

Current Events Impacting Government Contractors

As 2021 approaches its ending, government contractor opportunities are expected to surge. This is largely due to President Biden signing the Infrastructure Investment and Jobs Act (IIJA) on November 15. As public spending is expected to approach record highs in the coming years, more and more (lucrative) contracts will be available.

Given the wide range of contracting necessities associated with IIJA and other initiatives, current and potential contractors should be on the lookout for newly arising opportunities and investigate the financing alternatives that allow their pursuit.

IIJA—Construction and Infrastructure Contractors

President Biden's signing of IIJA dedicates \$1.2 trillion towards infrastructure spending, with roughly \$550 billion distributed across new investments.

Relying on 2020 values, the spending increase roughly equates to 1.8% of the US gross domestic product (GDP) of nearly \$21 trillion.¹ This represents the highest share of GDP (i.e., the total, final value of national economic output) that infrastructure spending has had over the last 40 years.²

What Does the IIJA Target?

IIJA primarily targets hard and critical infrastructure improvements:³

- **Hard infrastructure** – Comprises physical projects, such as roads, bridges, and railways
- **Critical infrastructure** – Comprises services deemed essential to economic and social activity, such as telecommunications networks, energy grids, and water supply.

However, the funding breakdown extends to initiatives such as climate change mitigation and transportation safety.⁴

¹ The World Bank. *GDP (current US\$) - United States*.

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US>

² New York Times. *Why the Infrastructure Bill Matters*.

<https://www.nytimes.com/2021/11/10/briefing/infrastructure-bill-joe-biden.html>

³ Investopedia. *Infrastructure*. <https://www.investopedia.com/terms/i/infrastructure.asp>

⁴ CNN. *Here's what's in the bipartisan infrastructure package*.

<https://www.cnn.com/2021/07/28/politics/infrastructure-bill-explained/index.html>

IIJA's Funding Breakdown

The new investments outlined within IIJA total \$550 billion, including:⁵

- \$110 billion for roads, bridges, and other transportation programs
- \$108 billion for electrical grid improvements
- \$66 billion for Amtrak and high-speed rail (the most significant investment since Amtrak's creation in 1971)
- \$65 billion for broadband internet
- \$55 billion for clean water (via lead pipe and service line replacement)
- \$39 billion for public transit—targeting systems modernization, access, and repairs, including:
 - 24,000 buses
 - 5,000 railcars
 - Thousands of railway miles
- \$25 billion for airports
- \$15 billion for electric transportation methods, comprising:
 - \$7.5 billion for a nationwide, highway-adjacent electrical vehicle charging network
 - \$5 billion for zero-emission buses
 - \$2.5 billion for ferries
- \$11 billion for transportation safety initiatives

In addition to the bill's newly introduced funding, \$650 billion is dedicated to previously authorized funding expenditures.

While some contracts contributing to that figure have been accounted for, new investment still comprises roughly 45% of the overall disbursements. As a result, contract opportunities across all of the above sectors and their various subdivisions will soon arise en masse.

To that end, these projects will require direct labor, supplies, general engineering, construction, assembly, maintenance, and tangential services. Accordingly, organizations that have never pursued government contracts should begin surveying which opportunities may soon open in their areas and what the selection processes will entail.

⁵ Forbes. *Everything In The \$1.2 Trillion Infrastructure Bill: New Roads, Electric School Buses And More.*
<https://www.forbes.com/sites/jonathanponciano/2021/11/15/everything-in-the-12-trillion-infrastructure-bill-biden-just-signed-new-roads-electric-school-buses-and-more/?sh=630bf9c6161f>

Highest IIJA-Funded States (By Total Appropriations)

One essential detail that contractors should be aware of is that much of the investment will be disbursed to individual states via non-grant funding. Therefore, depending on regional and local contractors' location, they may have access to more contracts.

The top ten most-funded states under IIJA are:⁶

1. California – \$44.56 billion
2. Texas – \$35.44 billion
3. New York – \$26.92 billion
4. Florida – \$19.1 billion
5. Illinois – \$18.1 billion
6. Pennsylvania – \$18 billion
7. New Jersey – \$13.51 billion
8. Ohio – \$12.83 billion
9. Georgia – \$12.34 billion
10. Michigan – \$10.78 billion

For contractors competing to work on these new infrastructure opportunities, [CLIENT REDACTED]'s experience with all levels of government contracts will help ensure your organization can readily access invoice, purchase order, and trade-financing options that allow your organization to reach its growth potential.

