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What Can Trump's Budget Buy the Navy? Exploring Options and Trade-Offs

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Executive Summary

At the beginning of 2026, President Trump proposed a substantial increase to the U.S. defense budget, totaling a historic $1.5 trillion. Given the broad array of pressing security needs facing the United States, the Department of War will need to prepare to spend this funding wisely.

This paper explores the trade-offs the Navy will face in allocating resources among six competing investment paths: ships, munitions, force generation/sustainment, hedge forces, deterrence, and shipyard modernization. Each option offers distinct benefits—fleet growth, immediate magazine depth, readiness and force generation, cost-effective combat power, strategic deterrence, or repair capability—but prioritizing any one option could constrain efforts in the others.

Under a range of fiscal scenarios, Congress and the Pentagon should seek to expand allied coproduction of munitions; modernize statutory barriers to allow foreign shipbuilding and repair; stabilize nuclear modernization through the authorities granted in the National Sea-Based Deterrence Fund; reform export controls; and coordinate shipyard grants, credit tools, tax breaks, and continuous production authorities to strengthen the maritime industrial base and improve forward sustainment and readiness.

Introduction

On **January 7, 2026**, U.S. President Donald Trump announced his desire to seek a $1.5 trillion annual defense budget for fiscal year 2027. If enacted, this would represent a more than 50 percent increase from the current budget and one of the largest peacetime increases in U.S. history, second only to the pre-World War II (1940-1941) buildup and early Cold War surges (1950-1951). The move was endorsed within days by the **chairmen of the Senate and House Armed Services Committees** and **secretary of war.**

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While this increase would be historic and substantial, the deferred and under-budgeted bills have been piling up for all the services throughout the "**Terrible 20s**." Still, it is important to gauge options for what this funding increase may produce to bolster seapower. Rebuilding the Navy is a shared congressional and administration priority. In the past year, the Trump administration has launched the **Maritime Action Plan** and **Re-Industrialize 2.0** initiative and called for a new **Golden Fleet**. If the budget grows as much as the president seeks, **Golden Dome**, space investments, nuclear modernization, and **readiness** are likely to be prioritized. In addition, a large portion of the increase could find its way into a new **maritime strategy**.

Beyond seapower, **analyses** have already mapped out what the new budget could mean for the other branches. These include platform-centric approaches like increasing key aircraft inventories for the **U.S. Air Force**. This paper's approach balances buying long-lead combat assets with other options, including purchasing more munitions and increasing the ability to generate combat power over time. This would include generational investments in shipbuilding capacity, maintenance, and sustainment.

For analytical purposes, this paper explores what options the U.S. Navy will have if it receives $100 billion of the roughly $500 billion projected budget increase. Each option to spend this increase, outlined below, comes with its own priorities and trade-offs.

Emphasize combat power. The first option, to buy more traditional, gray-hulled ships, prioritizes force structure growth. But the long-term horizons of shipbuilding and existing production backlogs means that simply purchasing more ships will not create a stronger fleet quickly.

Prioritize payloads. The second option, to acquire more munitions, prioritizes immediate capability, magazine depth, and cost-imposing strike capacity. However, this emphasis trades platform-centric investments (like hulls) for less visible force structure gains and sustained reliance on industrial surge and allied production capacity.

Deploy more unmanned systems and enablers. The third option, to field more low-cost unmanned systems and enablers like fleet oilers, prioritizes the ability to "fight tonight" by maximizing force generation, availability, and readiness of existing forces. But this path will come at some expense in terms of long-term fleet expansion and modernization for readiness improvements that are inherently short term and may not be sustainable without continued budgetary support.

Develop offset/hedge forces. The fourth option, to build tailored **hedge** forces enabled by unmanned systems, prioritizes preserving flexibility of design and operation for the general-purpose fleet and creating affordable autonomous mass for specialized high-risk scenarios. This option would need to balance expansion and modernization of the traditional surface fleet with increasing munitions and bringing online new unmanned systems while exploring decreased funding for core capabilities like carrier strike groups.

Invest in submarines and expand authorities. The fifth option is to invest in strategic deterrence via the Columbia-class submarine and expand the **National Sea-Based Deterrence Fund** (NSBDF) to allow it to better support the rollout of Virginia Payload Modules (VPMs), designed to replace the loss of conventional strike capability resulting from the retiring of the Ohio-class **guided missile submarines**. This option prioritizes strategic deterrence and conventional strike capabilities. However, it eschews

conventional surface combatants and readiness investments for long-term programs like Columbia that have a limited role in conventional fights and for long-term investments in Virginia production, which will take time to show results.

Invest in public shipyard modernization. The last option would prioritize funding and accelerating the Shipyard Infrastructure Optimization Program (**SIOP**), the Navy's 20-year effort to modernize dry docks, optimize yard layouts, and upgrade industrial equipment at the Navy's public shipyards. Investing in SIOP would revitalize the yards' capacity to execute depot-level maintenance on nuclear-powered aircraft carriers and submarines, a prerequisite for credible deterrence and "fight tonight" readiness. However, this approach would direct resources toward long-term infrastructure recapitalization rather than near-term force structure expansion, munitions procurement, the standing up of new hedge forces, or other more immediate readiness gains.

A final possibility is doing a little of each given the cloudy funding outlook over the next half decade. While the peanut-butter approach may be easiest politically and bureaucratically, it may also be inadequate to demonstrate major new fielded investments in a short time and therefore leave the Navy smaller and weaker when the intent was exactly the opposite.

Option One: More Ships

The default choice for any navy with money to spend is to buy more ships. This raises the natural question of which ships to buy—traditional large hulls, robotic ones, or allied-built vessels. But whether **discussing** the **Golden Fleet** or earlier calls for a **hybrid fleet**, Washington largely agrees that the current Navy is simply too small. As a result, many efforts are underway to turn around slow ship construction and expand the maritime industrial base. The **Navy is struggling** to produce ships it is already buying, while costs and production delays are expected to grow absent productivity gains at the nation's existing shipyards.

The same dilemma plagues ship repair. At the **height of the Cold War**, the Navy had 10 commissioned destroyer tenders, 13 submarine tenders, 5 big repair ships, and 17 floating dry docks alongside 50 dry docks. These numbers have radically declined, leading the Navy to propose a **$21 billion plan** to modernize its four publicly owned shipyards over two decades. Alongside modernization initiatives aimed to spur **investment** in public yards, like the aforementioned SIOP, there is also a long-running debate on the merits of **public versus private yards**. Congress and the Navy could carefully consider shifting more repair work on platforms like submarines that have traditionally been maintained in the public shipyards to the private shipyards. This change would allow the Navy to project a stable amount of work to the private yards, which will enable them to do long-term planning and investing; in the meantime, the public shipyards can be used as surge capacity, given the Navy's ability to directly control the workforce.

