

Federal Budget

ISSUE: Ill-considered cuts to aerospace and defense programs could negatively impact our security and economic well-being.

BACKGROUND

The aerospace and defense industry employs approximately one million people across the country, supporting over two million middle class jobs and 30,000 suppliers from all 50 states. Sixty percent of aerospace sales are made by federal investment. While the nation faces a serious fiscal crisis and ballooning deficit, it is important that ill-considered cuts aren't made to programs that affect our national security, aviation infrastructure, space leadership, technological innovation and economy. An AIA-sponsored analysis concludes that if sequestration as detailed in the Budget Control Act goes into effect, more than one million (direct, indirect, community) jobs could be at risk. The potential aerospace/defense and supply chain job losses could total 352,000. Overall cuts would also reduce GDP by \$86 billion in 2013 alone.

The environment surrounding federal budgets in general has changed dramatically with the outcome of the 2010 elections and growing national concerns with federal spending.

The administration's renewed focus is on bolstering the economy and while uncertainty faces all business, defense spending – as the largest portion of the discretionary budget – is at risk. Unconsidered cuts to the defense budget could harm our industrial base and the industry's ability to provide the best technology to our troops.

Other vital areas of the aerospace industry that depend on federal funding that could be threatened include development of the Next Generation Air Transportation System and our nation's space program. Both employ thousands of workers and provide significant benefits to our economy; foster technological innovation; and help maintain our nation's standing as the world's leader in aerospace.

As we move forward to ensure our future fiscal health, we need to remind the administration and members of Congress:

- The United States needs a strong defense that requires the best equipment and the best technology.
- Behind the best equipment in the world are a strong industrial base and a robust defense budget.
- A strong military industrial base demands a defense budget equal to four percent of GDP of which 35 percent is devoted to procurement and research and development.
- Military capability depends on having programs that require companies to design, build and support defense specific technologies. The budget must contain new and ongoing programs in sufficient number and frequency to sustain unique and perishable skills.
- Aerospace and defense is a bedrock industry that is vital to national security, our aviation infrastructure, space leadership and technological innovation.
- The manufacture and installation of required NextGen avionics infrastructure in the civil fleet is estimated to produce more than 156,000 jobs.
- Investments in space have led to exciting discoveries about the universe, advanced technologies and encouraged generations of young people to study science, engineering and math.
- The aerospace and defense industry employs approximately one million people, supporting over two million middle class jobs and 30,000 suppliers from all 50 states.
- Economic benefits from aerospace include a \$57 billion foreign trade surplus fueled by \$87 billion in exports.

AIA RECOMMENDATIONS

Congress needs to reach an agreement in accordance with the Budget Control Act of 2011 to prevent reductions to the Defense Department and other agencies such as the FAA and NASA that would affect our nation's economy and national security.

Congress and the Administration should continue to support robust budgets for aerospace and defense programs that will allow industry to continue to deliver significant dividends to our nation's security and economy.