

Deltek.

# Federal Contracting Trends

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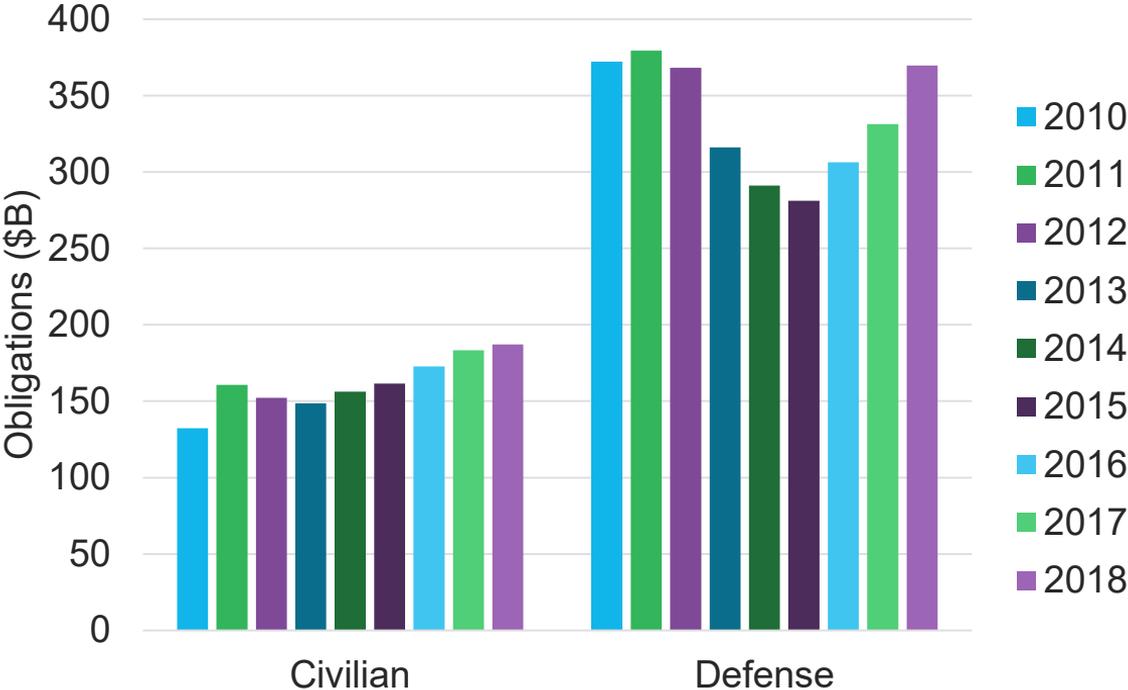
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# 2018 Was a Record Year



- » Contract spending totaled \$557B – highest level ever
- » Civilian increased 2% over 2017
- » Defense jumped 11.6% vs 2017

