



Statement for the Record
Eric Fanning, President and CEO of the Aerospace Industries Association

A healthy and resilient Defense Industrial Base (DIB) is essential to America's national security. The DIB responds best to clear, consistent, and predictable demand signals, which means a stable and sustained budget is vital. Stopgap funding measures, or Continuing Resolutions (CRs), undermine that certainty and are far too common. Under the current agreement that ends on February 18, DoD will operate under a CR for almost 40% of this fiscal year—which is the third year of a global pandemic and when threats are not receding.

Members of Congress from both parties recognize these risks. Yet, we find ourselves operating under another CR even in the face of extraordinary bipartisan support for increased defense funding. Congress overwhelmingly passed—and President Biden signed—a National Defense Authorization Act that includes a 5% increase in the topline. The current CR represents \$36 billion less than what the NDAA now states is the law of the land. Appropriations can—and should—provide the defense funding level, which includes the increase, endorsed by Congress and the Commander-in-Chief as soon as possible.

Economic conditions and the length and severity of the pandemic are adding pressure to the budget, affecting the cost of personnel, goods, and services. Without an increase to funding, DOD would be forced to absorb inflationary increases in the products and services it buys. With latest estimates predicting consumer price inflation of 5-7% for the coming year – the highest level in approximately 30 years – the Pentagon's purchasing power would be hit especially hard in FY22.

Defense is uniquely harmed by CRs. These measures imperil industry's ability to deliver to the customer, which in turn, compromises the capabilities and services delivered to the warfighter.

The dysfunction unleashed by CRs lengthens project timetables, places stress on our workforce and military personnel, and undermines the success of our security, our industry, and our country. The effects are well-documented by Congress, the Pentagon, and government agencies including the Congressional Research Service and the Government Accountability Office (GAO) which all agree that CRs cause a number of inefficiencies ranging from delayed hiring to unnecessary and repetitive contract modifications. In DoD's case, CRs typically include a "no new starts" rule that prohibits it from signing contracts for new programs or increased quantities of ordnance or weapon systems for the life of the CR.

According to the GAO, because CRs restrict spending, they can also lead to a "boom or bust" cycle, with catch-up spending in the last two quarters of the year. In FY18, for example, when DOD was under CRs until March, the third and fourth quarter spending for the procurement accounts was about 50 percent higher than the following year when there was no CR. A high level of year-end spending can lead to inefficiencies.



CRs are also incredibly wasteful for troops and taxpayers. Recent estimates cite a \$40 billion additional cost to DOD should a CR extend from February through the end of the fiscal year. A GAO report pointed to FY 2020 estimates for the cost of a full-year Continuing Resolution for each military department, noting a \$20.6 billion loss for the Navy, an \$11.8 billion loss for the Air Force, and an \$8.8 billion loss for the Army. This additional money must be found within existing budgets, including funds allocated to readiness and modernization.

What's most disappointing is the process and the position in which we once again find ourselves. While countless events in the world are uncertain and unforeseeable, funding our government and its safety and security priorities is completely within our control – and it's particularly vital to helping overcome the current pandemic and managing or mitigating its effects. Congress must put political disagreements aside and work together to move us beyond government-by-CR.

A handwritten signature in black ink that reads "Eric Fanning". The signature is written in a cursive, flowing style.

Eric Fanning
President and CEO
Aerospace Industries Association