Analysts, especially Ronald O'Rourke at the Congressional Research Service, have proposed new approaches to shipbuilding procurement in recent years that can help the Navy spend new money for shipbuilding more efficiently. For example, a **continuous production** approach calls for producing Navy ships at a steady rate using multiyear contracts to lock in long-term demand, thus avoiding constant changes to procurement profiles year over year. Ideally, any ship class that has reached a stable design and is projected to be procured for the following five years should be on a multiyear

procurement contract. This concept can take the form of holding ship production constant over several years and managing force size through end-of-life decisions rather than procurement. A **federated shipbuilding** approach would expand strategic outsourcing efforts by shipyards to mobilize production across the United States, including by leveraging production facilities and workforces across the country to build modules for ships assembled at traditional yards on the coast. Other procurement concepts focus on thinking about how to optimize ship designs at the **fleet** level, instead of as a collection of individual ship classes, to improve cross-fleet economies of scale.

Given the current backlog at U.S. shipyards and the time requirements for becoming a military supplier, creating new shipbuilding capacity is necessary but may not be quick. Traditional military shipbuilding is an **art** as much as a science, and it is inherently a long-time-horizon activity. As a result, the administration could request that Congress alter the Brynes-Tollefson Amendment (**Title 10, Section 8679**, and reinforced by **Title 14, Section 1151**), which prohibits the U.S. armed forces from procuring foreign ships and limits major repairs that can be conducted forward. At present, the president can grant exceptions if doing so is deemed in the national security interest and Congress is notified. However, annual defense appropriation **bills**, including the 2026 defense appropriations act, have included language specifying that the funds in the Navy's shipbuilding and conversion account cannot be "used for the construction of any naval vessel in foreign shipyards." These clauses do not include an option for the president to waive this restriction.

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The law appears increasingly in need of refreshing to better support competition in U.S. shipbuilding. U.S. allies are well positioned to help bolster U.S. naval production. **South Korean** shipyards are producing AEGIS-equipped destroyers faster and cheaper than their U.S. counterparts. The Australian government opted to buy the **Japanese Mogami frigate,** demonstrating **well-trod pathways** that **other advanced militaries** have employed to supplement their domestic maritime industrial bases by purchasing from or coproducing with allied shipbuilders. However, before proceeding to work with allies on the coproduction of ships or major modules of ships, there should be estimates of the time and cost incurred to ensure that these ships are interoperable with the U.S. fleet.

OPTION ONE TRADE-OFFS

Allocating increased funding toward constructing new ships will not necessarily create immediate new warfighting capacity for the Navy. Long production **backlogs**, especially of destroyers and submarines, at the Navy's major shipbuilders mean that funding may have a longer flash-to-bang in terms of generating new combat power. However, dollars under contract would provide a clearer **demand signal** to industry, which has called for such mechanisms to justify informed investments in expanding capacity to increase shipbuilding throughput. Moreover, buying new ships without matching

investments in repair, maintenance, and sustainment risks increasing the burden and backlog of sustainment needed to generate fleet forces.

Approaches such as continuous production and federated shipbuilding would help mitigate these issues in spending new shipbuilding money effectively. Pursuing foreign build or repair exceptions could accelerate availability and hedge against production shortfalls but requires political capital and deft negotiations. The goal is to do no harm to the domestic industrial base. Therefore, a credible plan to expand U.S. orders, capacity, and workforce would require a sustainment blueprint that is realistic and executable.

Option Two: More Munitions

Defense analysts have pointed to the **critical shortage of munitions** and the prospect of "**empty bins"** during wartime. The Navy faces a particular munitions challenge in that it requires a mix of offensive and defensive munitions to support its **current** and projected **future concept of operations**. As a result, focusing on munitions requires investments across multiple categories and missions.

Should the Navy decide to focus on versatility, it could expand its SM-6 missile inventory for air defense to include capabilities for **hypersonic interception** and **sinking enemy ships**. The SM-6 can be launched from standard vertical launching system (VLS) cells aboard Navy ships, and a **containerized version** using the **MK70 system** offers the option to launch from land and ships without built-in VLS cells, including unmanned surface vessels (USVs), littoral combat ships, and the proposed Golden Fleet frigate—**FF(X)**. There is also an air-launched version (**AIM-174B**) capable of being fired from carrier-based F/A-18s. The latest **maximum production rates** of the SM-6 were documented as 173 per year with one Raytheon contract, 250 per year with a BAE contract, and 151 per year through another Raytheon contract; two more contracts still have unknown capacity. The Navy, however, **buys much less** than this max capacity—97 in fiscal year 2024, 78 in FY 2025, and only a meager 10 requested in the FY 2026 president's budget.

To examine options for increasing procurement, the authors of this paper made calculations using the **Defense Futures Simulator** (DFS), a venture from the American Enterprise Institute, in partnership with CSIS and War on the Rocks (and led by Todd Harrison), which uses the FY 2025 budget numbers to estimate future weapons costs. According to DFS, increasing production capacity of the SM-6 for two years (starting in 2026) and procuring an additional 2,151 missiles per year in years three through five would add **$42 billion** to the defense budget. Given this essay's planning factor of $100 billion, this will not be a possibility. Raising procurement to 400 units per year (which is the maximum amount allowed on DFS without increasing the capacity) from FY26 to FY29 would cost a total of **$3.51 billion**. Enacting a combination of these action items—raising procurement to the max capacity of existing production lines and making sustained, targeted investment into the defense industrial base to gradually increase the amount that can be bought—would be an option for the Navy to directly increase combat power in the near term and even more in the medium to long term.

The Navy could also invest in hypersonic missiles in the form of **Conventional Prompt Strike (CPS)** and the Long-Range Hypersonic Weapon (LRHW), a ground-launched version used by the Army, which is also called **Dark Eagle**. CPS is currently estimated at roughly **$50 million per missile**. The LRHW is estimated at **$36.8 million** per missile (not including the ground support system or integration).

According to DFS, the Navy could increase procurement to 24 CPS missiles per year (the **maximum production rate** for this particular missile) for **$1.95 billion** paid between FY 2026 and FY 2029. According to **FY 2025 budget documentation**, the Navy planned to buy 6 CPS missiles in FY 26, 22 in FY 27, 16 in FY 28, and 17 in FY 29. Pushing this to the max, like all other missiles, would increase combat power in the immediate future. For the LRHW, FY 2026 budget documentation states the max production rate is **13 per year** among two Lockheed Martin facilities. With the current unit cost, increasing procurement to the max capacity would cost $479 million per year, still not factoring in costs for the ground support system. This investment would provide options for land- and sea-based strikes against both ground- and sea-based targets. Furthermore, the joint production across the services is likely to reduce costs over time and provide operational flexibility. For example, Dark Eagle missiles fired from shipping containers provide options for littoral rotational forces like the **Marine Littoral Regiment** and **Army Multi-Domain Task Force** as well as larger USVs.

