Costello College of Business
GREG AND CAMILLE BARONI CENTER FOR GOVERNMENT CONTRACTING
George Mason University®

2025

Government Contracting Trends and Performance Index

Greg & Camille Baroni
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The National Hub for Government, Industry, and Academia to Address Issues in Government Contracting

The Greg and Camille Baroni Center for Government Contracting is the first-in-the-nation university center to address the business, policy, and regulatory issues in government contracting. The Baroni Center is also the first named center of excellence within the Costello College of Business at George Mason University. Through research, education and training, and collaboration, the center is spurring innovation and entrepreneurship for government, industry, and academia.

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Government Contracting Trends and Performance Index 2025

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Executive Summary

The Greg and Camille Baroni Center for Government Contracting in the Costello College of Business at George Mason University is pleased to publish its inaugural *Government Contracting Trends and Performance Index*.

The purpose of the *2025 Government Contracting Trends and Performance Index* is to fill gaps in the public understanding of the private sector industrial base contracted to support the functioning of the U.S. federal government. While there have been examinations of the defense industrial base, there has not been a broad analysis of the entire industrial base providing products, materials, and services to the whole of the Federal government.

The Federal government presently annually obligates nearly $800 billion of discretionary taxpayer-provided resources to industry as a means for serving the public good. Federal discretionary outlays go to over 200,000 firms that do business with the Federal government in some manner. Despite contractors' significant contribution to the government's functions and capabilities, this portion of the economy and government operation is not well understood.

The Trump Administration's Department of Government Efficiency (DOGE) effort has raised questions about the shape, size, and scope of today's government contracting industrial base. Thus, there is an even greater imperative to better understand these issues.

To this end, the *2025 Government Contracting Trends and Performance Index* set out to answer three key research questions for the public, industry executives, lawmakers, and policymakers:

1. What is the structure of the federal government contracting industrial base?
2. What are the trends in federal government contracting?
3. What is the self-evaluated financial performance of government contracting firms?

Leveraging open-source data, comprehensive surveys of government contracting firms, and analysis by the Baroni Center research team yielded the following topline findings:

Measuring innovation outcomes is imperative

The use of agile acquisition vehicles like Other Transaction Authorities (OTAs) and Small Business Innovation Research (SBIR) grants has exploded over the last five years. However, because there is no measurement of what is produced by such investment in innovation, the extent to which the nation is reaping benefits from these contract instruments is principally anecdotal. Better measurements of the outcomes of these efforts are critical if we are to understand the value of our national investments and rely on them as engines of innovation.

Incentives are the true drivers of innovation

Incentives for innovation, adoption, and integration are necessary to draw and keep cutting-edge firms into the government marketplace. Specifically, when asked how the government can encourage industry, survey respondents resoundingly identified profit, ease of doing business, and steady partnership as their key performance indicators (KPIs). If the federal government is serious about innovation, it must appropriately incentivize companies to deliver and sustain new, effective, and efficient solutions.

A need to put the "non" back in nontraditional defense contractors

The legal definition for non-traditional firms excludes only 7.5% of firms in the Department of Defense (DoD) market, according to Baroni researchers. If non-traditional contractors

are expected or desired to be instrumental in increasing innovation in government, these firms must be both better defined and tracked over time.

Small businesses innovate, but the preponderance of small business work is not in innovation

Small businesses participate in innovation as government contractors through SBIRs and other efforts. However, the preponderance of the work dominated by small businesses includes civil engineering, software installation and programming, facility utilities installation and repair, administrative services, and non-technical manufacturing. Though important to the functioning of government, this work is largely unrelated to innovation. For increased small business contributions to innovation, agencies will need to evolve their respective small business contracting approaches.

