

The FY 2026 NDAA

Wilson Beaver, Lora Ries, and Chris Wingate

BOTTOM LINE

Both the Senate and House versions of the fiscal year (FY) 2026 National Defense Authorization Act (NDAA) advance President Donald Trump's vision of a revitalized, war-ready military focused on warfighting and prepared to advance America's national security interests. The House passed its version on September 10, 2025, and the Senate followed on October 9, passing its version by a vote of 77 to 20 after adopting a series of key amendments. With both chambers now aligned on core priorities, the conference process will determine how the final NDAA strengthens readiness, accelerates industrial revitalization, reforms Department of War acquisitions to cut red tape, rebuilds posture against China, advances cultural and merit-based reforms, and reinforces border security. Specifically, the bills contain measures to:

- **Revitalize U.S. military strength.** With topline of \$882.6 billion and \$914 billion, respectively, both the House and Senate versions of the FY 2026 NDAA reflect President Trump's vision of a war-ready, reindustrialized military that is directed toward nuclear and airpower modernization, streamlined Pentagon acquisitions, and expanded munitions production to ensure that America can deter China and other global threats.
- **Reindustrialize the United States.** The FY 2026 NDAA places a high priority on rebuilding the defense industrial base for modern great-power competition. Numerous provisions would streamline the defense acquisition process and cut red tape throughout the federal bureaucracy, support expanded use of commercial off-the-shelf systems and services, and ease the regulatory burden on American businesses that support the defense industrial base.

This paper, in its entirety, can be found at <https://report.heritage.org/pm03>

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- **Prioritize strategic alliances and regional security.** The bill aligns defense spending with strategic priorities by fully funding the Pacific Deterrence Initiative, supporting Taiwan and the Australia–United Kingdom–United States (AUKUS) agreement, and reinforcing the U.S. presence in the Western Hemisphere through cybersecurity, intelligence monitoring, and deeper regional cooperation.
- **Fund naval shipbuilding.** The bill funds naval shipbuilding at a decent level, but it is still not enough to reverse the decline in total numbers of battle force ships resulting from the failure to prioritize shipbuilding for decades.
- **Fund munitions procurement.** The bill expands munitions procurement, but demand currently so far outstrips supply that any additional procurement funding for munitions would be welcome.
- **Strengthen cultural and ideological reforms.** The bill bans spending on diversity, equity, and inclusion (DEI) and critical race theory (CRT), restores merit standards, and prohibits gender transition funding that is unrelated to readiness.
- **Secure the homeland.** The bills fund border security and expand Department of War contracting authority against cartels.

STATE OF PLAY

- **House.** H.R. 3838 was passed on September 10, 2025, by a vote of 231 to 196.
- **Senate.** S. 2296 was reported out of the Senate Armed Services Committee on July 15, 2025, by a vote of 26 to 1. The Senate passed S. 2296, as amended, by a vote of 77 to 20 vote. Ahead of passage, the Senate voted on 17 amendments. The Manager’s Package was adopted by voice vote.
- A formal conference will follow in the coming months.

House and Senate negotiators enter conference in close lockstep on most priorities with few substantive divisions between the chambers. As a result, conferees will aim to preserve strong provisions on reform, munitions, Indo-Pacific posture, and border security against efforts by the minority to dilute or strip them. The real debate will hinge not on majority disagreements, but on whether the final package reflects President Trump’s war-ready vision or concessions forced by minority resistance.

ANALYSIS

Reforms. Both President Trump and Secretary Pete Hegseth have made reforming the Pentagon a high priority. These reforms are intended to cut waste and bloat, increase efficiencies and spend taxpayer dollars wisely, and make it easier for American companies to do business with the Department of War. Both versions of the FY 2026 NDAA highlight the need to streamline procurement and reform the Pentagon and include numerous provisions to do so.

Conservatives argue that the NDAA should preserve reforms that prohibit taxpayer dollars from flowing into DEI bureaucracies or CRT training, restore merit-based standards, and broaden exam options for service academies while also striking provisions that expand elective health benefits unrelated to readiness or enshrine race-based preferences in defense research. Others caution that rapid procurement growth may outpace oversight, that broad contractor bans could disrupt allied supply networks, and that new authorities might duplicate existing ones or raise implementation challenges. The outcome will hinge on how Congress balances urgency in deterrence, peeling back woke-policy provisions from the past Administration, and restoring a focus on lethality to the Joint Force.