Next, the Navy could restock its workhorse, the Tomahawk, and other key munitions like **long-range strike missiles**, to include the **containerized version** capable of being fired from the land and USVs. The United States has purchased **9,000** Tomahawks since the missile entered service, but stockpiles are running low and would likely be empty within the first months of a major war in the Pacific. Between 1991 and 2001, the United States is estimated to have **fired 1,100 Tomahawks** (110 per year). The **United States likely used** 800 missiles in Operation Iraqi Freedom (2003) and 150 in Odyssey Dawn (2011). This trend continues in recent operations. During Operation Midnight Hammer, the 2025 attack on Iranian nuclear sites, estimates suggest **several dozen submarine-launched Tomahawks** supported B-2 strikes. Navy surface combatants in the Gulf of Guinea fired an estimated **16 missiles** in the December 25 strike against the Islamic State in northern Nigeria. And naval fires were a key part of degrading Iranian naval power in the first 48 hours of **Operation Epic Fury**, destroying an estimated 11–17 ships as well as anti-ship cruise missile batteries and critical infrastructure.

A conflict in the Asia Pacific would see significantly higher numbers of munitions expended. If a **pulse operation** like **Midnight Hammer** occurred once a day over the course of a month it would require almost 720 missiles, causing a significant strain on stockpiles and constraining military options. The problem presents itself in expending more while procuring less. There were 154 Tomahawks **procured** between the Navy, Army, and Marine Corps in 2022, and only 109 between the three in 2023. **The max capacity** for 2026 is estimated to be around 2,330, with three contracts from Raytheon each having a capacity of 600 and a contract from BAE having capacity for 530 missiles. However, as mentioned earlier, most procurement rates hover around the minimum sustainment rate, which is **90 per year**.

The Navy could—as recommended for other missiles in this paper—contract the procurement of the maximum capacity for Tomahawks. This would be a significant increase and would have a long investment tail on increasing said capacity even more over time. According to DFS, procuring 200 Tomahawks annually from FY 2026 to FY 2029 would cost a total of **$1.7 billion**, a relatively affordable way to utilize a Trump boost. To increase Tomahawk production capacity beyond this amount, the Navy would need to spend **$12.16 billion**, which would expand production capacity in the first two years and fund procurement of an additional 1,115 missiles per year in years three through five. The emerging pattern is to utilize a historic $1.5 trillion budget to immediately order the procurement of the current maximum, with sustained investments in surge capacity over time.

Lastly, the Navy could also restock its versatile defensive missile system, the **RIM-116 Rolling Airframe Missile** (RAM). The **FY 26 budget request** recommended buying 123 missiles at a cost of $122 million (around $1 million per missile). The missile is also widely used by partners and allies, who often adapt it—as seen in **Taiwan's use of a ground-based version** to protect land-based facilities. Given its adaptability and smaller size, the RAM is ideal for the **hedge strategy** proposed by the chief of naval operations that envisions using hybrid fleets, equipped with increased USVs, that vary by region. According to DFS, the Navy could procure 360 RAMs per year for an added cost of only about **$760 million** between FY 2026 and FY 2029. Buying at full capacity is a valuable and cost-effective strategy the Navy could employ, as the RAM is relatively cheap.

The Navy could also cooperate with the U.S. Air Force to buy the new long-range air-to-air missiles (**AIM-260A**). Also known as the Joint Advanced Tactical Missile, it likely has significant range advantages over legacy **AIM-120** air-to-air missiles, which is key for modern offensive and defensive counter air missions. However, the budget information for this system is still classified, preventing a full analysis on cost and capacity.

A surge in munition production will likely require expanding coproduction agreements with allies and partners. The United States maintains coproduction deals with multiple countries, including **Australia**, **Canada**, Israel, Japan, and Norway (the latter primarily through a **partnership** between RTX and Kongsberg). Japan has proposed expanding the munitions it coproduces with the United States—currently **PAC-3 interceptors**—to include legacy air-to-air missiles (**AIM-120**) and the **SM-6.**

To further expand this network, the U.S. Navy will need to work with the Department of War (DOW), the Department of State, and Congress to fast-track additional coproduction agreements. At present, coproduction is a long process and subject to multiple legislative barriers, including **Title 22, Section 2778**, which controls arms exports and imports. The process includes establishing a legal and diplomatic framework, including reciprocal defense procurement agreements, that removes key "buy American" restrictions for partners. It requires the State Department to help American firms obtain technical assistance and manufacturing license agreements that support U.S. businesses working alongside foreign counterparts. And it requires getting past onerous provisions in the U.S. International Traffic in Arms Regulation (ITAR) and Missile Technology Control Regime (MTCR).

OPTION TWO TRADE-OFFS

A munitions surge buys more immediate combat power, but it provides less of an advantage if the Navy lacks the platforms, sensors, manpower, training pipelines, and sustainment capacity to employ those weapons at scale in a prolonged fight. The opportunity cost is fleet growth and industrial infrastructure: Allocating tens of billions to missiles today could crowd out other funding priorities such as investments in shipyard and ship repair modernization and capacity increases. Achieving the needed production rates will require deeper coproduction arrangements with U.S. allies and faster export licensing processes, which requires interagency support and congressionally led reforms.

Finally, prioritizing stockpiles over expanding force structure may be strategically sound, but it requires budgeting discipline. The services and other actors in the Pentagon will need to resist the urge to use munitions accounts as "**bill-payers**" for the other priorities that will emerge over time, a temptation they have struggled to resist in the past.

Option Three: More Force Generation

Central to the recent **Fighting Instructions** from the chief of naval operations is force generation that focuses on changing readiness levels and balancing posture and investments by employing a **hedge strategy**. This **strategy** will rely on an increase in attritable, lower-cost unmanned systems and frigates, as envisioned in the new Golden Fleet, to free up carrier strike and surface action groups. It seeks to reduce the practice of burning future readiness to maintain current global demands. This would require increased funding and policy changes that support **forward sustainment**.

Navy leaders envision a surge in purchases of unmanned surface and subsurface vessels. These ships enable concepts such as **distributed maritime operations** (DMO), which employs drone ships to complicate adversary targeting through deception, information warfare, and dispersion. This would allow more time and space for traditional strike groups, operating alongside the joint force, to conduct sea control and sea denial missions.

To achieve this goal, the Navy can explore **substituting drones** for conventional seapower assets and finding ways to reduce the burden on its aging inventory of aircraft. Expanding the Navy's squadrons of unmanned aircraft could help reduce the strain on the existing force, though they cannot replace these capabilities. **MQ-9** Reapers have higher readiness levels than comparable manned aircraft and surface combatants. A similar logic likely extends to the **MQ-25** Stingrays, which can double the combat radius of the F-35 Lightning II and F/A-18 E/F Super Hornet.

