

John S. McCain National Defense Authorization Act Signed Into Law

“Because Successful Government Contractors Need More Than Just An Accounting Firm”

The National Defense Authorization Act was approved by both chambers of Congress and signed into law by the President on August 13th. This is the earliest that the Defense Authorization act has been approved in over 40 years. The law is officially known as “the John S. McCain National Defense Authorization Act (NDAA) for Fiscal Year 2019” in honor of the late senator.

Defense spending makes up 49% of the 2019 proposed discretionary budget and almost 20% of the total Federal budget. Consequently, the majority of federal spending in the form of contracts will originate in the Department of Defense again. The fact that defense spending is up over \$82 Billion from FY 2018 will mean more government contracts as well.

This should help get funding in place for the new fiscal year starting October 1st, 2018. The “fly in the ointment” is that other spending has not been approved by Congress yet and there are only a few “legislative days” in September before the start of FY2019. Some in the government have even predicted a “shutdown” as a result. So even though there is some certainty in the Defense Department, there may be uncertainty coming out of Congress.

Let’s assume the Government continues to operate, what are some of the highlights in the FY 2019 NDAA? Here are some random take-aways:

- Significant funding for the Navy including \$24 B for Shipbuilding & \$3.4 B for either arrested landing or



- vertical landing F-35 Fighters
- Re-authorize the Defense Research & Development Rapid Innovation Program
- Revised the definition of commercial items
- Procedures for rapid reaction to emerging technology
- Increase goal to pay small businesses faster – 15 days
- Reduce time to approve SBIR proposals to 90 days
- Extend several Small Business Pilot Programs
 - Direct to Phase II
 - Agency funded help in Phase I & II for awardees
- Defense Innovation Unit Experimental required to submit report to Congress on DoD becoming more agile in developing technological capabilities
- Expansion of SBA 7(a) loans and facilitate employee buyout of small businesses
- Establish Information Repository for Small Business – to categorize technological capabilities of small businesses to facilitate future transactions
- Reduce use of LPTA contracts
- Strengthens small business advocacy
- Strengthen procedures to limit foreign access to technology
- Set DoD policy against China, especially for espionage, cybertheft and other means

There are obviously many more items in the 788 pages of the act. The main takeaway is that there are some incentives for small business, even though the clause to make the SBIR/STTR programs permanent was left out of the final law.

To view the complete text of the law, visit Congress.gov.

-Mike Anderson, CEO
ReliAscent LLC

Why is the US Government Concerned with my Firm's Financial Success?

Let's first consider the term *financial success*, as this can mean different things to different people. Does the government really care about your financial success, or are they just making sure that they don't lose their money, and in some cases, receive a product or service at the best value? That all depends on the agency. There are a couple of agencies that started working primarily with research labs and institutes of higher learning and don't have a history of having to worry about the firm they are contracting with "going out of business". In these agencies, their business model isn't designed around for-profit businesses. So, their model may be "unfriendly" to the future of a "for profit" business. Their only test is "will you survive" to complete the research.

Unlike strictly research-oriented agencies, the Department of Defense (DoD), and a few similar agencies like NASA & DHS, have a "business-friendly" model. So why do they care about the success of your business? It really goes back hundreds of years. Take for example the company E.I. DuPont. They were originally founded in 1802 as a gunpowder mill and quickly became a contractor to the war department. As a growing nation, our army needed gunpowder for battles with Native Americans, Mexico, the War of 1812 and later the Civil War. A solid relationship with the government that allowed DuPont to thrive established a strong relationship so that the war department didn't have to worry about the constant supply of gunpowder.

This relationship further developed and allowed DuPont to perform research and development which allowed DuPont to develop polymers such as Neoprene, Nylon, Nomex®, Teflon®, Mylar® and Kevlar®. DuPont also developed Freon® and later environmentally friendly refrigerants as well as a long list of other chemicals including agricultural chemicals. The vast success of DuPont was all fueled from the needs



of the government. This early investment by the government created a business-friendly structure that allowed the company to provide products to the government, as well as the commercial marketplace. Consider the alternative. If the government had purchased gunpowder from DuPont and mandated that their margin was so low that they couldn't improve their systems, perform additional R&D, etc., what might have happened? It is likely that by the Civil War, DuPont's facilities would have been outdated and incapable of producing the much-needed gunpowder to support the war effort, let alone grow a strong commercial business.

There are other great success stories driven by government investments. One of recent times is that of Qualcomm. Qualcomm started out as a seven-person company in 1985. They had a vision and took that vision to the DoD through the SBIR program. They leveraged the SBIR funding (which helped fund indirect costs in this fragile new business) to advance their technology and use the commercialization avenue to grow into one of the world's largest telecommunications companies.

The government needs to be able to help companies develop their research, but they also have a vested interest in not losing the technology once it is created. For this reason, the government is genu-

inely concerned with your firm's success. Sometimes it seems that all the rules and regulations are going to bring you down, but just remember: *the government doesn't ask you to do anything that it isn't willing to pay for, it just has to be done right.* That is the reason for the FAR and other government regulations.

It might seem counterintuitive that the government is creating a system where you need to have staff accountants, project managers, program managers and contract experts, *when all you want to do is develop your technology.* The government is really trying to help you set up a successful business where you can measure the cost, and profitability, of each project. They have a proven track record that this model develops successful companies. This is our core mission at ReliAscent, to help companies grow by exploiting our knowledge of these compliance areas so the company can concentrate on their technology.

-Brian Ormsby,
Account Executive
ReliAscent LLC

Important Dates to Remember

- **September 24th** - DOD 18.3 and 18.C Broad Agency Announcement (BAA) SBIR topics open
- **September 26th** - ReliAscent releases a new white paper on Certified Cost and Pricing Data
- **September 30th** - ICE Submissions due for companies who's FY ended 3/31/18
- **October 1st** - Federal Government's FY starts
- **October 10th** - DoD 18.3 and 18.C SBIR's close to questions
- **October 24th** - DoD 18.3 and 18.C SBIR's close
- **October 26th** - ReliAscent releases a new white paper on Indirect Rates Strategy