

BUDGET AND PROGRAM

NEWSLETTER

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OPM...has issued a final rule that will impact an estimated 50,000 federal employees.

It authorizes - a new category for career staff in senior policy-influencing positions...who are the higher-ups across agencies that execute White House plans.

For those reclassified as such within the new Schedule Policy/Career category - a shift will occur moving them to "at will" status and as a result...a number of their very long-running job protections will fall away.

This includes...the ability to appeal disciplinary actions, suspensions or even firings - to the Merit Systems Protection Board. A number of observers feel it blurs the line, closer to operating more like political appointees that serve at the discretion of the President and can be fired without cause - than career civil servants.

OPM...said the rule will not be used for mass layoffs but clarified that - "this will allow agencies to quickly remove employees from critical positions who engage in misconduct, perform poorly or obstruct the democratic process by intentionally subverting Presidential directives."

And from OPM director, Scott Kapor - "People can't be conscientious objectors in the workforce in a way where it interferes with their ability to carry out their mission."

The rule - makes reference to at least one behavior that could result in disciplinary actions including leaks to the media to undermine policy and gives a specific example of an email between two high-ranking officials shortly after the President's inauguration conveying a refusal to follow thru on "illegal executive orders."

Federal worker unions, weighed in - "This rule is a direct assault on a professional, non-partisan, merit-based civil service and the government services the American people rely on every day."

So did roughly 40,000 commentators...during the review period which included a variety of individuals (including current & former civil servants, scientists, Nobel laureates and members of Congress), organizations, unions and federal agencies.

94%...opposed it.

Runs for 77 pages and can be found in the Federal Register of February 6, 2026 (5580-5657).

In the immediate...senior agency officials are assembling lists of positions that are eligible for the new employment category.

These are to be finalized...within the next 30 days.

At that point...President Trump is expected to issue an executive order that assigns specific positions in the new grouping.

The change...is part of a vast year-long effort still underway to overhaul federal departments and reshape/shrink the workforce.

The new rule...is set for multiple legal challenges.

FY 2026, Defense appropriation bill...is broken out on the next page.
Total amounts - are essentially flat, easing less than one-half percent.

Within it...military personnel moves \$9B higher (+5%), with the largest bump given to Army (+7%).

Of note...Tricare \$ increases vastly exceed all other subcomponents, (+16%).

Concerning active-duty forces, end-strength totals rise...Army to 454,000 (+11,700); Navy to 344,600 (+12,300); Marine Corps flat (172,300); Air Force to 321,500 (+1,500); Space Force to 10,400 (+600).

Lawmakers lead with priorities at the beginning of any conference report.
 Here is a quick look at this one:

- Munitions production capacity. Estimate "did not" seek maximum quantities for certain critical ones. FY 2027 budget submission - is to breakdown the White House requested quantities vs the maximum annual production rate achievable by the U.S. industrial base. Members emphasize they want munitions requirements "clearly defined" both for baseline stockpiles & surge capacities - "and to budget accordingly."

Also in the mix to maximize production...is \$177M provided for establishing a Civil Reserve Manufacturing network under RDT&E accounts - to "rapidly convert" production facilities to DOD-directed manufacturing. Quarterly briefings expected.

- Golden Dome - complete budgetary details and justification of the \$23B in mandatory funding (P.L. 119-21), has not been submitted. Within 60 days...a detailed spend plan for the missile defense system is expected at the budget line item level for years 2025, 2026 and 2027, "predicated on its architecture." Quarterly requirements laid down moving forward.

Polar airlifters. Within 90 days, a report is due containing a detailed set of requirements concerning this effort including projected future year costs and schedule of production milestones. The bill provides \$165M for the procurement of its initial ski-bird LC-130J aircraft that sports retractable skis.

House committee members - "remain concerned" that DOD "struggles" with delivering critical capacities on-time and on-budget. The text specifically cites the "antiquated" defense acquisition process. Panel supports the review of it but then adds - that "perhaps the root cause" of its failure "is less an issue of process and authorities but [instead] is fundamentally caused by the military rotation system where program managers are replaced every two to three years and rarely in the job long enough to become effective."

Boring down...and taking the very long historical look, they cite Hill testimony from Admiral Hyman Rickover - Father of the Nuclear Navy - nearly 50 years ago.