Platforms like the **MQ-4C** Triton and **MQ-9B** SeaGuardian are easier and faster to build than large surface ships and manned aircraft like the P-8. They also are increasingly seen as key enablers that extend the life and range of the P-8 Poseidon; Germany, for example, **recently purchased** eight SeaGuardian drones to complement its existing fleet of eight P-8s. Allies and regional security partners such as **Canada**, **India**, **Japan**, and **Qatar** are racing to buy the aircraft. The U.S. Navy could even explore the **short takeoff and landing (STOL) versions** of the MQ-9, which have been proven to be capable of taking off from amphibious ships such as landing helicopter dock and landing helicopter assault ships. That would provide the Navy with options to conduct long-range maritime strike and surveillance missions in support of regional hedge forces from floating platforms or partner airbases without placing greater demands on the conventional force.

Emphasizing force generation implies the Navy could buy a flexible mix of unmanned aircraft to support regional partners with missions ranging from surveillance to anti-submarine warfare. These could include new **collaborative combat aircraft** designs that support a wide range of missions in the carrier air wing. The platforms will be **integrated** with the F-35, E-2D Advanced Hawkeye, F/A-18, and EA-18G Growler. Together, these systems provide a naval air component to the chief of naval operations' proposed hedge strategy that reduces the burden on its existing, and aging, air wing.

The Navy already fields twelve active P-8 squadrons, nine carrier air wings, and three Marine air wings. Adding a MQ-25 refueler squadron of five to eight aircraft to each air wing would cost an approximate $8–$13 billion, based on the **cost per unit**.

Expanding the Navy's auxiliary fleet, especially fleet oilers and underway replenishment vessels, is also a way to improve readiness and support concepts like DMO. **Fleet oilers (T-AO)** are critical to

extending the operating endurance of surface ships and embarked aircraft. Similarly, the Navy's Military Sealift Command operates 14 dry cargo/ammunitions **(T-AKE)** ships; like the T-AO fleet, these ships are critical to supporting DMO and enabling sustained forward presence. Other key logistics enablers include **Expeditionary Fast Transport** ships, capable of speeds up to 35 knots, and **Expeditionary Sea Base**, a floating forward staging base variant of mobile land platforms. Combined, these ships offer fast transit and major forward staging areas for a wide variety of missions.

They also serve as station ships for strike groups and support U.S. Marine Corps operations with cargo deliveries, making them a central component of power projection. Combined with other logistics ships like the planned **Landing Ship Medium** (LSM), these vessels are central to supporting concepts like the U.S. Marine Corps **Stand-In Force** and **Expeditionary Advanced Base Operations**.

Currently, the Navy plans to procure **20 John Lewis–class replenishment ships** to replace the aging Henry J. Kaiser class, at an estimated procurement cost of **$900 million per vessel**. Adding 10 additional fleet oilers would cost almost $10 billion. The Navy purchased 14 Lewis and Clark–class **T-AKE ships** at an estimated cost of **$570 million per ship** in 2011. Expanding the Navy's fleet of T-AKE ships by 50 percent (adding another 7 ships) would have cost $4 billion at the 2011 price but would be much more expensive today, factoring in inflation and increased construction costs over the last 15 years. The Navy also operates 11 Expeditionary Fast Transport ships at an estimated cost per ship of **$260 million**, and five Expeditionary Staging Base vessels, each estimated to cost in **the mid-$600 million** range. Increasing these logistics enablers by 50 percent would cost $3 billion. Lastly, to move from 18 to 27 LSMs would cost almost $2 billion. The net result is that building up the Navy's fleet of logistics enablers, critical to improving readiness, would cost at least $19 billion—but likely much more, since the defense budget has not yet outpaced inflation.

In addition to replenishment at sea, the Navy needs to find more ways to conduct maintenance, repair, and overhaul (MRO) forward to maximize the time a ship is at sea and ready to support ongoing operations. Of note, the Navy has already tested conducting MRO in foreign shipyards by conducting maintenance on a T-AKE ship in a South Korean **shipyard**. The effort was linked to the **"Make American Shipbuilding Great Again" project** and South Korean investments in the U.S. maritime sector. At a higher level, it is connected to existing initiatives like the push for the **Regional Sustainment Framework** (RSF) and the broader **Partnership for Indo-Pacific Industrial Resilience** (PIPIR). The Navy would benefit from replicating efforts like the **U.S. Air Force Global Enterprise Network for Universal Sustainment** (GENUS), which expands depot maintenance capabilities in partner and allied countries.

> *Increasing force generation will require more than dollars. It will require expanding initiatives such as RSF, PIPIR, GENUS, and DICAS to increase the number of allied countries where the United States can successfully conduct MRO near the potential fight.*

U.S. partners are ready and eager to support these initiatives. **South Korea** has shown it can repair a U.S. ship. **Australia** demonstrated a periodic maintenance interval for naval aviation assets. **Japan** has deep ties with the U.S. aviation industry and is deepening defense industrial cooperation on ship repair, naval aviation, and missile coproduction with the United States through the Defense Industrial Cooperation, Acquisition, and Sustainment (DICAS) **forum**. Increasing force generation will require more than dollars. It will require expanding initiatives such as RSF, PIPIR, GENUS, and DICAS to increase the number of allied countries where the United States can successfully conduct MRO near the potential fight. Allied industry will need concrete incentives and a clear demand signal to expand its **capacity** in order to support U.S. forward maintenance efforts, requiring the U.S. Navy to act early and put money toward this effort to ensure its success.

There are creative options for expanding contractor-owned, contractor-operated (COCO) service agreements with firms to reduce the wear and tear on the force. There is a long tradition of using these vehicles to support **intelligence gathering**. In 2025, the Navy **put out a bid** for small tactical unmanned systems that used independent, multi-intelligence-capable drones with an operational range of at least 75 nautical miles and 10-hour station time to support its missions. COCO services are not limited to intelligence. Firms like **Metrea Aerospace** have expanded their offerings to include aerial refueling. These contracting vehicles often can last up to five years, providing additional flexibility as the Navy looks to extend the life of a near-term budget surge.

Lastly, there is also a need for deregulation and congressional action to enable greater unmanned maritime system construction. **Executive Order 14269**, Restoring America's Maritime Dominance, chartered the Maritime Action Plan and tasked executive agencies to explore leveraging the Defense Production Act (Title III) and using private capital to expand the maritime industrial base, including shipbuilding. The approach prioritizes incentivizing the private sector, including by establishing "Maritime Prosperity Zones" and promoting investment through Federal Credit Reform Act–compliant loans, the Small Shipyard Grant Program, and the Federal Ship Financing (Title XI) Program.

These programs could be used to bring online (or into the military sphere) smaller yards specializing in new classes of unmanned ships envisioned by concepts like DMO and hedge strategy, including programs like the **Defense Advanced Research Projects Agency's NOMARS** ("no manning required ship") program. The result would be a surge in private yards that could reduce the strain on legacy public yards. These funding vehicles are largely outside of the DOW and Congress needs to ensure increased defense spending does not inadvertently undermine funds set aside to support these programs.

