

State of the Union – Potential Opportunities and Impacts for Federal Contractors

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In Tuesday night's State of the Union address, President Obama highlighted issues and initiatives he hopes to tackle in his last two years in office such as improving "middle-class economics," building U.S. infrastructure, and increasing cybersecurity.

Reading between the lines we can attempt to predict the impact some of these initiatives may have on the federal contracting community.

The potential upside for federal contractors:

- Obama's plan to improve infrastructure in the form of trains, bridges, ports, and internet speed and access could provide opportunities for heavy construction and IT contractors.
- Strengthening cybersecurity efforts may provide companies with additional opportunities to sell cybersecurity services and solutions to the federal government, as well as the commercial market.
- Easier, more affordable access to higher education and increased training will provide employers with a larger, better trained labor pool.
- The president's Precision Medicine Initiative may provide contracting opportunities in the area of health IT, health informatics, medical research, medical technology, and medical devices.
- Revisions to the tax code may adversely or positively impact contractors and other companies depending on specifics of proposed tax code changes.
- The president's commitment to continue to fight terrorism may provide opportunities for defense contractors.
- Obama's statements about surveillance and privacy allude to continued funding for intelligence agency surveillance programs, but with emphasis on simultaneously safeguarding citizen privacy.

The potential downside for federal contractors:

- Obama's call for higher wages in the form of equal pay for women and increasing the minimum wage, may negatively impact companies' profitability.
- The appeal for guaranteed paid sick leave for all employees may place a financial burden on small businesses.
- Potential new cybersecurity legislation could impose additional security requirements for federal vendors and service providers.
- Revisions to the tax code may adversely or positively impact contractors and other companies depending on specifics of proposed tax code changes.

The President's FY 2016 Budget Request, due for release in less than two weeks, will bring to light many of the proposals and initiatives mentioned in the State of the Union address, and is rumored to contain a substantial increase over current year budget levels.

For detailed budget information and federal contractor impacts, watch for Deltek's future analysis of the President's FY 2016 Budget Request in the coming weeks.