)

Item	Requested mandatory funding	Options 1 & 3 Recommended FY27 base budget funding	Options 2 & 4 Recommended mandatory funding	Rationale and details
Critical minerals (National Defense Stockpile)	18.0	3.0	18.0	Important risk-reduction measure. Options 1 and 3 provide 1/6 of requested amount in FY27 base budget.
Defense Production Act purchases	23.6	3.9	23.6	Key for munitions industrial base. Options 1 and 3 provide 1/6 of requested amount in FY27 base budget.
Industrial Base Analysis and Sustainment support	16.3	2.7	16.3	Priority program with bipartisan backing. Options 1 and 3 provide 1/6 of requested amount in FY27 base budget.
	Recommended total	**9.6** *Base budget*	**57.9** *Mandatory*	

Sources: DoD.[56]

Notes: In billions nominal $ discretionary and mandatory budget authority. Totals may not add due to rounding. Options 1 and 3 would fund the items in the base budget. Options 2 and 4 would fund them in a mandatory spending package.

Baselines and Legislative Action

The final step was to integrate the recommendations above into different base budget spending profiles. The author's intuition was that trimming a higher baseline and enlarging a lower baseline would illustrate the decision space most relevant to Congress given the tenor of its defense budget deliberations this year.

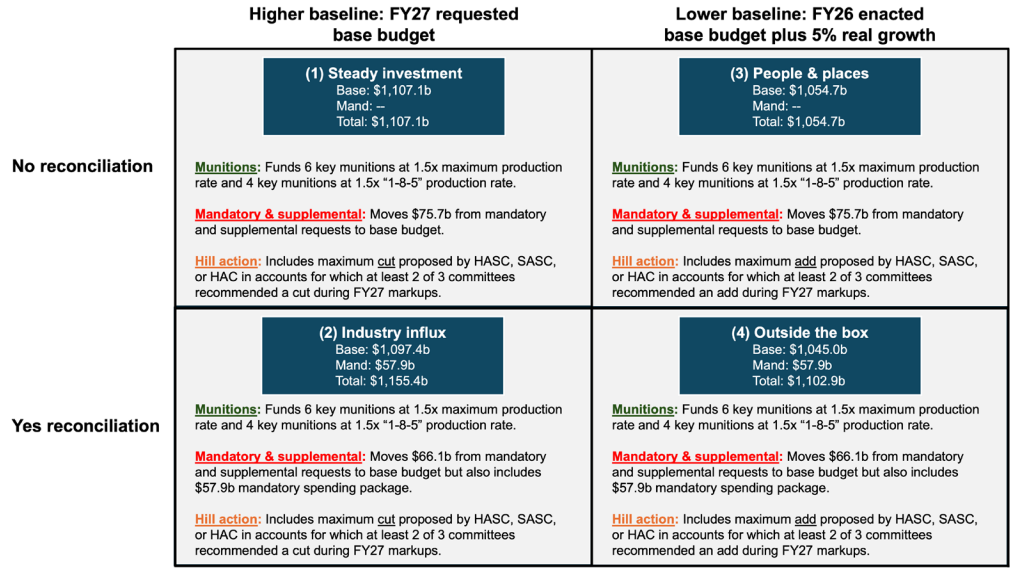
For baselines, the obvious choice was using the FY 2027 requested base budget and the FY 2026 enacted base budget (Figure 8). After all, the current year request and prior year budget are the usual starting points for legislative budget making. The trouble was that hawks criticized the 2026 budget for putting too few resources into the base budget.[57] To avoid repeating that mistake, the report increased the 2026 enacted base budget by 5

56 DoD, *Fiscal Year 2027 Mandatory Budget Overview.*

57 Chris Gordon, "Lawmakers Frustrated by Lack of Details for Trump's Defense Budget," *Air & Space Forces Magazine*, May 14, 2025, https://www.airandspaceforces.com/lawmakers-frustrated-lack-defense-budget-details-trump/.

percent, an amount equal to the average annual real growth in the enacted defense appropriations bill from 1950 to 2023.[58]

FIGURE 8: CONSTRUCTION OF THE FOUR OPTIONS (CURRENT DOLLAR BILLIONS)



Sources: DoD, Congress.[59]

Notes: In billions nominal $ discretionary and mandatory budget authority. Totals may not add due to rounding. HAC: House Appropriations Committee. HASC: House Armed Services Committee. SASC: Senate Armed Services Committee.