OPTION THREE TRADE-OFFS

Force generation shifts the Navy's core metric from "how many ships exist" to "how many ships and aircraft are combat-ready, forward positioned, and practically sustainable," but the opportunity cost is headline fleet expansion and some categories of magazine depth. Logistics ships, a greater focus on forward maintenance cooperative agreements, and unmanned aviation can materially increase the Navy's ability to sustain distributed operations, yet they are less visible than new combatants and can be more vulnerable to shifting political and funding priorities.

Realizing this option also depends heavily on basing access and policy changes. Expanding forward MRO and allied sustainment requires durable agreements, a clear U.S. government demand signal, and investments in partner industry capacity. Unmanned systems can reduce strain on manned platforms and extend reach, but they introduce reliance on networks, data links, and contested-spectrum resilience—all of which come with their own costs. Investing in force generation can create readiness and deterrent effects, but it demands a degree of institutional change and allied industrial integration that takes high-level policymaker (including outside of the Navy) attention, legislative support, and consistent funding across multiple years.

Option Four: More Hedge Forces

This option would prioritize the development of tailored hedge forces designed to address low-probability, high-consequence contingencies without reshaping—and therefore distorting—the entire fleet around specialized missions. This concept was outlined by the Hudson Institute's Bryan Clark and Dan Patt in their report ***Hedging Bets*** and was recently adopted by Chief of Naval Operations Admiral **Daryl Caudle**, who included the concept in his office's **Fighting Instructions**. Rather than optimizing the Navy's main fleet for any one of a narrow set of demanding scenarios, hedge forces would assume an outsized role in performing discrete missions that are strategically important but inefficient to resource across the force as a whole. This approach preserves a flexible, "Swiss Army knife" fleet for day-to-day operations while selectively deploying specialized capabilities as threats rise and abate.

> *Moreover, there is not only one type of high-end warfare, and specializing the entire fleet around a given scenario risks an overspecialized fleet that is not fit for purpose for many of its other tasks.*

Hedge forces work to remediate a mismatch between how the Navy is structured and how it is routinely employed. The United States has built a force optimized for high-end warfare, yet much of that force is **most often** used for lower-intensity missions that do not require exquisite, expensive platforms. Hedge forces aim to rebalance this dynamic by shaping roughly 95 percent of the fleet for the most likely missions, while retaining specialized forces for scenarios where the consequences of failure would be severe.

Moreover, there is not only one type of high-end warfare, and specializing the entire fleet around a given scenario risks an overspecialized fleet that is not fit for purpose for many of its other tasks. Imagine a fleet designed solely around preventing the invasion of Taiwan. A force composed primarily of attack submarines, USVs, and long-range strike platforms may be able to kill Chinese amphibious vessels but would likely struggle to carry out the low-intensity presence missions currently performed by carrier strike groups in the Gulf, for example. Navies do not get to choose which geopolitical crisis will boil over at a given moment and can ill afford to overspecialize.

In practice, hedge forces would be built around uncrewed and lightly crewed systems, emphasizing passive sensing, distributed networks, and low-cost attritable platforms. Trends in sensing and networking favor uncrewed systems, as sensors can increasingly be made relatively cheap, numerous, and expendable. By relying on **passive radio frequency (RF) detection** and **multistatic sensing**, these forces would increase **non-satellite targeting redundancy** with lower size, power, and cost requirements than traditional surface combatants.

Hedge forces would be tailored to specific operational problems that do not justify redesigning the entire fleet. Illustrative **missions** include Red Sea air and missile defense, coastal defense in the Taiwan contingency, anti-submarine warfare around the Nansei Islands, Arabian Gulf mine countermeasures, distributed fires in the western Pacific, and anti-submarine warfare operations in the Greenland-Iceland-United Kingdom gap. In these cases, USVs in hedge forces would augment traditional fleet assets rather than completely replacing them, allowing these high-end platforms to focus on command, control, and complex warfighting tasks.

Organizationally, hedge forces would exist as a pool of modular units that could be assembled into tailored packages and deployed regionally. Such a hedge force structure would cost around $3 billion to **procure**, rising to a total of $6.5 billion when accounting for integration costs such as communications and control systems, targeting systems, and transportation barges and vessels. The Hudson **report** estimates that 50 long-range loitering munitions teams (three airframes per team) would cost a total of 2.5 billion, at a rate of $50 million per team. Similarly, 20 medium uncrewed underwater vehicle (UUV) pairs would cost $240 million, or $12 million per pair. Twenty attack USV pairs would cost $200 million, or $10 million per pair. Ten low-end surface-to-air missile teams would cost $50 million overall, or $5 million per team (with 24 missiles and 2 launchers). In addition to the system costs, the report estimated that enabling systems such as command and control, targeting, and energetics would cost $1.5 billion and projected another $2 billion for system integration costs such as transportation platforms. While not inexpensive, this option would effectively buy insurance against a range of high-impact contingencies without committing the Navy to a more brittle, specialized, and expensive fleet design.

Additionally, not all hedge force concepts need to rely on USVs. Other options include greater use of containerized payloads, which could be loaded on USVs but also could be added to merchant container ships, as some analysts have **proposed**. Equipping a container ship with 20 naval strike missiles would cost around $130–$140 million, with $2 million per missile, $20 million for command and control and ship modifications, and between $10 and $40 million for the ship itself.

Alternatively, the United States operating—or subsidizing the increased allied operation of—diesel-electric or air-independent propulsion submarines has also been raised as a cost-effective component of a hedge force against a Chinese invasion of Taiwan. Conventionally powered **submarines** are cheaper than nuclear-powered attack submarines, and core regional U.S. allies such as South Korea and Japan, as well as several European NATO allies, make world-class options. Japan's recent Taigei-class submarines cost around **$630 million** per hull, compared to around **$5 billion** for a Virginia-class submarine. While conventional submarines do not have the same capabilities as nuclear-powered ones, especially with regard to range, they can be a cost-effective and useful option for allies and partners, especially in noisy littoral environments like those around Taiwan.

OPTION FOUR TRADE-OFFS

The trade-off inherent in this option is that hedge forces add complexity to force management and sustainment and require upfront investment in systems the Navy may rarely deploy. Some concepts for hedge forces also rely on technologies not yet proven, such as some forms of autonomous USV operation, sensing, communication links, and fire-on-remote capabilities for containerized VLS. While these challenges are not insurmountable, the Navy will need to be careful not to base its plans around capabilities that may prove difficult to implement. However, in return, these capabilities reduce pressure to design the high-end side of the fleet for overspecialized missions and preserve the fleet's flexibility and capability that enable it to perform its most common duties. Moreover, this option lets the Navy keep its budgetary powder relatively dry—USVs and hedge forces allow the Navy to buy down short- to medium-term risks without committing to a technological or force design direction it may regret as the world and technology continue to evolve in the coming years.

Option Five: More Deterrence

The projected **cost** for all 12 submarines in the new Columbia class is $126.4 billion. The Navy's total FY 26 discretionary request plus reconciliation funding for shipbuilding and conversion of fleet ballistic missile **submarines** was $10.9 billion. The program has also been subject to significant **delays** and **cost overruns**.