# Biggest Gainers

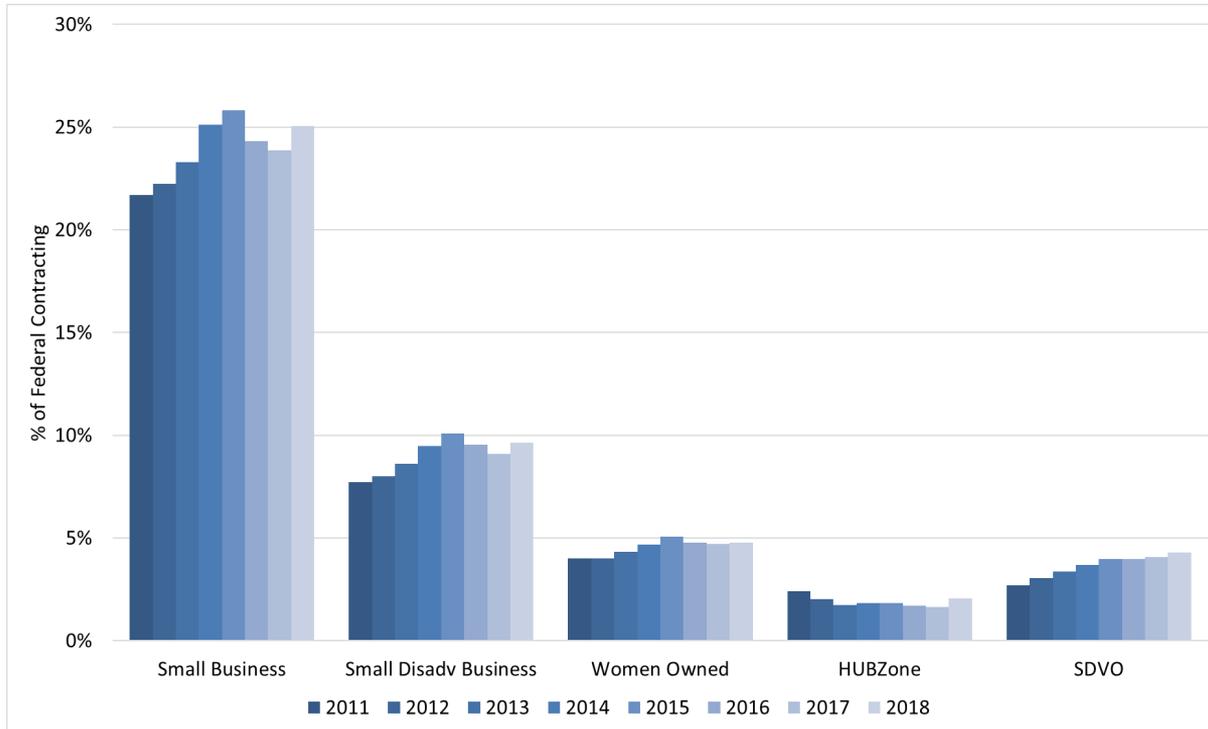
## Departments

Department	% Chg 2017-18
Defense	19%
Army	18%
Marine Corps	17%
Air Force	16%
DHS	12%

## Market Segment

Market Segment	% Chg 2017-18
Engines and Mechanical Equipment	75%
Chemicals, Fuels, Lubricants & Oil	27%
Ship Building	23%
Electric & Electronic Components & Parts	20%
Architecture Engineering and Construction	14%

# Strong Year for Small Business Contracting



- » Agencies improved in all categories vs. 2017
- » Government-wide SB contracting at 25%
- » Even HUBZone improved to 2% for first time in six years

# FY 2019 Appropriations

Appropriation Bill	FY 2018 Appropriations (\$B)	FY 2019 Appropriations (\$B)	\$ Change, FY 2018-19	% Change, FY 2018-19
<b>Funded During Regular Appropriations</b>				
Military Construction/VA	92.7	98.0	5.3	6%
Energy and Water	43.2	44.6	1.4	3%
Legislative Branch	4.7	4.8	0.1	2%
Defense	654.7	674.4	19.7	3%
Labor, HHS, Education	177.1	178.1	1.0	1%
<b>Funded Post-Shutdown</b>				
Interior/Environment	35.3	35.6	0.3	1%
Financial Services	23.4	23.4	0.0	0%
Agriculture	23.0	23.0	0.0	0%
Transportation and HUD*	70.1	71.1	1.0	1%
Homeland Security	47.7	49.4	1.7	4%
Commerce, Justice and Science	69.9	71.5	1.6	2%
State and Foreign Operations	54.0	54.2	0.2	0%
<b>Total</b>	<b>1,295</b>	<b>1,322</b>	<b>27.0</b>	<b>2%</b>

# Impact of the Shutdown

## Near-Term Reduction in Federal Expenditures From the Partial Shutdown Lasting From December 22, 2018, to January 25, 2019

