

Continuing Resolution 2009: Congress' Buying Time Could Impact Technology Vendors

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Stop-gap legislation has been introduced into the U.S. House of Representatives to fund the federal government through March 6, 2009 under Continuing Resolution (CR) unless regular appropriations bills are enacted before then. The Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (H.R. 2638) would fund federal agencies at 2008 levels, with the exception of the Department of Defense, Department of Homeland Security, and Military Construction and Veterans Affairs, which would receive full year appropriations. If passed by the end of September, the bill would also avoid any government shutdowns that would occur if Congress fails to enact any funding bills by the end of the fiscal year.

Continuing Resolutions at the fiscal year's end have become an established norm in the federal appropriations landscape for a decade as Congress appears either unwilling or unable to tackle the task of providing regular year-long operating funds for federal agencies before the fiscal year begins.

Funding Highlights of the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009:

- \$487.7 billion in FY09 funding for the Department of Defense
- \$40 billion in FY09 funding for the Department of Homeland Security
- \$72.9 billion in FY09 funding for Military Construction and Veterans Affairs.
- Continuing Appropriations for all remaining agencies and activities that would be covered by the regular fiscal year 2009 appropriations bills until a full appropriation is enacted or March 6, 2009 (whichever occurs first)
- \$22.9 billion in emergency supplemental appropriations for relief and recovery from hurricanes, floods, and other natural disasters

GovWin's Take

This new CR goes beyond the most commonly chosen time span of December or January to stretch out to March of 2009.

- The entire House of Representatives is up for reelection this cycle and is in the heat of campaigning for their jobs. Rushing to complete regular appropriations bills by the end of September has been off the radar for weeks, if not months. But in passing a CR the Congress walks the tight rope between getting something passed so they can run home to campaign and facing voters who wonder why they have been ineffective in getting the basics of their job done.
- A government shut-down is something legislators strongly wish to avoid, unless it serves to bolster their reelection chances. So it is highly likely that some form of CR will be passed.
- The President has threatened to veto any appropriations bills that spend more than he has recommended, so while the CR would keep budgets at 2008 levels analysts in the Administration will be combing through the bill to find any hidden pork. The question remains whether or not the President wishes to close-out his time in office with a veto.
- With March 2009 expiration, the Democrat-led Congress keeps its options open for dealing with a new administration that will kick off in January. If Obama wins the March deadline buys time to allow the new administration to shape the budget for the rest of the 2009 fiscal year. If McCain wins it will allow a (presumably) opposition Congress to wield some weight with the new White House.
- With the current financial market bailout nearly monopolizing Congress' attention this CR will likely sail through.

Bottom Line for Information Technology Vendors

- Vendors may need to revise their business development account plans (if they had not forecasted the impact of a likely CR from the onset.) New IT projects in the FY 2009 budget may be put on hold for

half the year, or more and existing programs waiting for increased funding will likely have to wait longer. It is possible that IT projects agencies have planned for in the first half of the year won't happen at all.

- Large company federal units should begin to communicate to their corporate entities to not expect that they will make their numbers and corporate needs to look to other commercial sales organizations to bridge the gap.
- Vendors may consider reassessing of their hiring plans and compensation plans for 2009 to determine how this "treading water" period impacts these plans and make adjustments as necessary.
- This is a 1-2-3- punch for federal technology vendors: 1) Market growth was projected to slow in FY09; 2) The bailout of the financial markets currently in development will curtail growth even further; and 3) Now this CR, although not completely unexpected, is longer than what many in the industry would hope for to make 2009 a more positive year.