To trim and enlarge the baselines, the report applied at the account level the maximum change recommended by HASC, SASC, or HAC in cases where at least two of three committees recommended an adjustment in the same direction during FY 2027 markups.[60] Take as an example Army aircraft procurement. HASC recommended +$524 million, SASC recommended -$127 million, and HAC recommended +$903 million. Since at least two committees (HASC, HAC) called for an adjustment in the same direction (an addition), the report applied the maximum proposed change (HAC's +$903 million) to the lower baseline (2026 enacted plus 5 percent real growth). If the maximum proposed change had been a subtraction, then it would have been applied to the higher baseline (FY 2027 base budget request).

58 The average is 4.7 percent, but the report rounded up to the next whole number. Travis Sharp, *Inconsistent Congress: Analysis of the 2024 Defense Budget Request* (Washington, DC: CSBA, 2023), 36–37, https://csbaonline.org/resource/inconsistent-congress-analysis-of-the-2024-defense-budget-request/.

59 DoD, *National Defense Budget Estimates for FY 2027*, Table 6-6; House Appropriations Committee, H. Rept. 119-715, 248–250; Senate Armed Services Committee, S. Rept. 119-127, 438–442; and House Armed Services Committee, H. Rept. 119-698, June 15, 2026, 531–536, https://www.congress.gov/committee-report/119th-congress/house-report/698/1.

60 The Senate Appropriations Committee did not release a markup report prior to this report going to press.

This method resulted in the higher baseline declining by nearly $60 billion and the lower baseline rising by nearly $30 billion. The higher baseline now had room to absorb $66.1 billion of base budget transfers without exceeding the original $1.1 trillion base budget request. Meanwhile, adding $30 billion to the lower baseline, after already inflating it with 5 percent real growth, put the total amount in the neighborhood where defense hawks could take it seriously.

The techniques used to produce the base budget spending profiles are reasonable and transparent, but they are not a substitute for in-depth technical analysis of individual line items using programmatic data. Congressional and DoD staff will need to perform that type of analysis to reach the best possible final decisions about the 2027 budget.

Conclusion

The 2027 DoD budget request has warped perceptions of what success looks like for defense hawks. Each of the report's options could be a good outcome depending on one's priorities. The author recommends option 1 ($1.11 trillion) or option 3 ($1.05 trillion) because they would intensify U.S. defense effort but forsake reconciliation, thereby helping to protect the bipartisan support for upward-drifting defense budgets that has held for a decade as U.S.–China military competition has intensified.

LIST OF ACRONYMS

AEI	American Enterprise Institute
AMRAAM	Advanced Medium-Range Air-to-Air Missile
AMTI	airborne moving target indicator
CBO	Congressional Budget Office
CPS	Conventional Prompt Strike
CRS	Congressional Research Service
CSBA	Center for Strategic and Budgetary Assessments
CSIS	Center for Strategic and International Studies
DoD	U.S. Department of Defense
DOE	U.S. Department of Energy
FY	fiscal year
HAC	House Appropriations Committee
HASC	House Armed Services Committee
HBTSS	Hypersonic and Ballistic Tracking Space Sensor
JASSM	Joint Air-to-Surface Standoff Missile
JATM	Joint Advanced Tactical Missile
LRASM	Long Range Anti-Ship Missile
LRHW	Long Range Hypersonic Weapon
MSE	Missile Segment Enhancement
OMB	Office of Management and Budget
P.L.	public law
PrSM	Precision Strike Missile
SASC	Senate Armed Services Committee
SBI	Space-Based Interceptor
SM	Standard Missile
THAAD	Terminal High Altitude Area Defense



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