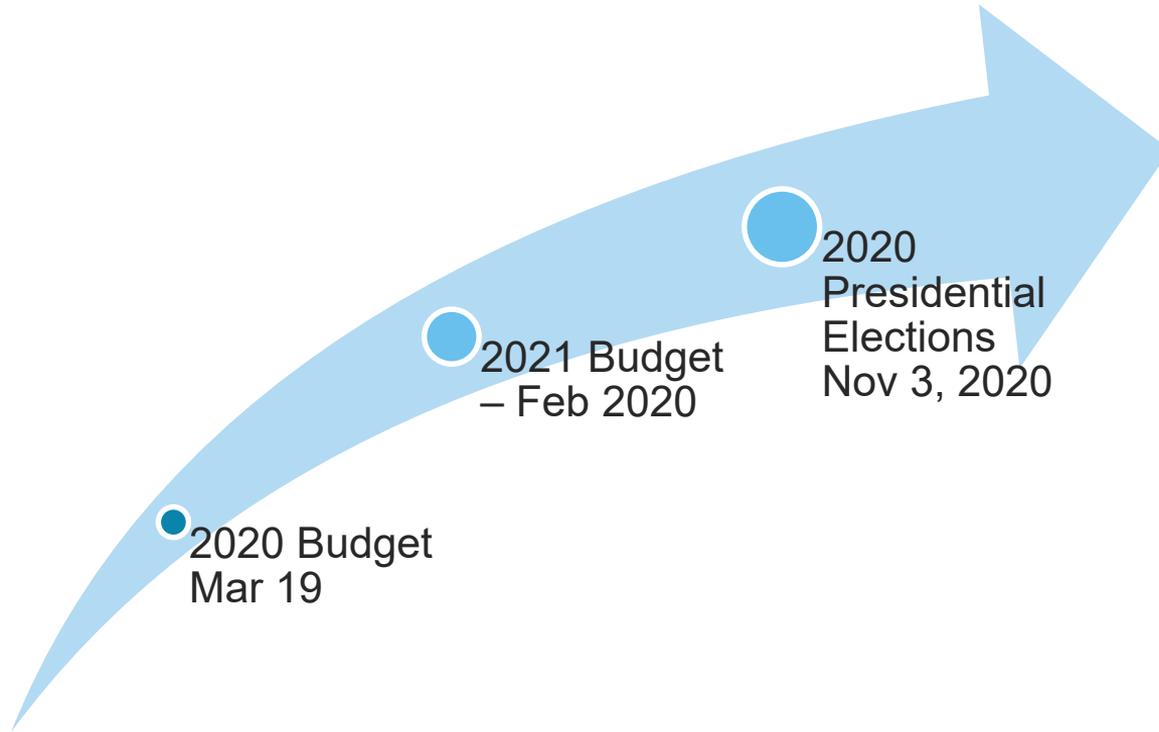
Billions of Dollars

	December 2018	January 2019	Total
Compensation for Employees in Agencies Without Funding	3 <sup>a</sup>	6	9
Compensation for furloughed employees	1 <sup>a</sup>	2	3
Compensation for excepted employees	2 <sup>a</sup>	4	6
Spending on Goods and Services	3	7	9
<b>Total Reduction in Federal Expenditures</b>	<b>5</b>	<b>13</b>	<b>18</b>

Source: Congressional Budget Office

- » Total impact to federal contracting estimated at \$9B
- » Spending expected to be made up in the balance of the fiscal year
- » \$3B net effect on GDP

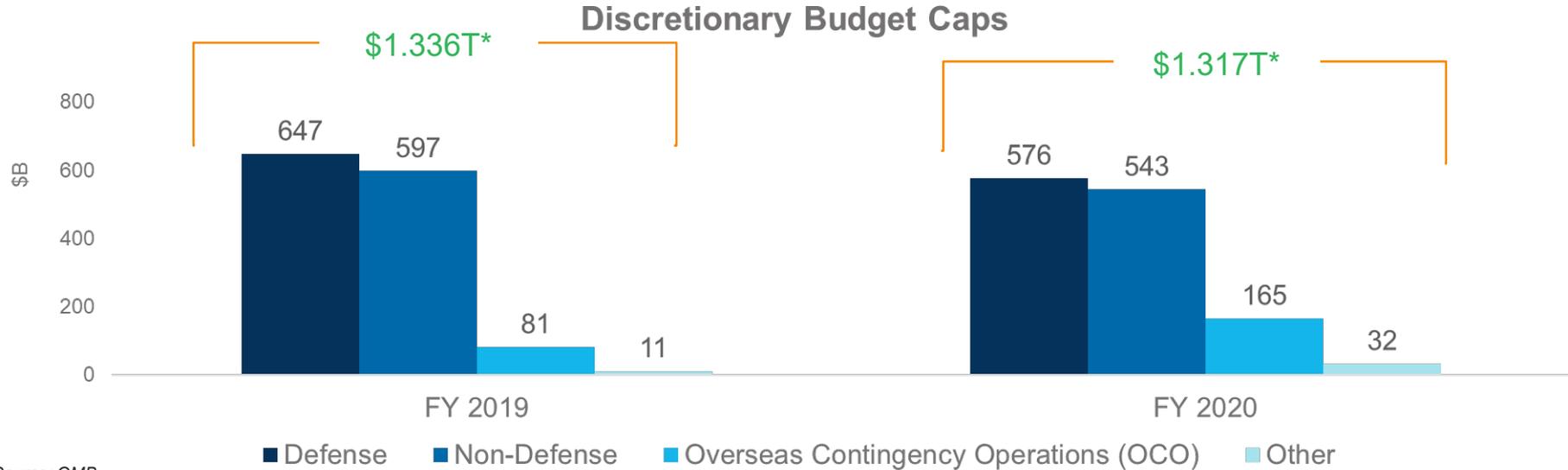
# 2020 Elections Fast Approaching



- » 2020 Presidential Elections just 18 months away
- » 2020 appropriations will be the last before the elections