He spoke about the core problem...in managing complex development programs, stating that during their short duration on the job, program managers:

"Have only the shallowest knowledge of the theory of techniques they must deal with and little experience with the practical problems involved. And they are never kept long enough on the job to acquire such skill and knowledge. Before the results are in, the manager will have moved and a new manager, equally unqualified technically, will take over. Naturally, the new manager will feel no responsibility for prior decisions and actions, his primary ambition will be to keep the project moving in the hope that it will not fail during his own tour. Thus, responsibility cannot be fixed and there is bound to be little continuity in technical direction for most of the defense development underway today."

Therefore...within 180 days, a plan for a Space Force pilot program - with personnel to serve "for substantially longer tours of service." Intent...is to create mission area offices with responsibility/authority/accountability for the entire life cycle of a mission from systems concept thru operational life.

	<u>Enacted</u> <u>FY 2025</u>	<u>Request</u> <u>FY 2026</u>	<u>Approved</u> <u>FY 2026</u>
<u>Grand Total</u>	<u>841,982</u>	<u>830,698</u>	<u>839,127</u>
Title I - Military Personnel.....	<u>171,388</u>	<u>181,803</u>	<u>180,430</u>
Military personnel, Army	51,181	54,862	54,538
Military personnel, Navy	38,813	40,744	40,545
Military personnel, Marine Corps	16,151	17,120	16,990
Military personnel, Air Force	37,023	39,142	38,768
Military personnel, Space Force	1,312	1,497	1,494
Reserve personnel, Army	5,491	5,834	5,734
Reserve personnel, Navy	2,567	2,737	2,712
Reserve personnel, Marine Corps	944	1,019	1,003
Reserve personnel, Air Force	2,597	2,741	2,701
National Guard personnel, Army	10,020	10,510	10,477
National Guard personnel, Air Force	5,287	5,599	5,467
<i>Tricare funding</i>	<i>11,046</i>	<i>12,850</i>	<i>12,850</i>
Title II - Operations & Maintenance.....	<u>290,287</u>	<u>295,660</u>	<u>294,367</u>
Operation & maintenance, Army	57,969	58,975	58,249
Operation & maintenance, Navy	73,657	74,080	74,723
Operation & maintenance, Marine Corps	10,183	11,004	10,984
Operation & maintenance, Air Force	63,239	62,430	61,543
Operation & maintenance, Space Force	5,071	5,888	5,688
Operation & maintenance, Defense-wide	53,376	55,936	56,090
Counter-ISIS Train & Equip Fund, (CTEF)	529	358	343
Operation & maintenance, Army Reserve	3,234	3,314	3,259
Operation & maintenance, Navy Reserve	1,317	1,442	1,422
Operation & maintenance, Marine Corps Reserve	334	362	320
Operation & maintenance, Air Force Reserve	4,029	4,323	4,246
Operation & maintenance, Army National Guard	8,408	8,674	8,578
Operation & maintenance, Air National Guard	7,249	7,333	7,267
Environmental Restoration - total within O&M	1,203	1,092	1,200
Other	487	450	456
Title III - Procurement.....	<u>167,459</u>	<u>153,067</u>	<u>167,469</u>
Aircraft procurement, Army	3,473	3,045	3,625
Missile procurement, Army	5,998	6,949	7,287
Procurement of weapons & combat vehicles, Army	3,689	2,887	3,005
Procurement of ammunition, Army	2,857	3,734	4,577
Other procurement, Army	8,677	9,606	9,413
Aircraft procurement, Navy	15,919	17,028	17,240
Weapons procurement, Navy	6,349	5,597	6,087
Procurement of ammunition, Navy & Marine Corps	1,599	1,135	1,099
Shipbuilding & conversion, Navy	33,332	20,840	27,152
Other procurement, Navy	15,143	14,570	14,694
Procurement, Marine Corps	3,804	3,754	3,683
Aircraft procurement, Air Force	19,899	17,730	19,965
Missile procurement, Air Force	4,259	4,224	3,964
Procurement of ammunition, Air Force	551	784	773
Other procurement, Air Force	30,978	31,505	32,605
Procurement, Space Force	3,901	3,394	4,036
Procurement, defense-wide	5,719	6,049	7,143
Defense Production Act purchases	463	237	322
National Guard & Reserve equipment	850	0	800
Title IV - Research, Development, Test & Evaluation	<u>141,242</u>	<u>142,001</u>	<u>145,922</u>
RDT&E, Army	14,322	14,549	16,706
RDT&E, Navy	25,967	25,708	28,100
RDT&E, Air Force	46,811	52,017	50,615
RDT&E, Space Force	18,553	15,486	14,917
RDT&E, Defense-wide	35,239	33,922	35,249
Operational test & evaluation, defense	349	318	336
Title V - Revolving and Management Funds.....	<u>1,841</u>	<u>2,038</u>	<u>2,132</u>
Title VI - Other Department of Defense Programs.....	<u>42,821</u>	<u>42,122</u>	<u>43,650</u>
Title VII - Related Agencies.....	<u>1,143</u>	<u>1,156</u>	<u>1,143</u>
Title VIII - General Provisions.....	<u>4,763</u>	<u>0</u>	<u>-8,837</u>
Other appropriations - American Relief Act, 2025	<u>9,994</u>	<u>0</u>	<u>0</u>