2022 Federal Budget Challenges and Continuing Negotiations

While President Biden recently signed IIJA, his 2022 budget proposal—released earlier this year and totaling \$6 trillion—has stalled. The House of Representatives did pass the Build Back Better Act on November 19. However, it constitutes a “budget reconciliation” measure and (at the time of this article’s writing) still awaits Senate review.

Regarding the federal budget proper, President Biden signed the latest Continuing Resolution (CR) on September 3 to extend government funding until December 3.⁷ If a 2022 federal budget is not agreed upon by that date, another CR may be necessary—as anticipated by Senator

⁶ US News & World Report. *The States Benefiting the Most From the Infrastructure Deal*.
<https://www.usnews.com/news/best-states/articles/2021-11-19/the-states-getting-the-most-money-from-the-infrastructure-bill>

⁷ NACo. *Congress passes continuing resolution to fund government through December 3 as reconciliation and infrastructure negotiations continue*.
<https://www.naco.org/blog/congress-passes-continuing-resolution-fund-government-through-december-3-reconciliation-and>

Richard Shelby (R-Ala.), vice chairman of the Senate Appropriations Committee.⁸ However, continual reliance on CRs may prove especially challenging for some contractors.

The Office of Management and Budget (OMB) has stated that passing a full-year CR in place of the 2022 budget would result in:⁹

- The Department of Defense (DOD) suffering from \$2 billion in cuts and having to delay 114 construction projects
- The Social Security Administration implementing a hiring freeze
- The Center for Disease Control and Prevention failing to secure an additional \$1.6 billion
- Threatening the White House's cybersecurity initiatives

IT Contract Opportunities

Although 2022 budget challenges may endanger Presidential aims to improve cybersecurity, IT contractor opportunities still exist.

At the end of September, the General Services Administration announced that its new Polaris acquisition program will provide 310 contracts—each potentially worth millions in revenue. These will be awarded to IT organizations developing advanced technologies and that meet certain criteria:¹⁰

- 100 contracts for unrestricted small businesses
- 60 contracts for HUBZone businesses
- 70 contracts for service-disabled veteran-owned small businesses
- 80 contracts for women-owned small businesses

Department of Defense (DoD) Contractors, CMMC, and CMMC 2.0

While contractors operating in many sectors will benefit from new opportunities, the defense industrial base (DIB) is experiencing a high degree of contract uncertainty. Currently, any organization pursuing their first DoD contract must thoroughly investigate the process and requirements before proceeding.

⁸ The Hill. *Shelby says another CR will be needed in December.*

<https://thehill.com/policy/finance/579666-shelby-says-another-cr-will-be-needed-in-december?rl=1>

⁹ Federal News Network. *OMB warns of hiring freeze, funding gaps, if Congress pursues full-year continuing resolution.*

<https://federalnewsnetwork.com/budget/2021/11/omb-warns-of-hiring-freeze-funding-gaps-if-congress-pursues-full-year-continuing-resolution/>

¹⁰ Government Services Exchange. *GSA Announces 310 New Contracts for IT Companies.*

<https://governmentsexchange.com/gsa-announces-310-new-contracts-for-it-companies/>

Per the Cybersecurity and Infrastructure Security Agency (CISA), the DIB comprises all organizations participating in the “research and development, as well as design, production, delivery, and maintenance of military weapons systems, subsystems, and components or parts, to meet US military requirements.”¹¹

Nearly two-thirds of the US government’s fiscal obligations to contractors in 2020 were awarded by the Department of Defense (DoD).¹² In which case, with its traditionally high proportion of contract expenditures, many may assume that DIB funding is secured.

President Biden's 2022 budget proposal earmarked \$753 billion for DoD discretionary spending—over 5.5 times the second-place Department of Health and Human Services' \$133.7 billion—which seemed to confirm this.¹³

However, gaining access to lucrative contracts and DIB-intended funds has recently become *much* more complicated.

The Cybersecurity Maturity Model Certification (CMMC) Framework’s Complicated Rollout

The DoD announced the Cybersecurity Maturity Model Certification (CMMC) framework in 2019 and began its rollout in late 2020. It is designed to protect federal contract information (FCI) and controlled unclassified information (CUI).