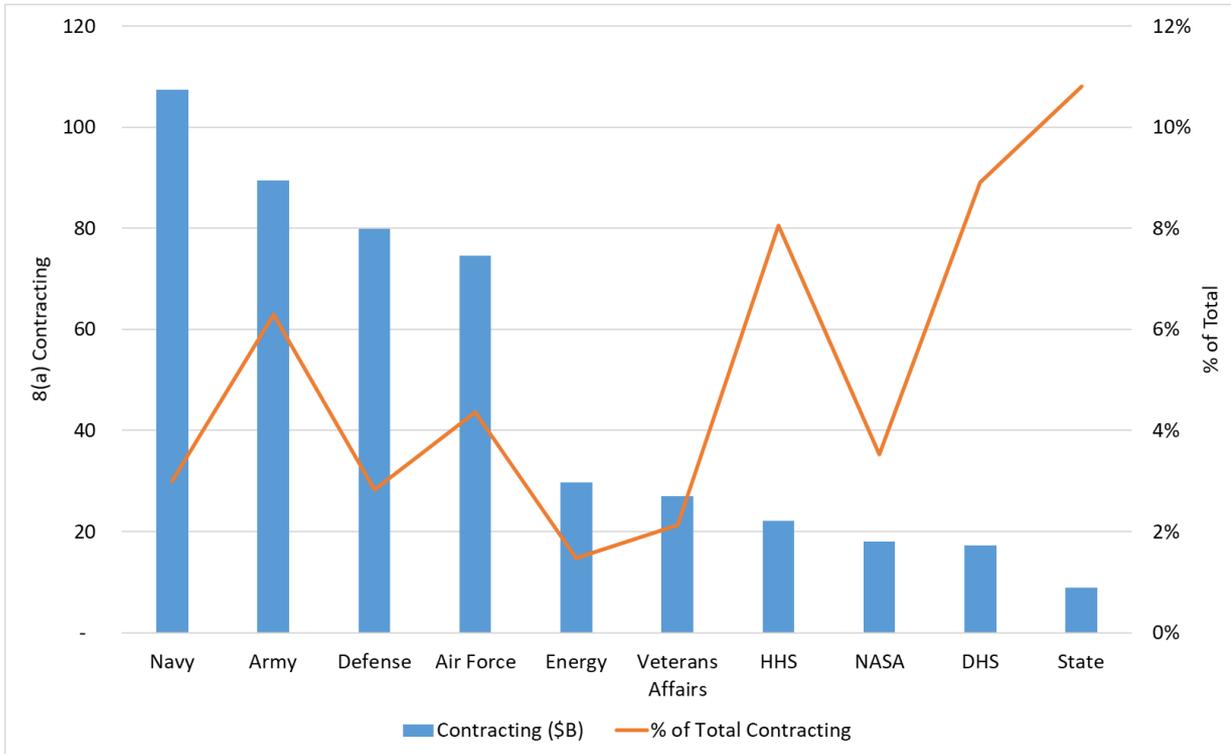
# Budget Request for FY 2020

The Bipartisan Budget Act of 2018 raised discretionary budget caps for FY 2018 and FY 2019, however the Trump Administration does not support legislation to set new caps for FY 2020 and FY 2021.