Senate report language...was direct, describing the FY 2026 DOD request as “incomplete” and further - conveying basic budget materials behind schedule, weeks after the hearing testimony of top officials.

Panel then speaks to the roughly \$150B add-on from H.R. 1 - saying it is “unlikely to adequately address” long-term challenges because it is outside the normal budget process.

Concerns continue...regarding “the pace and management of the Navy’s ship-building programs and directs that within 90 days of bill enactment, a briefing be held on the budget challenges across the Future Years Defense Program.

Army Transformation Initiative - got much ink.

Its presentation to members was termed a “disjointed rollout” - “its lack of transparency and delay of formal budget documentation and analytic briefings, make it difficult for the Committee to make fully informed decisions” on funding the requested initiatives. Moreover - the panel “has yet to receive sufficient details” on the ATI - “despite several months of attempted dialogue.”

It makes a comparison to another “generational change” agent...the Marine Corps presentation of Force Design 2030 back in Mar, 2020 - saying it “articulated a desired end-state achieved through an iterative process backed by detailed analysis.” That transparency - “helped overcome antibodies to admittedly controversial reforms” and Congress would go on to fund it.

What’s the template? In part - “a well-contemplated and articulated rationale,” detailed analysis, timely communications - open channels. In presenting, use their terms/language - to bolster how you are answering their needs.

Quarterly briefings...are directed for the ATI, the first by end of this month, “on a harmonized, operational and investment strategy including threat assessments that informed [the] proposed changes,” among other issues mentioned.

A number of high-level Army officials are to be involved.

Reforming buyouts.

House Oversight and Gov’t Reform Committee...has advanced legislation (43-0), that would lift the cap from \$25,000 - to a maximum of six months of a federal employee’s salary.

The original statutory ceiling for such voluntary separation incentive payments was set in 1993 - in response to the Clinton Administration’s order for federal agencies to cut at least 4% of their civilian workforce over the following three years.

Accounting for inflation - would be worth roughly \$56,000 today.

It means whoever took one last year did not do nearly as well as any of their buyout counterparts in the 1990s.

If eventually enacted...could make a major difference this year.

It now goes...to the House floor for consideration.

Dow Jones Industrial Average...has crossed 50,000!

It may be worth a look. If you wind the clock back - it would never have seemed possible. It’s a wave that your TSP funds have long ridden and made many of you well off.

Consider - the struggle to simply get to 1,000.

Nearly a century ago...the DJIA peak (Aug, 1929) was 370 - but then began a sickening slide to just 42 points by June, 1932.

From there - June, 1942 (95), June 1952 (274), it wouldn’t retake the previous high of 370 until 1954, 25 years after first reaching it. This consumed roughly 1/4th of the entire century to get where we are now.

From there...June 1962 (561), June, 1972 (929) - finally closing above 1,000 in November, 1972. Even so, it slid back to 808 by July, 1982...at this point half-a-century having been consumed. And then - the 1980s and beyond w/TSP appearing in 1988, in time to get on the bullet train that has minted 194,722 millionaires.