The Navy could allocate its portion of the surge of overall defense spending toward alleviating the cost burden of nuclear modernization on the Navy's budget across the next several years, which would hedge against program cost growth and preserve the Navy's budget flexibility for other priorities in future years. To carry this out, the Navy could leverage the **National Sea-Based Deterrence Fund** (NSBDF), which was created in 2014 to help fund Columbia as a priority for the entire Department of Defense rather than have it compete with other Navy programs for funding. While both Navy Shipbuilding and Conversion **funds** and **money** deposited in the NSBDF can be obligated out across the subsequent five years, the NSBDF's special early acquisition, economic order quantity, and continuous production authorities provide the Navy a more flexible vehicle with which to deploy these funds.

If Columbia capacity increases and likely cost overruns are funded by the "Trump bump," the Navy would free up future funds no longer needed for the Columbia program to build more Virginia-class submarines equipped with the VPM. The **VPM** gives the submarines an additional four 21-inch vertical launch tubes, enabling it to carry an additional 28 Tomahawks (at 7 per tube). VPM-equipped Virginias can help compensate for the eventual decommissioning of the four SSGNs (Ohio-class submarines modified into guided missile carriers). It would take 22 VPMs to equal the 616 Tomahawk arsenal of the four SSGNs, however.

The industrial base has struggled to produce the two Virginias that the Navy procures every year and are **averaging** only around 1.2 boats per year. All the while, some policymakers have been calling for even faster submarine procurement of **2.33** to **3** Virginias per year, and **AUKUS** created yet additional demand. The Navy has made strides in alleviating some of the workforce and supplier issues and in 2025 announced a $987 million **contract modification** with General Dynamics to help fund greater shipyard production and develop the supplier base. Investments in capacity will take time to bear results.

Therefore, to improve submarine-based deterrence, both conventional and nuclear, the Navy could place additional funds in the **NSBDF**. The fund allows for multiyear procurement and economic order quantity contracts, and it has provisions that facilitate continuous production critical to maintaining the defense industrial base. While intended primarily for the Columbia-class program, the NSBDF has been previously amended in subsections (f), (g), (h), and (i) of **Title 10, Section 2218a** to give the Navy access to special acquisition authorities to help reduce marginal costs for Columbia, aircraft carriers, and attack submarines.

The NSBDF could be further amended by Congress to provide greater support to the Virginia program, especially the replacement of guided missile submarine capacity with the new **VPMs**. Deterrence rests not just on nuclear weapons but also on the ability to hold targets at risk at lower rungs of the escalation ladder with conventional precision strikes. For decades, Ohio-class ballistic missile submarines converted to fire Tomahawk cruise missiles formed the backbone of that system. As those now 40-year old submarines are phased out, this capacity is being replaced by Block V Virginia-class attack submarines equipped with VPMs, until their **replacement** comes to the fleet next.

This support could come either by way of access to even more special acquisition authorities for the Navy (for example, broadening the scope of authorities for economic quantity purchasing for Virginia and Columbia) or by further allowing the NSBDF funds to be used to benefit the Virginia program more directly—via capital investments in shared shipyards, the workforce, the supplier base, or other needs as the Navy sees fit.

OPTION FIVE TRADE-OFFS

Putting the "Trump bump" funds toward Columbia and the NSBDF would relieve the budget pressure created by nuclear modernization and create downstream conventional capacity if it results in greater production capacity for VPM-equipped Virginia-class submarines. However, it would also concentrate resources in long-term programs that are unlikely to increase near-term conventional presence or capability. The key opportunity cost is conventional capacity in the late 2020s: Dollars devoted to recapitalizing the strategic deterrent or invested in long-term VPM production improvements are dollars not available for ships, munitions, and readiness that directly affect day-to-day competition and crisis response.

Option Six: More Shipyard Modernization

Making a major investment in modernizing the Navy's public shipyards would address a major limiting factor in the Navy's ability to project its maritime power: the capacity of the government-owned public shipyards to sustain the existing nuclear-powered fleet. The Navy's four public shipyards—Norfolk Naval Shipyard in Virginia, Portsmouth Naval Shipyard in Maine, Puget Sound Naval Shipyard and Intermediate Maintenance Facility in Washington, and Pearl Harbor Naval Shipyard and Intermediate Maintenance Facility in Hawaii—execute complex depot-level maintenance on the Navy's nuclear-powered ships, both aircraft carriers and submarines. As mentioned in Option 3, readiness rates are critical to the Navy's ability to "fight tonight" and credibly deter opponents. High-performing public shipyards also increase maintenance throughput and improve return on maintenance spending.

Despite the importance of carrier and submarine readiness, Naval shipyards have long suffered from deferred maintenance and modernization. The **Government Accountability Office** (GAO) has

reported that the **age** (60 years or older on average), historic yard design (meant for shipbuilding rather than ship maintenance), and poor condition of naval shipyard facilities have reduced their ability to support the mission-critical role of repairing the Navy's nuclear-fueled carriers and submarines. Prior **GAO** assessments also noted that if the Navy does not improve its public shipyards, they will be unable to support about a third of the Navy's planned maintenance availabilities for aircraft carriers and submarines through 2040.

The Navy established the congressionally mandated Shipyard Infrastructure Optimization Program (**SIOP**) in May 2018 to address the degradation of these facilities. Conceived as a holistic, 20-year recapitalization effort, SIOP integrates three primary lines of **effort**: first, the construction and recapitalization of dry docks to accommodate the dimensions and maintenance requirements of future force platforms; second, the recapitalization and reconfiguration of base infrastructure to optimize workflow and reduce transit times; and third, the modernization of industrial plant equipment with advanced manufacturing technologies. The Navy initially **projected** that the entire 20-year effort would require an investment of at least $21 billion.

SIOP's execution has been challenged by cost overruns, schedule slippages, and a rigid, highly fragmented funding architecture that impedes long-term capital planning. For example, the Navy completed its first plan for the Pearl Harbor Naval Shipyard in 2022; while the initial estimated **cost** of the project was $6.1 billion in 2018, the estimated cost rose to $16 billion by 2022. Similarly, the cost estimate of the dry dock project at the Portsmouth Naval Shipyard **rose** from an initial baseline cost estimate of $528 million in 2019 to $2.2 billion by July 2021.

The Navy could use the "Trump bump" to ensure SIOP's success in the coming years by providing funding to address cost estimate increases. Historically, investments in naval facilities have consistently fallen short of the Department of Defense's stated goals, with the Navy funding **only** about 80 percent of its annual benchmarks for routine sustainment between 2013 and 2022. A historically high defense topline would allow the Navy to accelerate this long-delayed facility modernization. Though long-term recapitalization efforts like SIOP require consistent funding across time, the defense spending surge can act to catalyze efforts across the nation.

