

Does the DHS Stimulus Spending Reflect the President's Priorities or a Quick Business Investment?

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As I study the **Department of Homeland Security (DHS)** portion of the American Recovery and Reinvestment Act (ARRA), I started to wonder whether the specific projects were identified because the administration saw them as important or just good business. For example, the **DOE**, **HHS** and **Education** funding represents the highest priorities of the President's early agenda and thus it makes sense it would be funded that way. Ultimately, DHS turned out to be a winner by getting funding support for a **Consolidated Headquarters** and creating an estimated 47,700 jobs (combining federal and contract).

DHS Will Be Spending

Based on the speed with which much of this spending is anticipated to be infused into the market, it is likely DHS will use existing contracts and funding streams to get this money in the hands of private businesses, the vendor community. We anticipate GSA schedules, the **EAGLE** contract and other existing contract vehicles will be an efficient resource as DHS tries to spend the stimulus funding within the required timeframe. Operations like CBP's **Non-Intrusive Inspection (NII) systems**, and ICE's **Automation Modernization** already have contracts established which could be utilized for these projects, however at \$100 M and \$20 M respectively, those projects don't represent the lion's share of the DHS funding (even when you factor in the \$160 M for CBP's tactical communications funding).

Similar to other areas of the stimulus package, infrastructure modernization and construction (at **CBP**, **US Coast Guard** and **FEMA**) were well funded and are anticipated to create over 9,000 jobs. This matches the priorities and promises the Obama administration has made to the American people. It is not surprising it was included in this funding.

Aviation Security

On the other hand, **TSA's** funding for "aviation security" allows \$1 Billion to be spent on the **procurement and installation** of "checked baggage explosives detection systems and checkpoint explosives detection equipment." This spending dramatically expands the market for this technology. By default, this means the Obama administration believes in and trusts this technology area and understands there is a need for it within TSA. Compared to border security, the aviation security market has matured as a result of the terrorist attacks of September 11, 2001. Certainly this funding will improve TSA operations and increase passenger security and that is a great thing. From an analyst perspective, I've been waiting to see how Obama and **Secretary Napolitano** handle the issue of border security. Mainly, I'm interested in how they prioritize and spend on technology and border security solutions. Does the funding priority placed on TSA and DHS HQs project show a decision in DHS priorities or are those just smart, lucrative business options to boost our economy?

Border Security on the Southwest Border

As a side note, border security technology received an infusion of \$100 M through this stimulus package. GovWin has been unable to get a clarification from government officials as to whether contracts like **SBINet** will be evaluated as possible spending sources for that funding. Obviously within a multi-billion dollar contract another \$100 M does not make a significant impact, but much of the description within the legislation matches the original goals of SBINet. For example, ARRA states this funding is for the "expedited development and deployment of border security technology on the Southwest border." However, the intended job creation for CBP's construction projects within the legislation is anticipated to benefit local, border communities so it is likely the administration would like the stimulus spending to support the local Southwest border communities as well. If so, vendors should be prepared to this type of requirement to take shape outside of SBINet, but could still funnel through a contract like EAGLE. Look for more information in the near future as we try to nail down some of these common questions.

Vendor Impact

Regardless, DHS funding was predominately focused on federal operations (with some state and local grant money through FEMA). These are more likely to become viable business opportunities and task order opportunities than many of the other federal agencies. Vendors should keep an eye on the usual suspects – EAGLE, SBINet, GSA Schedules and other agency contracts – for upcoming opportunities in the aforementioned areas. Likewise, vendors should keep in mind the accountability, transparency and efficiency themes which the administration has been trumpeting since day one both internally and through this stimulus package. In addition to Recovery.gov and VP Joe Biden watching over this process, DHS Inspector General also received funding for the administration and oversight burden of tracking and monitoring this funding. Vendors with success and past performance on DHS contracts should use that position to try to win DHS stimulus funding but also keep in mind the additional strings and reporting that come along with it.