

## The 2026 Budget Blueprint: Rebuilding America's Strength, Redefining Its Reach

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We have evaluated President Trump's Fiscal Year 2026 Discretionary Budget Request, which represents a bold and unapologetic recalibration of federal priorities, reflecting a return to key areas: national defense, domestic security, and fiscal restraint. With a clear strategic objective of "Restoring American Strength", the administration proposes a sweeping overhaul of discretionary spending, reallocating vast sums away from long-standing domestic and international programs and channeling them into defense modernization, border protection, and geostrategic initiatives.

At \$1.66 trillion in total discretionary outlays, the budget proposes a **13% increase in defense spending**, lifting it to \$1.01 trillion, the highest in U.S. history. Simultaneously, **non-defense discretionary programs are slashed by 22.6%**, a reduction of \$163 billion, returning to fiscal levels not seen in over a decade. The proposal is not merely an accounting exercise but a statement of purpose—a shift from expansive government toward concentrated strength.

### A Government Refocused

The most prominent feature of this budget is its emphasis on **security, sovereignty, and space**:

Newly Funded or Expanded Programs

The budget proposal introduces or expands funding in several areas:

#### Defense and Homeland Security:

- **Department of Defense:** \$113.3 billion Increase, bringing total to over \$1 trillion.
- **Department of Homeland Security:** \$42.3 billion Increase, totaling \$175 billion.
- **"Golden Dome" Missile Defense Initiative:** \$25 billion initial investment; projected \$542 billion over 20 years.

#### International Development:

- **America First Opportunity Fund (AIOF):** \$2.9 billion allocated to support strategic partners and counter near-peer rivals.
- **U.S. International Development Finance Corporation (DFC):** \$2.82 billion Increase, including \$3 billion for a new revolving fund.

#### Space Exploration:

- **NASA Lunar Exploration:** Over \$7 billion allocated.
- **Mars-Focused Programs:** \$1 billion in new investments.

**Total Increase: \$194.3 billion**

## The Era of Discretionary Expansion Ends

In exchange for this muscular posture, the administration proposes one of modern history's most aggressive paring-downs of domestic discretionary programs. Entire institutions and programs face elimination or deep cuts, justified by duplication, inefficiency, or ideological misalignment with federal priorities.

### Eliminated or Defunded Programs

The budget proposal outlines significant reductions and eliminations across various departments:

#### Health and Human Services (HHS):

- **National Institutes of Health (NIH):** \$17.965 billion cut.
- **Centers for Disease Control and Prevention (CDC):** \$3.588 billion cut.
- **National Center for Chronic Disease Prevention and Health Promotion:** Eliminated.
- **National Center for Environmental Health:** Eliminated.
- **National Center for Injury Prevention and Control:** Eliminated.
- **Global Health Center:** Eliminated.
- **Public Health Preparedness and Response:** Eliminated.
- **Preventive Health and Human Services Block Grant:** Eliminated.

#### Education:

- **Federal Supplemental Educational Opportunity Grant (FSEOG):** \$910 million cut; program eliminated.
- **Federal Work-Study (FWS):** \$980 million cut.

#### Housing and Urban Development (HUD):

- **Community Development Block Grant (CDBG):** \$3.3 billion cut; program eliminated.
- **HOME Investment Partnerships Program:** Funding eliminated.

#### Justice Department:

- **Approximately 40 DOJ grant programs:** Proposed for elimination due to perceived duplication or misalignment with administration priorities.

#### Cultural Agencies:

- **Corporation for Public Broadcasting:** Funding eliminated.
- **National Endowment for the Arts:** Funding eliminated.
- **National Endowment for the Humanities:** Funding eliminated.
- **Institute of Museum and Library Services:** Funding eliminated.

#### Foreign Aid and Environmental Programs:

- **USAID:** Proposed for elimination.
- **U.S. Institute of Peace:** Proposed for elimination.
- **Global Environment Facility and Climate Investment Funds:** \$275 million cut; funding eliminated.
- **Atmospheric Protection Program:** \$100 million cut.

## Total Eliminations/Cuts: \$195.0 billion

These eliminations reinforce the administration's message that culture, media, and development are better managed by states, private capital, or philanthropic actors than the federal government.

