

## Defense Update

FY25 President's Budget Request: \$849bn  
in DoD discretionary spending, +4% Y/Y

Industry Overview

## PB2025 – Uncle Sam's pockets getting tighter

The White House published its annual President's Budget, in which President Biden called for \$849.8bn in discretionary DoD spending for FY2025. The FY24 budget base request was \$842bn and ended at \$900.3bn including Congress plus ups. However, due to the [Continuing Resolution \(see report\)](#), only the \$817.3bn base could be enacted. The initial request is ~9% below BofA estimates of \$930-935bn discretionary (BofA includes supplementals).

## It's not over until Congress agrees to sell the farm

While the Department of Defense's hands are tied on what they were able to request, ultimately the true spending total will be known later with incremental funding from Congress. For PB25, the growth is aligned with the funding levels agreed to in the Fiscal Responsibility Act (FRA) of 2024, and only grew by \$7.8bn (0.9%) over PB24 request.

## FRA limiting DoD spending, targeted reductions necessary

The FRA top-line limitation (1% over PB24) required some targeted reductions to programs to preserve and enhance the Total Force's ability to fight and win in the near term. Examples of these targeted reductions include: Rephrasing: [Next-Generation Air Dominance Program \(NGAD\)](#) (see report) to \$3.3bn (up \$1bn Y/Y, but down from the anticipated request outlined in the prior budget of \$3.5bn). F-35 orders declined to 68 \$12.4bn (vs. 83 at \$13.6bn requested for FY24). The Space Force's demonstration and experimentation tranche was cut, leading a decline in launches of 11(\$2.4bn) vs. 15 (\$3.0bn) in FY24 request. Additionally, one Virginia-class submarine was cut, leading to a \$8.2bn request (vs. prior 2 at \$10.6bn in PB24 for FY25).

## Initial winners: Tech and the U.S. Industrial base

Not all areas of the initial request felt lighter pockets. One of the biggest winners was investments in C4I Systems. C4I saw the largest budget request increase, up ~46% to \$21.1bn from the prior budget. We view the increase as a major positive, as it demonstrated to us, despite constraints, that tech development remains a priority to enhance U.S. military capabilities. This message also carried through with AI & JADC2 funding being spared and funding held at \$1.8bn and \$1.4bn, respectively. The U.S. industrial base was another major benefactor in the PB. Columbia-class funding increased almost 60% to \$9.9bn, but the increase from \$7.5bn anticipated under PB24 was mostly driven by industrial base rebuilding/growth, rather than procurement. Other notable programs that saw Y/Y increases included: FLRAA (up 30% Y/Y), CH-53K (up 12.5%), DDG-51 (up 42%), and the LDP Flight II (16x).

## O&amp;M flexible spending proposed, a win for Def. Svcs.

New to this year's request was an O&M Unobligated Balance Carryover & Defense-Wide, Civil Military Program Enhancement (CMPE). This would allow the DoD to carryover up to 50% of unobligated balances into the next fiscal year. We view this major change as a positive, as it reinforces more strategic year-end spending decisions. The CMPE allows any excess funds not needed for a specific CMP project to be transferred back to the originating appropriation for use on another project. This will help to increase deployment readiness.

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## Abbreviations:

C4I: Command, Control, Communications, Computers, and Intelligence  
DoD: Department of Defense  
PB: Presidential Budget  
FLRAA: Future Long-Range Assault Aircraft  
DDG: Destroyer  
LDP: Landing platform dock  
O&M: Operations & Maintenance

# FY25 President's Budget by the Numbers

## Exhibit 1: PB25 Aircraft & Related Systems Request

Joint Service aircraft received the deepest cuts (down 9% vs. PB24)

