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## **DEPARTMENT OF DEFENSE**

For discussion on the partial government shutdown that is affecting many federal agencies, including the Department of Defense, please refer to the Government Spending Issue Paper.

### **Background**

Calendar year 2025 was a year of dramatic changes for the Department of Defense (DOD) civilian workforce. First, in March 2025, President Donald Trump promulgated Executive Order 14251, “Exclusions from Federal Labor-Management Relations Programs,” which removed the right to organize and bargain collectively, from over one million federal workers, including most civilian employees at the Defense Department.

Second, Secretary of Defense Pete Hegseth issued a memorandum in March 2025 directing the Pentagon to “realign the size” of its civilian workforce and strategically restructure operations with the goal of reducing the number of civilian employees by 5 to 8 percent, potentially eliminating 50,000 to 60,000 positions. The initiative included offering voluntary early retirement and a deferred resignation program. DOD has also halted filling civilian job vacancies, which has created readiness problems. By September 2025, DOD’s efforts to shrink its civilian workforce resulted in a reduction of more than 60,000 civilian employees, or about 7.5 percent of its total civilian workforce. DOD reported it approved 55,000 applications for the Deferred Resignation Program and another 6,100 applications for the Voluntary Early Retirement Authority (VERA) program. As of September 30, 2025, the Department of Defense reported it had 735,230 civilian employees.

### **FY2026 National Defense Authorization Act**

The National Defense Authorization Act for Fiscal Year 2026 (NDAA) was signed into law by President Trump on December 18, 2025. The FY26 NDAA authorized \$901 billion for the DOD, nuclear programs under the Department of Energy, and related national security activities.

### **Key Legislative Priorities in the FY26 NDAA**

#### **Restoration of Collective Bargaining Rights**

The final version of the FY26 NDAA excluded Section 1110 in the House-passed NDAA that would have prohibited funds being authorized to implement President Trump’s executive order “Exclusions from Federal Labor-Management Relations Programs.” That provision was added to the House NDAA in Committee via a bipartisan amendment offered by Rep. Don Norcross (D-NJ) with the support of three committee Republicans (Reps. Don Bacon (R-NE), Derrick Van Orden (R-WI), Mike Turner (R-OH)). The section, if enacted, would have restored collective bargaining rights for federal civilian employees at DOD. The Senate bill did not include this provision in its companion legislation. AFGE, the AFL-CIO, and other labor unions advocated to

include Section 1110 in the final agreement. However, in the final hour of negotiations between the two parties, the provision was dropped from the bill.

In the Statement of Administration Policy that the White House issued on September 8 regarding the House FY26 NDAA, the document states:

“The Administration opposes section 1110 because this provision would put the Department in an untenable position. It directly undermines the President’s authority to manage the Executive Branch and implement national security policy articulated in Executive Order 14251 ... The funding restriction effectively nullifies the Executive Order, preventing the Department from operationalizing national security-based labor exclusions by prohibiting the Department from using appropriated funds to do so.”

### **Total Force Management**

The FY26 NDAA included Section 1107 improving the Total Force Management requirements under 10 USC §129a. Section 1107 requires secretaries of military departments to provide guidance on the analysis required under 10 USC §129 and define the seven specified elements in the analysis. Furthermore, Section 1107 will require the Secretary of Defense to notify the committees of jurisdiction and each Member of Congress representing an area where 50 DOD employees or more are furloughed or laid off as a result of a Reduction in Force (RIF).

Under Total Force Management, 10 USC §129, the Secretary of Defense and secretaries of the military departments are required to conduct an appropriate analysis of the impacts of a reduction on workload, military force structure, lethality, readiness, operational effectiveness and fully burdened costs before conducting reductions of the number of full-time civilian employees.

### **Right-to-Repair**

The FY26 NDAA excluded language that would provide the right of servicemembers and DOD civilian employees to repair defense equipment. The right-to-repair has become a growing issue in recent years, with growing evidence that defense system manufacturers are compelling DOD to agree to lucrative repair contracts that prohibit servicemembers and civilian employees from repairing equipment on their own. These repair contracts are harming defense readiness, increasing costs, and taking away work from highly skilled and experienced civilian employees.

The House- and Senate-passed versions of the FY26 NDAA both contained provisions to address the right-to-repair issue. However, like the language to restore collective bargaining rights, this provision was excluded in the final NDAA bill. It is believed this will be a major issue of debate in the development of the FY2027 NDAA.

### **Commissaries and Exchanges**

In an April 2025 DOD memorandum, and in a September 2025 Request for Information through the Defense Commissary Agency (DeCA), proposed potentially privatizing DOD commissaries. In response, the enacted FY26 NDAA expressly prohibits DOD from privatizing commissaries. Section 652 of the NDAA states, “The Secretary may not take any action inconsistent with the restrictions in section 2485(a) of such title regarding private operation of

the overall management of a commissary system or management of a commissary store.” Section 2485(a) is a direct reference to the current operation of commissaries, and the operations must be carried out by DOD personnel.