Congress and the Navy can support the speed and success of SIOP by putting more funds toward the initiative and providing a consolidated funding vehicle for SIOP projects with special acquisition authorities. Currently, SIOP does not possess a single, dedicated statutory account. Instead, the Navy funds this $21 billion+ program across several statutorily constrained **appropriations** lines, including Military Construction (MILCON), **Operation and Maintenance**, Navy (O&M,N), and Other Procurement, Navy (OP,N). This fragmentation creates bureaucratic friction and leads to different regulatory restrictions on how funding can be used. O&M funds are typically single-year appropriations that expire if they are not obligated by the end of the fiscal year. This creates a "use-it-or-lose-it" dynamic that discourages long-term capital planning and forces the Navy to execute contracts rapidly, which can preclude negotiating bulk discounts or multiyear strategic sourcing agreements. Conversely, MILCON funds, while generally available for up to five years, are bound by strict, congressionally mandated "full-funding" policies. Standard acquisition rules dictate that the Navy must request the entire estimated cost of a facility in a single fiscal year.

Congress should consider creating a singular Strategic Infrastructure Deterrence Fund (SIDF) with the ability to obligate funds out five years or more from the time of appropriation. The SIDF should come with special authorities so that its obligated funding would not require full funding and would allow for acquisition practices like advance procurement and multiyear contracting. This fund could be modeled on similar initiatives for high-priority programs like the NSBDF. At a minimum, even absent the creation of a special fund, Congress should fully fund SIOP and meet any shipyard infrastructure **requests** on the Unfunded Priorities List that would advance SIOP's goals.

OPTION SIX TRADE-OFFS

SIOP will deliver critical readiness gains, but only over the long term. Investing funds from the "Trump bump" into SIOP means fewer dollars available to spend on a larger surface or subsurface fleet, munitions, hedge forces, or other investments in more immediate efforts to improve readiness and the availability of enablers. Further, the Congressional Budget Office has **warned** that prioritizing SIOP could crowd out other Navy facility and infrastructure investments, though this is likely only if SIOP funding comes at the expense of other initiatives instead of as a new outlay from a larger Navy budget. Another trade-off is that establishing the SIDF could limit the Navy's budget flexibility and ability to shift resources as needed.

Policy Recommendations

The analysis of options reveals a central dilemma: A historic budget increase cannot simply be absorbed by the current industrial base without friction. The DOW and the Navy cannot merely sign contracts for new hulls or missiles that will sit in production queues for years. To convert financial resources into genuine seapower and combat credibility, the administration must pursue structural reforms that unlock domestic capacity and leverage allied strengths. The following recommendations offer a road map for maximizing the return on investment for the president's proposed defense surge, focusing on regulatory modernization, allied integration, and industrial base revitalization to ensure that new funding creates actual operational capability rather than just inflationary pressure.

Expand and replicate existing coproduction agreements for munitions. The United States should scale munitions production through allied coproduction as part of a long-term, deliberate industrial strategy. Doing so requires faster export and manufacturing licensing; sending clearer demand signals through multiyear procurement and getting dollars on contract with foreign industry partners; and expanding reciprocal defense procurement agreements (RDPAs) and other industrial cooperation frameworks that reduce "buy American" friction for trusted security partners. Coproduction efforts should be done across the DOW, not just the Navy, ideally with a focus on mutually used munitions. The DOW should expand or replicate existing models with new partners, such as the guided weapons **initiative** with Australia. A key policy enabler of coproduction will be the DOW enacting **equivalency** agreements that recognize that certain technical standards for the defense industry are close enough to be mutually acceptable, even if not held in common. Another option is continuing to expand the applicability of Defense Production Act (DPA) Title III authorities, which support material and technology production capacity, to include more partners' industrial bases. DPA Title III was previously **amended** to include Australia, Canada, and the United Kingdom as part of the U.S. domestic industry, and it could be further **expanded** to include other trusted defense production partners like Japan,

Norway, or others. This would enable the United States to shape and leverage a wider international industrial base for munitions and other defense articles.

Reduce congressional barriers to buying foreign ships. Congress should modernize statutory constraints such as **Title 10, Section 8679** that limit foreign construction and major repairs so the Navy can selectively use allied capacity to manage backlogs and accelerate availability. At a minimum, Congress should remove the restriction in the annual DOW appropriations acts on the usage of shipbuilding and conversion funds for foreign shipbuilding or maintenance, to give the president the flexibility to waive these restrictions if a national security need arises, mirroring Title 10, Section 8679. Further flexibility in employing this waiver should be paired with guardrails that protect long-term U.S. shipbuilding competitiveness, alongside continued investments into domestic shipyard modernization and workforce growth. One **pathway** to bolstering the U.S. shipbuilding industry is to amend regulations to allow buying foreign ships in the short term, while in the long term pairing these purchases with coproduction and training efforts at foreign yards and eventual investments in U.S.-based shipyards—along the lines of the **Arctic Security Cutter program** being built with Finnish and Canadian support.

Modernize forward repair. Congress should modernize **Title 10, Section 8680**, which restricts major repairs in foreign ports. Establishing "maintenance diplomatic zones" in partner nations is essential for forward sustainment of naval forces, particularly hedge forces. Without forward repair hubs for potential conventionally powered submarine squadrons and USV assets, hedge forces will lose their "on-station" advantage, as ships would be forced to transit thousands of miles back to Guam or Pearl Harbor for routine work.

Leverage Section 333. Congress should increase the construction caps within **Title 10, Section 333**. By using Defense Security Cooperation Agency funding to build "partner sustainment centers"—including forward piers for XLUUV and other USV recharging stations—the Navy can execute a "spoke and node" architecture much faster. This fulfills the vision of a distributed, resilient infrastructure as outlined in the **Indo-Pacific Maritime Security Initiative**. Leveraging allied capacity and ability across production and sustainment is critical to the implementation of a successful hedge strategy, as well as broader force generation approaches.

Fund and modify the NSBDF. The Navy could place further funds in the NSBDF to hedge against and potentially reduce cost growth and stabilize Columbia-class production through multiyear procurement and economic order quantity authorities. Congress could also update the scope of the NSBDF's special acquisition authorities where needed to further enable the Navy to use NSBDF funds and authorities to advance the VPM-equipped Virginia program via shared capital improvements and bulk orders of shared equipment.

Revise export controls. The United States should continue to update export control implementation to support faster coproduction and allied industrial integration while maintaining necessary technology protection and end-use safeguards. That means simplifying and accelerating licensing for trusted partners and aligning MTCR and ITAR processes with the operational need to scale production in a crisis. As export controls are an interagency concern, the DOW will need support from the Department of State and the Department of Commerce to carry out these reforms. The DOW should push for efforts

that follow existing pathways to liberalize defense trade via nation-to-nation agreements with select, especially trusted allies. The DOW can draw on examples such as past efforts with **Australia** on the AUKUS agreement and the **Guided Weapons and Explosive Ordnance** plan. For **MTCR**, the United States should consider which technologies it can remove from the Excluded Technology List that applies to AUKUS partners and continue to move from "presumption" of denial of certain classes of systems toward more **flexibility** in granting exports to trusted partners, as the United States has already done with certain Category 1 missiles. Beyond the systems themselves, the United States could also adjust MTCR to reduce barriers to transferring **production facilities** to allies and partners to enable them to produce more munitions themselves, capacity which the United States could call upon in times of need. The objective is not deregulation for its own sake, but to enable the military to leverage allied industry in pursuit of national objectives like deterrence and forward sustainment.

