



January 9, 2024

The Honorable Chuck Schumer
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable Mike Johnson
Speaker
United States House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, D.C. 20510

The Honorable Hakeem Jeffries
Democratic Leader
United States House of Representatives
Washington, D.C. 20515

Dear Speaker Johnson, Majority Leader Schumer, Republican Leader McConnell, and Democratic Leader Jeffries:

The more than 320 members of the Aerospace Industries Association and 2.2 million workers employed by the aerospace and defense industry represent not only the best of U.S. innovation, aviation safety, and national security, but also a close partnership with the Department of Defense (DOD), the Federal Aviation Administration (FAA), the National Aeronautics and Space Administration (NASA), and other federal agencies. The success of this partnership depends on predictable and consistent demand signals driven by the annual budget and appropriations process. Unfortunately, with fiscal year 2024 (FY24) funding still in flux, our industry continues to face the harmful consequences of a broken budget process. If this impasse is not resolved soon, the country could face severe damage to our defense posture and our ability to enhance aviation safety. The uncertainty could also hinder our progress in developing next-generation space technologies and in supporting a growing commercial space industry.

We were heartened by the announcement on January 7, 2024, of an agreement on topline budget numbers for FY24 and a related side agreement on offsets and additional resources for non-defense programs. These agreements are consistent with funding levels previously agreed to in the Fiscal Responsibility Act of 2023. While we look forward to seeing programmatic details in the individual appropriations bills, we believe these toplines are the best that can be achieved this year and will address many of the challenges facing federal agencies.

With current continuing resolutions (CRs) expiring on January 19 and February 2, 2024, it is imperative to keep this process on track and complete the full-year appropriations bills as soon as possible in accord with these agreements. We understand that now the process must move rapidly, but DOD and non-defense agencies will have been operating under continuing resolutions for roughly one-third of the fiscal year by the time the last CR expires. We cannot ask them to shoulder further delays or additional short-term CRs.



There is a lot at stake in this agreement. Should it fail, the likely alternatives would be devastating for our national security and our global competitiveness in aerospace. Here is our analysis of these alternate scenarios and their potential impacts:

Alternate Scenario 1: FY23 with 1 Percent Sequester: Should we reach April 30, 2024, without full-year appropriations for the entire government, the FRA requires the Office of Management and Budget (OMB) to issue a sequestration order limiting agencies to a budget that is 1 percent below FY23 levels. These cuts would be imposed on a line-by-line basis to virtually every federal program, without regard to need, existing contracts, or urgency. Defense spending would be cut \$36.5 billion below the new topline agreement. Many programs would be unexecutable until Congress approves a series of reprogramming requests – a process that can take several months and is often problematic. Simply put, DOD would spend the balance of the year renegotiating contracts and replanning its activities around this sudden new reality. This would be devastating to a military already under its recruiting goals and trying to restore readiness lost to past budget cuts. We believe that increasing global threats require a strong U.S. response, and underinvestment in key sectors such as munitions, shipbuilding, and industrial capacity has never been more urgent given today’s world situation. With annual inflation still running near 4 percent and the recent federal pay raise of 5.2 percent, DOD needs the FRA’s modest increase just to maintain today’s buying power.

Likewise, important non-defense programs would be impacted by these automatic cuts. The FAA has been increasing its safety staffing in response to reforms passed by Congress in 2020, and a new report calls for further investment to address runway incursions and other aviation safety concerns. These investments could not be sustained if the agency is funded at less than last year’s level. The last time automatic cuts were imposed on the FAA, air traffic controllers were furloughed and significant flight cancellations and delays occurred that affected tens of thousands of travelers. The U. S. Coast Guard reported that automatic cuts caused them to reduce aircraft and ship operating tempo by 25 percent, undermining their migrant and drug interdiction missions as well as other critical efforts. We cannot let this happen again.

Alternate Scenario 2: Full-Year Continuing Resolution at FY23 Levels: DOD would face significant challenges under a full-year, “date change” CR. In fact, Congress has never imposed a full-year CR on our military. Such a move would cut DOD \$28 billion below its request and force the department to completely absorb abnormally high inflation, the recent pay raise, and increased costs for health care. This would come at the expense of military readiness, family support and modernization. The Chairman of the Joint Chiefs of Staff recently advised the Senate that such a move would eliminate \$5.8 billion in military personnel funding, impact contracting schedules for ships, aircraft and military construction projects, and prevent the signing of several multiyear contracts designed to save money for American taxpayers. As General Brown says, “We owe our servicemembers the tools they need to be successful.” We simply cannot send a message to our adversaries that we are unable or unwilling to keep pace with their investments.

Our nation’s aerospace and defense workers depend on a reliable partnership with the federal agencies they serve. In turn, those agencies depend on Congress to enact appropriations bills in a timely manner. Unfortunately, up to this point, the FY24 process has been characterized by threats



of shutdown, excessive delay, and operations for months under short-term continuing resolutions. The current topline agreement would resolve this impasse, provide modest increases to help agencies address urgent priorities and inflationary increases, avoid the worst effects of deep, across-the-board reductions, and allow Congress to turn its attention to the fiscal year 2025 budget, which is due in February. We urge you to move these bills as quickly as possible under the framework announced on January 7, 2024.

Sincerely,

A handwritten signature in black ink, appearing to read "Eric Fanning", is written over a light blue circular watermark that contains the text "AIA".

Eric Fanning
President & CEO
Aerospace Industries Association