### **Organic Industrial Base**

The FY26 NDAA included two provisions, Section 351 and Section 2846 to support the organic industrial base. Section 351 directs the Secretary of the Army to accelerate the modernization of the organic industrial base of the Army to meet the requirements of the Department of Defense by ensuring additional production of materials or expanded use of capabilities are done across the Organic Industrial Base. Section 2846 prohibits the Secretary of Defense from taking any action to close, mothball, divest, deactivate or otherwise render inoperable any facility that is part of the organic industrial base of the Army.

The FY26 NDAA includes a five-year pilot program – the Arsenal Workload Sustainment Pilot Program – that will require DOD to give a preference to any procurement or solicitation by a private sector contractor who uses an Army arsenal as part of its contract with the Defense Department. Under the pilot program, further preference will be given to a private sector contractor that ensure an equitable workshare is performed by Defense Department employees.

### **One Big Beautiful Bill Act (H.R. 1)**

The One Big Beautiful Bill Act (Public Law 119-21) included \$150 billion towards defense spending. Notable defense spending priorities in the new law include:

- \$29 billion for shipbuilding and the maritime industrial base, including \$4.6 billion for an additional Virginia-class submarine and \$1.7 billion for workforce development and expansion of the shipbuilding industrial base;
- \$25 billion for expanding munitions production and strengthening supply chain resilience;
- \$16 billion to address maintenance backlogs, improve facilities and enhance operational readiness, including \$4.6 billion for U.S. Air Force facility improvements and spare parts, \$2 billion for U.S. Navy depots and shipyards and \$1.5 billion for U.S. Army depot modernization;
- \$9 billion to improve housing, health care, childcare and family support for service members, including \$2 billion for the Defense Health Agency (DHA).

Of the Defense spending in the One Big Beautiful Bill Act, \$113 billion is going towards spending for FY2026 and the remainder for later years. The One Big Beautiful Bill Act, as enacted, will direct significant additional funding towards AFGE-organized DOD facilities, which we anticipate will benefit AFGE DOD members.

### **FY2025 National Defense Authorization Act**

In December 2024, Congress passed and then-President Joe Biden signed into law the Servicemember Quality of Life Improvement and National Defense Authorization Act for

FY2025. AFGE succeeded in protecting key workforce priorities and blocked harmful provisions in the enacted FY25 NDAA. Among the policy wins that AFGE secured in the FY25 NDAA include a new pilot program to extend the five-year limit on overseas work periods for an additional five years, requiring the Department of Defense to improve and modernize the DOD childcare program compensation and staffing models, including ensuring competitive rates of pay, and increasing military leave accrual and accumulation for federal employees performing military reserve duty to 20 days each year.

Most notably, AFGE succeeded in keeping a number of harmful provisions out of the enacted FY25 NDAA. These include:

- Efforts to restrict the use of Official Time by Defense Department civilian employees;
- Expanding the Defense Department's authority to bypass the competitive civil service hiring process;
- Attempts to weaken the veterans' preference for hiring;
- Restricting commissaries and exchanges from selling some imported products;
- Efforts to take away the pensions of Defense Department civilian employees who are convicted of certain crimes;
- Efforts to weaken telework arrangements.

### **Department of Defense Wage Committee**

In November 2025, the DOD Wage Committee met for the first time in nearly a year and approved publication of about 1,600 wage schedules covering 250 wage areas. AFGE advocated throughout much of 2025 to resume these committee meetings. More than 118,000 DOD employees in both appropriated and non-appropriated positions were paid under the Federal Wage System (FWS) as of September 2024. The last pay adjustment they received was in 2023. Raises will be retroactive to when they should have taken effect last year, although some facilities are reporting delays. AFGE is working to ensure all FWS employees receive their increases as soon as possible.

### **Congressional Actions:**

**1. Restore Collective Bargaining Rights: Cosponsor and pass S. 2837, the "Protect America's Workforce Act," to overturn the EOs eliminating collective bargaining rights for federal workers including DoD employees.**

**2. Include language in the FY2027 NDAA to restore collective bargaining rights for DoD civilian employees. Include DoD-specific language in must-mass FY27 NDAA.**

**3. Introduce, cosponsor and pass legislation to mandate a 4.1% pay adjustment for federal civilian employees for calendar year 2027. Include DoD-specific language in must-mass FY27 NDAA.**

**4. Include pay parity between federal civilian employees and military personnel in non-hazardous duty stations in the FY27 NDAA. Include DoD-specific language in must-mass FY27 NDAA.**