\$ in millions	Name	Prime Contractor	FY2023 Enacted	FY2024 Enacted	FY2025 Request	% Change from FY2023	% Change from FY2024
<b>Aircraft and Related Systems - Joint Service</b>			18,223.9	16,707.2	15,198.8	-16.6%	-9.0%
F-35	Joint Strike Fighter	Lockheed Martin, Pratt & Whitney (RTX)	11,845.8	13,590.1	12,430.8	4.9%	-8.5%
MQ-4C / RQ-4	Triton/Global Hawk/NATO AGS	Northrop Grumman	979.1	823.7	750.1	-23.4%	-8.9%
C-130J	Hercules	Lockheed Martin	2,846.9	823.6	806.0	-71.7%	-2.1%
V-22	Osprey	Bell (Textron), Boeing	1,094.4	649.5	538.8	-50.8%	-17.0%
MQ-9	Reaper	General Atomics	723.0	529.9	305.1	-57.8%	-42.4%
AO	Armed Overwatch / Targeting	L3Harris	247.2	268.8	337.5	36.5%	25.6%
MQ-1B / MQ-1C Predator/Gray Eagle		General Atomics	487.5	21.6	30.5	-93.7%	41.2%
<b>Aircraft and Related Systems - US Army</b>			3,237.0	3,163.6	3,432.6	6.0%	8.5%
AH-64E	Apache: Remanufacture/New Build	Boeing	900.2	952.6	659.9	-26.7%	-30.7%
UH-60	Black Hawk	Sikorsky (LMT), Redstone Defense Systems	1,169.1	915.5	792.2	-32.2%	-13.5%
CH-47	Chinook	Boeing	502.9	251.4	720.3	43.2%	186.5%
FLRAA	Future Long-Range Assault Aircraft	Sikorsky (LMT)	664.8	1,044.1	1,260.2	89.6%	20.7%
<b>Aircraft and Related Systems - US Navy/USMC</b>			7,316.3	5,802.5	5,887.7	-19.5%	1.5%
CH-53K	Heavy Lift Replacement Helicopter	Sikorsky (LMT)	2,471.6	2,418.3	2,685.0	8.6%	11.0%
F/A-18	Super Hornet	Boeing	2,064.0	1,832.1	1,805.6	-12.5%	-1.4%
MQ-25	Stingray	Boeing, Lockheed Martin	1,133.8	969.4	898.0	-20.8%	-7.4%
E-2D	Advanced Hawkeye	Northrop Grumman, Lockheed Martin	1,646.9	582.7	499.1	-69.7%	-14.3%
<b>Aircraft and Related Systems - USAF</b>			13,661.0	16,340.9	16,492.0	20.7%	0.9%
B-21	Raider	Northrop Grumman	4,754.3	5,316.2	5,338.5	12.3%	0.4%
F-15	Eagle	Boeing	2,014.7	3,387.5	3,378.5	67.7%	-0.3%
KC-46A	Tanker	Boeing	2,599.6	3,007.3	2,973.3	14.4%	-1.1%
F-22	Raptor	Lockheed Martin, Pratt & Whitney (RTX)	1,262.6	1,520.6	1,629.7	29.1%	7.2%
B-1, B-2, B-52	Bombers	Northrop Grumman (B-2), Boeing (B-1, B-52)	1,045.4	1,254.7	1,394.4	33.4%	11.1%
E-7A	Airborne Warning and Control System Replacement	Boeing	411.7	681.0	418.5	1.7%	-38.5%
VC-25B	Presidential Aircraft Recapitalization	Boeing	79.6	490.7	433.9	445.1%	-11.6%
HH-60W	Combat Rescue Helicopter	Sikorsky (Lockheed Martin)	1,236.8	330.8	243.9	-80.3%	-26.3%
MH-139A	Grey Wolf	Boeing	213.3	274.8	33.4	-84.3%	-87.8%
C-40	C-40 Fleet expansion	Boeing			328.7		
T-7A	Advanced Pilot Training	Boeing	43.0	77.3	319.2	642.3%	312.9%

Source: Department of Defense

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## Exhibit 2: PB25 C4I & Ground Systems Request