Indo-Pacific. The Indo-Pacific is prioritized with full funding for the Pacific Deterrence Initiative and significant efforts to support and enable such allies and partners as Japan, Taiwan, and the Philippines. Notably, the bills authorize \$1 billion for the Taiwan Security Cooperation Initiative. Conference negotiators will focus on Indo-Pacific posture—particularly counter-unmanned aircraft systems (UAS) and Taiwan funding levels—and this will reveal the Senate’s willingness to support a stronger, forward-leaning deterrence posture. Conferees may also aim to incorporate provisions that expand counter-UAS capacity, ban Chinese drones, and integrate unmanned systems with manned aviation. Supporters view these provisions as vital to deterrence; others question their cost and technical feasibility.

Western Hemisphere. The Senate version is especially supportive of security in the Western Hemisphere, establishing a pilot program to expand cybersecurity cooperation with the Panamanian government and the Panama Canal Authority, requiring an evaluation of Chinese and Russian intelligence capabilities in Cuba, and requiring a report on security cooperation between the United States and Guyana, which has been threatened repeatedly by Venezuela in recent years. Though not at the center of the main disputes, these items offer leverage in negotiations over foreign assistance carve-outs. Opponents argue that more funding ought to be made available for deterrence operations in the Indo-Pacific.

Border Security. Both versions support funding for border security. The House version fully funds President Trump’s request for border security funding; the Senate version authorizes additional funding on top of the President’s original request. Supporters of expanded War

Department authority at the border argue that it enhances national security by including authority to provide contracting support for and strengthening of Mexico's military capacity against cartels; critics argue that it could blur lines between military and law enforcement responsibilities.

Munitions. The munitions funding is impressive, especially combined with the munitions funding in the One, Big, Beautiful Bill Act. The FY 2026 NDAA makes big investments in the precision-guided munitions needed by the Air Force, Navy, and Army to deter aggression in the Western Pacific. However, the stockpiles for these munitions are low, and the U.S. military would find them in short supply within weeks in a major conflict with China. Also, certain munitions like Patriot missiles have been expended at exceptionally high rates defending Ukraine and Israel in recent years. Conferees who want to make a serious strategic contribution to U.S. deterrence efforts should add additional funding for munitions wherever possible. Some will say that "industry can't handle additional orders" and argue against increased procurement of munitions, but the only way to expand capacity is to expand orders, thereby sending a strong demand signal to industry that it should invest in the labor and infrastructure needed to build more munitions. Since munitions topline and industrial base capacity are expected to be a focal point in conference, this is where conferees must push hardest for additional investment. The final NDAA will likely include provisions that expand procurement, ban contractors with ties to adversaries, and reinforce counter-UAS and base defense authorities.

Human Trafficking Reauthorization. The Senate included a substitute amendment reauthorizing trafficking provisions that fails to address root issues, including the crisis of unaccompanied alien children (UACs), spends more money on programs that have failed to decrease trafficking, and expands services for the hired help such as maids and cooks that diplomats and international organization visa holders bring from overseas. Removing the provision would create the space to pursue effective reforms in regular order, including measures to prevent UAC border crossings as the Trump Administration currently searches for the 300,000 missing UACs from the Biden Administration. Supporters argue that the provision is necessary for continuity in existing programs.

Central Bank Digital Currency Prohibition. The House-passed NDAA includes the Anti-CBDC (Central Bank Digital Currency) Surveillance Act, which would prohibit the Federal Reserve from creating or implementing a digital currency. Establishing a CBDC would expand federal control of Americans' financial lives through traceable, scalable tools that threaten privacy and freedom. In contrast, prohibiting CBDCs would safeguard the existing rights and privileges of financial independence that are currently enjoyed by every American.

Closing Summary. The FY 2026 NDAA contains numerous provisions that advance lethality, reform, deterrence, and border security, and

all are likely to be preserved and incorporated into the final package. At the same time, the final NDAA will balance competing priorities on reform, deterrence, and border security, while resolving debates over trafficking and foreign assistance provisions.

Wilson Beaver is Senior Policy Advisor for Defense Budgeting and NATO Policy in the Allison Center for National Security at The Heritage Foundation. **Lora Ries** is Director of the Border Security and Immigration Center at The Heritage Foundation. **Chris Wingate** is Government Relations Director at The Heritage Foundation.

RELATED MATERIALS

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