## Strategic Implications

This budget is not without its controversies. Critics argue that the cuts threaten public health, education equity, and American soft power abroad. However, it is a long-overdue correction for supporters, refocusing the federal role in American life.

What is clear is that the Trump administration's Fiscal Year 2026 request is not just about numbers—it is about projecting strength, redefining international engagement through economic leverage, and reversing decades of discretionary expansion that, in their view, diluted the federal government's core mission.

It signals to allies and adversaries alike: America is rearming, refocusing, and realigning its vast financial machinery toward security, deterrence, and sovereign decision-making. A streamlined state is replacing the age of omnidirectional federalism with a sharpened edge.

### **Approval by the U.S. House and Senate**

It is important to note that this budget proposal is still under review in Congress and is undergoing changes, amendments, and adjustments. In the House of Representatives, it has not yet been brought to a vote, while in the Senate, an active response from the Democrats is anticipated during the legislative process.

The current Senate composition is 52 Republicans and 48 Democrats. Therefore, only a simple majority of 51 votes are required to pass a budget reconciliation process. A filibuster cannot block this process, meaning a simple majority is sufficient.

Since the Fiscal Year 2026 budget is being handled through the reconciliation process (as indicated by White House sources), 51 votes in the Senate would be enough for its approval, provided it remains within the guidelines of the **Congressional Budget Act**.

### **Areas of Impact for Puerto Rico**

The 2026 budget proposal presents a mixed outlook for Puerto Rico. On one hand, it opens the door to economic development and investment opportunities; on the other, cuts to healthcare, education, renewable energy, and disaster preparedness present serious challenges. Given the island's heavy reliance on federal funding, these changes demand close attention, thorough analysis, and active advocacy for Puerto Rico's interests in Congress. Here are our key observations:

#### **Energy: From Renewables to Gas and Diesel Plants**

The federal government has redirected \$365 million, allocated initially by the Biden administration for solar projects and rooftop battery systems in Puerto Rico, toward maintaining fossil fuel power plants. While the stated goal is to improve grid stability before the hurricane season, the move has been heavily criticized for removing clean and sustainable energy alternatives.

#### **Healthcare: Medicaid Cuts and Reduced Medicare Advantage Payments**

Although President Trump has opposed deeper Medicaid cuts, his budget proposal includes significant reductions. This is particularly concerning for Puerto Rico, where half of the population relies on Medicaid, and the program already operates under a federal funding cap. Additionally, Medicare Advantage payments in Puerto Rico will be reduced by 1.11% in 2026, while in the mainland U.S., they are expected to increase by an average of 5.06%. This disparity stems from changes in the risk adjustment model and could negatively impact healthcare services for the island's elderly population.

#### **Education: Elimination of TRIO Programs**

The budget proposes eliminating all federal TRIO programs, including Upward Bound and Talent Search, which support low-income and first-generation college students. In Puerto Rico, these programs have enabled many young people to access higher education. Their elimination would further limit educational opportunities in vulnerable communities.

### Economic Development: Opportunities and Obstacles

Puerto Rico seeks to capitalize on U.S. tariff policies to attract international manufacturing, especially in pharmaceuticals and medical devices. Thanks to certain exemptions and tax incentives, the island holds appeal. However, persistent power outages and high logistical costs, including the burdens imposed by the Jones Act, could dampen investor interest.

### Federal Funds: Concerning Reductions

The proposed budget includes over \$163 billion in cuts to non-defense programs, which could affect essential services in Puerto Rico. Currently, over 50% of Puerto Rico's public budget comes from federal funds, meaning housing, education, or public health cuts could disproportionately impact the island.

### Disaster Preparedness: Risk from Budget Cuts

Expected budget reductions for agencies like NOAA and the National Weather Service could impair the island's ability to forecast hurricanes and respond effectively to emergencies. This is particularly troubling for Puerto Rico, which has faced the devastating consequences of hurricanes such as María and Fiona.

### The Final Word: Time Is the Only Impartial Judge

As I often reflect whenever I witness dramatic shifts in public policy, I'm reminded of this belief:

***Time is the only impartial judge; sooner or later, it will reveal who was right.***



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