JADC2 & AI remains well supported under the new budget request

\$ in millions	Name	Prime Contractor	FY2023 Enacted	FY2024 Enacted	FY2025 Request	% Change from FY2023	% Change from FY2024
<b>C4I Systems - USA</b>			1,027.4	1,128.0	989.2	-3.7%	-12.3%
TNT	Tactical Network Technology	General Dynamics, Envistacom, L3Harris	362.9	358.6	280.8	-22.6%	-21.7%
HMS	Handheld, Manpack, and Small Form Fit Radios	L3Harris, Thales, Collins (RTX)	664.5	769.4	708.4	6.6%	-7.9%
<b>C4I Systems - Joint Service</b>			4,060.9	5,098.9	5,391.8	32.8%	5.7%
Cyberspace	Cyberspace Activities	Various	3,449.9	4,059.9	3,958.8	14.8%	-2.5%
CJADC2	CJADC2 Programs	Various	611.0	1,039.0	1,433.0	134.5%	37.9%
<b>Ground Systems - Joint Service</b>			1,429.7	1,191.8	1,179.5	-17.5%	-1.0%
JLTV	Joint Light Tactical Vehicle	AM General	1,429.7	1,191.8	1,179.5	-17.5%	-1.0%
<b>Ground Systems - USA</b>			6,525.9	4,689.4	4,182.8	-35.9%	-10.8%
M10	M10 Booker (Mobile Protected Firepower)	General Dynamics	410.5	496.8	508.7	23.9%	2.4%
M-1	Abrams Tank Modification/Upgrades	General Dynamics	1,297.7	896.5	1,020.2	-21.4%	13.8%
Stryker	Stryker	Oshkosh Defense	1,275.0	639.1	469.4	-63.2%	-26.6%
AMPV	Armored Multi-Purpose Vehicle	BAE Systems	1,237.0	567.1	527.7	-57.3%	-6.9%
PIM	Paladin Integrated Management	BAE Systems	1,026.8	511.6	460.2	-55.2%	-10.0%
NGSW	Next Generation Squad Weapon	TBD	199.6	328.1	389.4	95.1%	18.7%
FMTV	Family of Medium Tactical Vehicles	Oshkosh Defense	233.9	142.9	153.5	-34.4%	7.4%
XM30	XM30 Combat Vehicle	Raytheon	519.1	996.7	504.8	-2.8%	-49.4%
FHTV	Family of Heavy Tactical Vehicles	Oshkosh Defense	326.3	110.6	148.9	-54.4%	34.6%
<b>Ground Systems - USMC</b>			605.4	660.8	870.5	43.8%	31.7%
ACV	Amphibious Combat Vehicle	BAE Systems	605.4	660.8	870.5	43.8%	31.7%

Source: Department of Defense

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**Exhibit 3: PB25 Missile & Munition Systems Request**

Javelin, AARGMs, and Trident II saw the largest increases in funding

\$ in millions	Name	Prime Contractor	FY2023 Enacted	FY2024 Enacted	FY2025 Request	% Change from FY2023	% Change from FY2024
Missile Defense Programs - USA			3,447.7	2,418.9	1,969.8	-42.9%	-18.6%
PAC-3 / MSE	PAC-3/Missile Segment Enhancement Missile	Lockheed Martin	2,471.4	1,212.8	963.1	-61.0%	-20.6%
Patriot / PAC-3	Patriot Advanced Capability	RTX, Lockheed Martin	976.3	1,206.1	1,006.7	3.1%	-16.5%
Missiles and Munitions - Joint Service			20,261.9	13,050.8	12,021.6	-40.7%	-7.9%
AMMO	Ammunition	Various	11,267.7	4,964.0	5,160.0	-54.2%	3.9%
JASSM	Joint Air-to-Surface Standoff Missile	Lockheed Martin	958.9	1,818.6	1,008.6	5.2%	-44.5%
AMRAAM	Advanced Medium Range Air-to-Air Missile	RTX	773.4	1,123.6	810.2	4.8%	-27.9%
Chem-Demil	Chemical Demilitarization	Bechtel	1,059.8	1,091.8	775.5	-26.8%	-29.0%
LRASM	Long Range Anti-Ship Missile	Lockheed Martin	437.6	827.3	696.8	59.2%	-15.8%
SDB II	Small Diameter Bomb II	RTX	660.7	447.2	454.1	-31.3%	1.5%
JAGM	Joint Air-to-Ground Missile	Lockheed Martin	297.1	386.1	148.1	-50.2%	-61.6%
AIM-9X	Air Intercept Missile - 9X	RTX	488.6	252.2	259.4	-46.9%	2.9%
JDAM	Joint Direct Attack Munition	Boeing	328.7	206.1	200.4	-39.0%	-2.8%
SDB I	Small Diameter Bomb I	Boeing	52.7	48.7	42.3	-19.7%	-13.1%
GMLRS	Guided Multiple Launch Rocket System	Lockheed Martin	2,196.9	1,027.2	1,241.9	-43.5%	20.9%
Javelin	Javelin Advanced Anti-Tank Weapon System	RTX, Lockheed Martin (Javelin JV)	1,148.3	262.2	398.1	-65.3%	51.8%
AARGM-ER	Advanced Anti-Radiation Guided Missile	Northrop Grumman	591.5	595.8	826.2	39.7%	38.7%
Missiles and Munitions - USA			412.9	656.9	676.6	63.9%	3.0%
PrSM	Precision Strike Missile	Lockheed Martin	412.9	656.9	676.6	63.9%	3.0%
Missiles and Munitions - USN			3,733.9	4,795.4	4,820.9	29.1%	0.5%
Trident II	Trident II Ballistic Missile Modifications	Lockheed Martin	1,694.5	1,870.2	2,465.7	45.5%	31.8%
SM-6	Standard Missile-6	RTX	787.5	1,615.0	1,223.5	55.4%	-24.2%
Tomahawk	Tactical Tomahawk Cruise Missile	RTX	901.5	934.3	765.4	3.6%	-18.1%
NSM	Naval Strike Missile (NEW)	RTX	241.5	249.9	206.1	3.5%	-17.5%
RAM	Rolling Airframe Missile	RTX	108.9	126.0	160.2	15.7%	27.1%
Missiles and Munitions - USAF			4,390.8	5,268.6	4,565.7	4.0%	-13.3%
LGM-35A	Sentinel (Ground Based Strategic Deterrent)	Northrop Grumman	3,437.5	4,290.4	3,731.9	8.6%	-13.0%
LRSO	Long Range Stand-Off Weapon	RTX	953.3	978.2	833.8	-12.5%	-14.8%

