

September 28, 2023

The Honorable Charles Schumer
Majority Leader
United States Senate

The Honorable Mitch McConnell
Minority Leader
United States Senate

The Honorable Kevin McCarthy
Speaker
U.S. House of Representatives

The Honorable Hakeem Jefferies
Minority Leader
U.S. House of Representatives

Re: Call to Protect Our Nation from the Impacts of Shutdowns and Continuing Resolutions

Dear Majority Leader Schumer, Minority Leader McConnell, Speaker McCarthy, and Minority Leader Jeffries:

On behalf of the thousands of companies who are members of the undersigned associations representing the defense industrial base (DIB), we write with three requests: (1) avoid a shutdown of the federal government; (2) pass and send to the President a Continuing Resolution (CR) solely as a temporary appropriation as a bridge; and (3) expedite passage of the fiscal year (FY) 2024 defense appropriations bill and the other 11 full-year appropriations bills.

As Fiscal Year 2023 draws to a close this weekend, we are gravely concerned over the negative impacts a potential government shutdown and/or a series of CRs will have on our nation's defense industry and its workforce. Those impacts will hit every company that supports federal missions. They are particularly bad for many thousands of small and mid-sized businesses.

The companies in our nation's defense industrial base design, manufacture, apply, and maintain the cutting-edge technologies, systems, and platforms that our armed forces rely upon to deter aggression and defend our nation and its interests. They are a vital source of innovation, job creation, and economic stability in the United States. The DIB provides employment to 1.1 million Americans¹ in the defense sector alone and support businesses and communities across the country with 73 percent² of DIB companies being small businesses.

That industrial base is already grappling with supply chain delays, challenges in recruitment and retention of skilled workers, and increased costs from historically high inflation rates. Federal government funding disruptions—particularly those from a government shutdown—will result in work stoppages from their federal agency customers, leading to layoffs of workers and financial instability for all our companies. These in turn will produce cascading effects on military readiness, on systems modernization across the government, and on America's ability to deter adversaries.

Funding disruptions, whether from shutdowns or short-term CRs, are particularly hard on small businesses, technology start-ups, and middle tier companies. Under a shutdown or CR,

¹ NDIA, *Vital Signs 2023*, February 2023

² DoD, *Small Business Strategy*, January 2023

government agencies frequently issue unnecessary stop work orders to contractors—orders that will take weeks or even months to reverse once appropriated funds are available.

In addition, under a shutdown, the government stops payments on invoices not yet paid for costs incurred before the shutdown. Smaller businesses simply do not have the flexibility to reassign workers to other contracts or the financial reserves to pay their costs when the government is not paying them for money already spent on work already done. As a result, when agencies stop paying companies, tens of thousands of employees lose their pay or even their jobs. Unlike their federal employee counterparts, these workers and their companies will not receive back pay from the government when the shutdown ends.

Shutdowns are worse than a CR, but the negative impact of a CR on government contractors remains acute. CRs delay programs and defer new starts, which dampens innovation and creates unpredictable cash flow situations for companies. Today's cost of borrowing is at a 20-year high, and CRs make it hard for companies to know when future contracts will generate the cash to repay debt. Here again, the impact is disproportionate on small businesses.

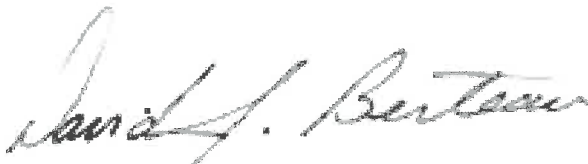
Our companies are strategic partners whose employees are as committed to missions as their government counterparts, delivering services and capabilities to our warfighters. Full-year FY24 appropriations bills are critical to the missions of defense and other agencies. U.S. workers and companies cannot meet tomorrow's needs without the necessary legislative action to ensure tomorrow's funding.

Therefore, we respectfully that you take all necessary action to avoid a shutdown and to expedite completion of the FY24 defense appropriations bill and the remaining 11 full-year appropriations bills. We remain committed to working with you, with the leaders of the appropriations and authorization committees, and with the entire Congress to achieve this goal.

Very respectfully,



Hon. David L. Norquist
President & Chief Executive Officer
National Defense Industrial Association (NDIA)



Hon. David J. Berteau
President & Chief Executive Officer
Professional Services Council (PSC)



CC:

Senator Patty Murray

Senator John Tester

Senator Susan Collins

Representative Kay Granger

Representative Rosa DeLauro

Representative Ken Calvert

Representative Betty McCollum

Senator Jack Reed

Senator Roger Wicker

Representative Mike Rogers

Representative Adam Smith