Pass legislation that effectively supports the U.S. maritime industrial base. Funding should continue to be provided for efforts like SIOP and investment incentives for both major private naval shipyards and innovative actors in the maritime sector. Congress should support efforts to introduce **continuous production** and **federated shipbuilding** efforts for Navy programs. Congress should also fund efforts to enable the Navy and the DOW to fully employ the Defense Production Act (Title III) and use private capital to expand the maritime industrial base, including shipbuilding. Congress should incentivize the private sector by formalizing and funding the **Maritime Action Plan** to establish Maritime Prosperity Zones. Other valuable initiatives to promote investment that would benefit from further funding and eligibility include Federal Credit Reform Act–compliant loans, the Small Shipyard Grant Program, and the Federal Ship Financing (Title XI) Program.

Coordinate across layers of government to align shipyard incentives. Congress should institute recommendations from the Trump administration's **Maritime Action Plan** to create and fund a Maritime Incentives Coalition to bring together federal agencies, state governments, and economic development organizations to create tailored site readiness and infrastructure openings for shipbuilders. Congress can also increase funding for key programs that support the broader maritime industrial base, such as the Federal Ship Financing Program, Small Shipyard Grants Program, and federal credit mechanisms, so that public and private capital reinforce the overall shipyard expansion plan. Such funding increases should ideally be done in collaboration with state and local economic development organizations and agencies, which could distribute tax credits or infrastructure funding support at a sub-federal level to maximize this funding's collective impact. The Navy's Maritime Industrial Base office, alongside the Maritime Administration, should play a coordinating role in tracking both federal and sub-federal funding and reporting to Congress. Expanded responsibility for the Maritime Industrial Base office should come alongside funding for staff to take on these roles.

Expand forward sustainment through allied MRO frameworks such as PIPIR and RSF. The United States should deliberately expand these initiatives to increase the number of allied countries capable of conducting MRO for U.S. ships and naval aviation. The priority should be Japan, but the Office of the Secretary of War, based on Navy requests, can explore options with key regional partners in the Indian Ocean and Mediterranean to reduce the strain of its global commitments. Rather than creating new structures, these efforts should build on existing bases, shipyards, depots, and diplomatic arrangements while providing clearer and more consistent demand signals—through

multiyear sustainment planning and contract guarantees—that justify allied industry investment in facilities, certification, and workforce development. **Success** will require faster export licensing by the Department of State, alignment of technical standards, and prioritization of common platforms, components, and modular designs that enable distributed repair closer to the fight, including in contested environments. Flexible contracting mechanisms such as other transaction agreements (OTAs) should be used to rapidly seed partnerships and pilot new MRO capabilities, with the goal of moving from ad hoc arrangements to a repeatable, scalable sustainment network that reduces logistics risk, expands operational reach, and sustains combat power forward in a protracted conflict.

Expand industry negotiations around expanding production capacity. The DOW should employ structured agreements with industry to increase output, reduce unit costs, and stabilize supply chains, but pair them with credible multiyear demand signals so firms can hire and invest with security. For example, the DOW recently used a new framework agreement to push leading defense manufacturers to **triple the production of PAC-3 missiles**. The key to expanding these deals is to ensure industry has a clear demand signal; while the **secretary of war** has sent this signal, it is a difficult prospect to credibly sustain with one-year funding surges. Furthermore, the process needs to **involve Congress in negotiations and oversight**.

Rewrite Executive Order 13603. Update the **executive framework** that governs national defense resource preparedness so it matches the realities of modern maritime competition, including supply chain fragility, workforce constraints, and the need to mobilize private capital. A revised order should clarify roles, delegations, and triggers for using DPA authorities in support of shipbuilding, repair, and critical components. This can help create a more solid policy backbone for a generational maritime industrial strategy.

Ensure new DPA rewrite offers promised signal to private shipbuilders. If the administration is asking private yards to expand capacity, it must reduce investment risk with clearer incentives and durable commitments. The **DPA** offers the DOW (along with many other agencies) a series of authorities to prioritize certain defense and material production. The DPA's **Title III** provides authorities to the president to provide loans, loan guarantees, purchases and purchase commitments, subsidies, and other financial assistance directly to private businesses. These investments in industry create, maintain, protect, expand, or restore domestic industrial base capabilities and ensure the availability of critical materials and technologies vital to national security. Leveraging the DPA for shipbuilding includes using Title III tools where appropriate, aligning loan and grant mechanisms with defense demand, and offering predictable multiyear contract pathways that make expansion financially rational. Furthermore, DPA Title III should be **modified** to allow the signature on each DPA determination to be delegable to the secretary (rather than presidential) level for agencies with Title III authority, allowing for faster approval and usage of powerful Title III authorities.

Establish a "Strategic Infrastructure Deterrence Fund" to consolidate and accelerate the SIOP. Congress should enact legislation establishing a dedicated, multiyear Treasury account for the SIOP, modeled on the statutory authorities of the NSBDF (**Title 10, Section 2218a**). Currently, the Navy's reliance on fragmented, single-year O&M and rigidly structured MILCON appropriations restricts long-term capital planning. By creating a bundled, multiyear funding category, Congress can grant the Navy critical acquisition flexibilities, including the authority to utilize economic order quantity

contracts for bulk material purchases across all four public shipyards, advance procurement, and use incremental funding mechanisms for large-scale projects like dry dock **recapitalizations**.

Conclusion

President Trump's proposal for a $1.5 trillion defense budget represents a potential inflection point for the U.S. Navy, offering a scale of investment not seen since the Cold War. However, as this paper demonstrates, capital alone is insufficient to overcome the physical and statutory constraints facing the maritime enterprise. The Navy faces difficult trade-offs between the long-term capacity of fleet growth, the immediate lethality of deepened munition magazines, the operational readiness of force generation, and the existential necessity of strategic deterrence.

There is no single "correct" path that satisfies every strategic requirement without imposing risk elsewhere. Prioritizing new ships may strain sustainment while emphasizing immediate readiness may sacrifice future modernization. Therefore, the success of this historic buildup depends less on the total dollar amount and more on the policy coherence accompanying it. By adopting the recommendations outlined above—specifically expanding allied coproduction, modernizing restrictive shipbuilding laws, and stabilizing nuclear funding—the administration can ensure that this budgetary surge produces a fleet that is not only larger, but more ready, lethal, and sustainable. The window to rebuild American seapower is open, but filling it requires a strategy that aligns appropriations with industrial reality. ■

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