Source: Department of Defense

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**Exhibit 4: PB25 Shipbuilding and Maritime Systems – USN Request**

Funding increases for the nuclear submarine programs are skewed toward the industrial base

\$ in millions	Name	Prime Contractor	FY2023 Enacted	FY2024 Enacted	FY2025 Request	% Change from FY2023	% Change from FY2024
Shipbuilding and Maritime Systems - USN			32,019.5	31,196.9	33,123.0	-2.6%	6.2%
SSN 774	Virginia Class Submarine	General Dynamics, Huntington Ingalls Industries	7,270.7	10,845.6	8,209.3	12.9%	-24.3%
SSBN 826	Columbia Class Ballistic Missile Submarine	General Dynamics, Huntington Ingalls Industries	6,273.2	6,218.0	9,878.7	57.5%	58.9%
DDG 51	Arleigh Burke Class Destroyer	General Dynamics, Huntington Ingalls Industries	8,220.8	5,074.5	7,071.3	-14.0%	39.3%
CVN 78	Gerald R. Ford Class Nuclear Aircraft Carrier	Huntington Ingalls Industries	3,205.7	2,704.4	2,339.4	-27.0%	-13.5%
FFG(X)	Constellation Class Guided Missile Frigate	Fincantieri Marinette Marine	1,551.1	2,286.7	1,278.1	-17.6%	-44.1%
LHA	America Class Amphibious Assault Ship	Huntington Ingalls Industries	1,428.0	1,874.2	234.4	-83.6%	-87.5%
LPD 17	San Antonio Class Amphibious Ship	Huntington Ingalls Industries	2,008.2	77.6	1,653.0	-17.7%	2030.2%
CVN	Refueling Complex Overhaul	Huntington Ingalls Industries	689.9	895.6	1,738.3	152.0%	94.1%
T-AO 205	John Lewis Class Fleet Replenishment Oiler	General Dynamics	1,060.7	967.7	261.2	-75.4%	-73.0%
LSM	Medium Landing Ship	Various	11.1	14.7	274.1	2369.4%	1764.6%
USV	Unmanned Surface Vehicle	TBD	300.1	237.9	185.2	-38.3%	-22.2%

Source: Department of Defense

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**Exhibit 5: PB25 Space Systems**

Satcom & GPS III remain well supported while launches saw the largest declines

\$ in millions	Name	Prime Contractor	FY2023 Enacted	FY2024 Enacted	FY2025 Request	% Change from FY2023	% Change from FY2024
Space Based Systems - USSF			11,486.1	13,258.1	12,798.3	11.4%	-3.5%
OPIR	Space Based Overhead Persistent Infrared Systems	Lockheed Martin, Northrop Grumman, RTX	4,722.1	4,966.4	4,677.8	-0.9%	-5.8%
SATCOM	Satellite Communications Projects	LMT, BA, NNOC, GD	2,786.5	4,028.8	4,203.0	50.8%	4.3%
NSSL & RSLP	Launch Enterprise	SpaceX, ULA, NOC, Rocket Lab, VOX Space (Virgin Orbit)	2,305.0	3,003.1	2,397.8	4.0%	-20.2%
GPS III & Projects Global Positioning System Enterprise			1,672.5	1,259.8	1,519.7	-9.1%	20.6%

**Source:** Department of Defense

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