The CMMC supersedes all previous compliance frameworks applicable to DIB contractors (e.g., NIST SP 800-171), requires certification by an approved “Certified Third-Party Assessor Organization” (C3PAO), and will be increasingly required for future contracts. The DoD intends CMMC certification to be mandatory for all contracts by 2025.

Despite this intention, the CMMC rollout has been extremely complicated. Many potential C3PAOs are still awaiting their own approvals, leaving contractors and their certification in limbo. Most concerning, however, has been the sudden announcement of the CMMC 2.0 overhaul at the beginning of November 2021 and the lack of following guidance.

Unfortunately, until the DoD and the CMMC Accreditation Body (CMMC-AB) release more information, DIB contractors are left with question marks.

¹¹ CISA. *Defense Industrial Base Sector*. <https://www.cisa.gov/defense-industrial-base-sector>

¹² US Government Accountability Office. *A Snapshot of Government-Wide Contracting For FY 2020 (infographic)*. <https://www.gao.gov/blog/snapshot-government-wide-contracting-fy-2020-infographic>

¹³ NACo. *President Biden’s FY 2022 Full Budget Request*. <https://www.gao.gov/blog/snapshot-government-wide-contracting-fy-2020-infographic>

Access Liquidity for Contracts with [CLIENT REDACTED]

The majority of recent news and long-term trends suggest a strong outlook for government contractors. Especially driven by the passing and signature of IIJA, many new contract opportunities will begin presenting themselves in the near future.

If you're currently a government contractor or are considering pursuing your first contract, we'll help you seize opportunities and ensure fulfillment. With [CLIENT REDACTED] on your side, you can fulfill your government contracts without experiencing any cash flow bottlenecks, drive more revenue, and make unhindered decisions to bolster the health of your business.

Sources:

CISA. *Defense Industrial Base Sector*. <https://www.cisa.gov/defense-industrial-base-sector>

CNN. *Here's what's in the bipartisan infrastructure package*.
<https://www.cnn.com/2021/07/28/politics/infrastructure-bill-explained/index.html>

Federal News Network. *OMB warns of hiring freeze, funding gaps, if Congress pursues full-year continuing resolution*.
<https://federalnewsnetwork.com/budget/2021/11/omb-warns-of-hiring-freeze-funding-gaps-if-congress-pursues-full-year-continuing-resolution/>

Forbes. *Everything In The \$1.2 Trillion Infrastructure Bill: New Roads, Electric School Buses And More*.
<https://www.forbes.com/sites/jonathanponciano/2021/11/15/everything-in-the-12-trillion-infrastructure-bill-biden-just-signed-new-roads-electric-school-buses-and-more/?sh=630bf9c6161f>

The Hill. *Shelby says another CR will be needed in December*.
<https://thehill.com/policy/finance/579666-shelby-says-another-cr-will-be-needed-in-december?r=1>

Investopedia. *Infrastructure*. <https://www.investopedia.com/terms/i/infrastructure.asp>

NACo. *Congress passes continuing resolution to fund government through December 3 as reconciliation and infrastructure negotiations continue*.
<https://www.naco.org/blog/congress-passes-continuing-resolution-fund-government-through-december-3-reconciliation-and>

NACo. *President Biden's FY 2022 Full Budget Request*.
<https://www.gao.gov/blog/snapshot-government-wide-contracting-fy-2020-infographic>

New York Times. *Why the Infrastructure Bill Matters.*

<https://www.nytimes.com/2021/11/10/briefing/infrastructure-bill-joe-biden.html>

The Hill. *Shelby says another CR will be needed in December.*

<https://thehill.com/policy/finance/579666-shelby-says-another-cr-will-be-needed-in-december?rl=1>

US Government Accountability Office. *A Snapshot of Government-Wide Contracting For FY 2020 (infographic).*

<https://www.gao.gov/blog/snapshot-government-wide-contracting-fy-2020-infographic>

US News & World Report. *The States Benefiting the Most From the Infrastructure Deal.*

<https://www.usnews.com/news/best-states/articles/2021-11-19/the-states-getting-the-most-money-from-the-infrastructure-bill>

The World Bank. *GDP (current US\$) - United States.*

<https://data.worldbank.org/indicator/NY.GDP.MKTP.CD?locations=US>