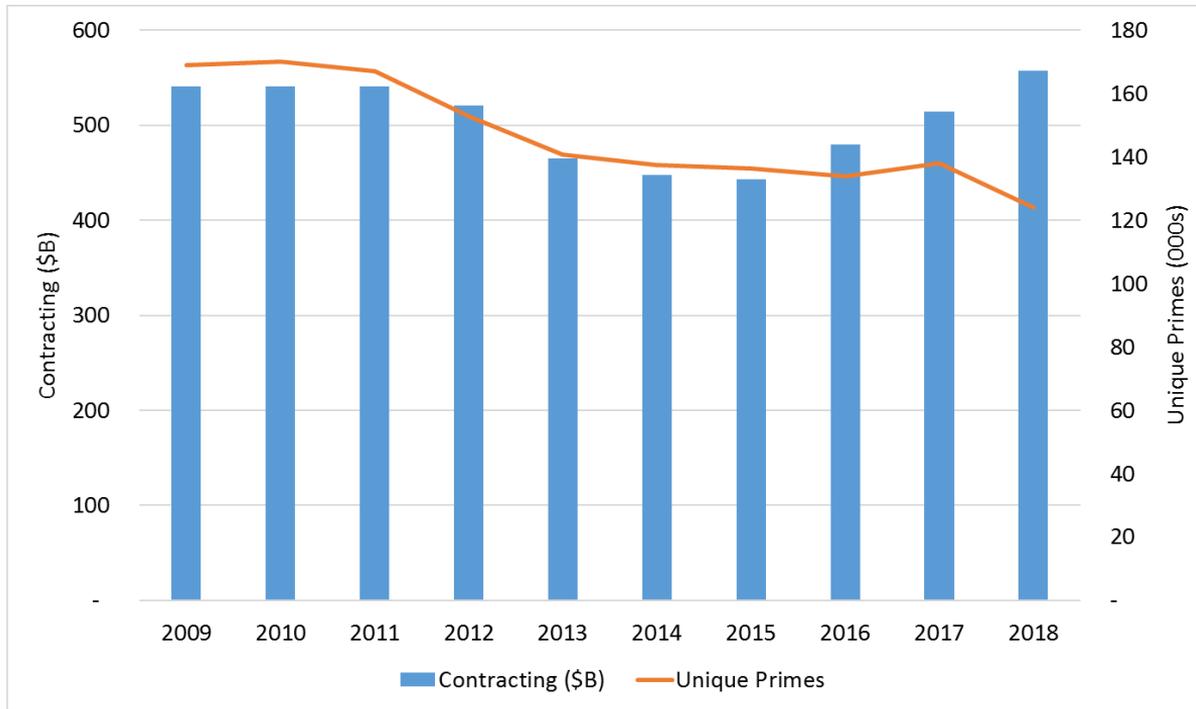
Instead, the Administration proposes adhering to the original Defense and Non-Defense BCA caps and doubling OCO funding - which is exempt from sequestration - effectively increasing Defense spending.

# Top Spenders with 8(a) Companies



- » Military agencies spend the most by a wide margin
- » However, in % of total dollars spent, most civilian agencies fare better

# Contractor Consolidation



- » Number of prime contractors down 26% since 2009
- » Even with steep increases, number of vendors dropped in 2018
- » IDIQs and initiatives like Category Mgmt seem to be the driver

# Differentiation Through Business Systems and Certifications

L.5.5.1. through L.5.5.10.	Government Systems, Industry Certifications, and Government Facility Clearances:			
Does the Offeror have each of the following? Type the word Yes or No in Column D for EACH System, Certification, or Clearance.				
	Approved Purchasing System	500		0
	Current FPRA, FPRR, and/or Approved Billing Rates	200		0
	EVMS ANSI/EIA Standard-748	200		0
	Acceptable Estimating System	200		0
	CMMI Maturity Level 2 (If taking credit for Level 3 or higher, answer No to Level 2)	100		0
	CMMI Maturity Level 3 or higher	200		0
	ISO 9001:2008	200		0
	ISO 17025	100		0
	ISO 14001:2004	100		0
	AS9100	100		0
	Secret FCL (If taking credit for Top Secret, answer No to Secret)	100		0
	Top Secret FCL	200		0
<b>SUBTOTAL SCORE FOR SECTIONS L.5.5.1. through L.5.5.10 ONLY:</b>				<b>0</b>
<b>TOTAL POINTS SCORED:</b>				<b>-</b>

- Compliant systems are frequently either expected or highly scored
- On a recent, major IDIQ - GSA OASIS – GSA gave 18% of points on evaluation to compliance and certifications
  - Another 3% based on experience with IDIQs or Cost Reimbursement contracts

Source: FPDS, Deltek

# Outlook for 2019 and Beyond



## Shutdown Risk

Shutdown risk remains going into 2020



## 2019 Growth Opportunity

2019 will be a good year and, when 2020 appropriations settle, it should be strong as well



## Risk for 2020

Bipartisan agreement ends after 2019. Back to potential for sequester in 2020



## 2020 Elections

Presidential elections less than 18 months away