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## **FY25 Defense Spending Is Likely to Come in Above Our Expectations**

**Joe Lieber**

202-964-7473

[joe.lieber@capitolpolicypartners.com](mailto:joe.lieber@capitolpolicypartners.com)

Our long-held belief has been that defense spending for FY25 would clock in at ~\$920 billion; however, that figure seems too low in our view, given the recent news flow. We now believe defense spending will come in between **~\$920 billion and \$955 billion**.

We have been arguing for some time that Republicans would likely add money for defense in a reconciliation bill this year and that is still likely the case. Recall that Senate Armed Services Committee Chairman Roger Wicker (R-MS) stated he would like to see an additional **\$120 billion** over two years for DoD. That's roughly \$60 billion a year over the \$895 billion that was passed in the National Defense Authorization Act (NDAA); together, this would bring the incremental spending total to \$955 billion.

Then, today, the House Freedom Caucus called for an additional \$100-\$200 billion over four years for defense.

Therefore, we now expect additional defense spending for FY25 to be between ~\$920 billion and \$955 billion. If we split the difference, the spending levels arrive at \$937.5 billion and we'd probably be just a bit north of that number.

### **Reconciliation: One Bill or Two Bills**

We think there's a pretty good chance that Republicans end up doing two reconciliation bills, instead of one mammoth measure. In our view, enacting the reconciliation bill is going to take much longer than Congress has targeted, with passage in our view coming in late Q3 or Q4 vs. the spring, as House leadership hopes.

If delay is likely, Trump may push for a two-bill reconciliation strategy in order to secure wins on the board sooner rather than later. Defense spending increases—as well as additional funds for immigration and opening federal lands to oil and gas drilling—would likely be included in the first reconciliation bill and that would likely pass in the spring. If Congress sticks with the one-bill strategy, the additional funding may not come until later in the year, and maybe not even until FY26.

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