Across the spectrum of companies in 2024, industrial base sentiment was strong

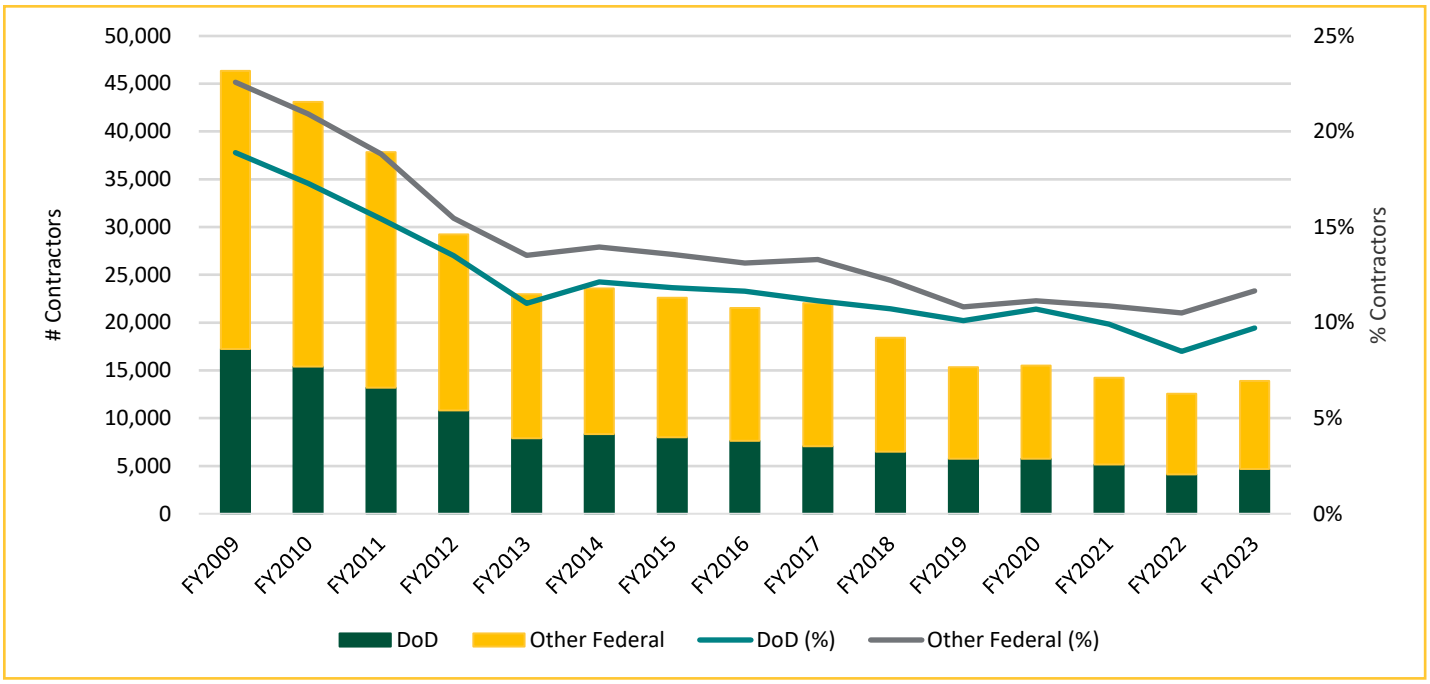
The Baroni Center's analysis found the federal market remains competitive, despite a reduction in the number of firms over the past decade plus. Moreover, our 2024 survey results and financial performance index show that government contracting firms of all sizes and composition remained positive about their recent performance and future prospects. These sentiments remaining positive is vital to the government harnessing sustainable, capable solutions, at scale.

If surveyed today, individual company sentiments about future performance could be quite different as a result of DOGE, depending on their respective markets and capabilities. The companies' reported KPIs, however, would likely be unchanged.

The Executive Summary continues with insights and recommendations focused on the following topics:

- Industrial Base Composition
- Contracting Trends
- Financial Performance Index

Number of New Government Contractors



Source: USASpending.gov, Baroni Center analysis

INDUSTRIAL BASE COMPOSITION

The first section of the report examines the composition of the government contracting industry. The section includes visualizations of the number and type of firms that conduct business with the Federal government and the change of this composition over time.

On the overall *shape of the government contracting industrial base*, Baroni analysis found:

- The number of prime contractor firms has decreased over the 2009–2023 period, by fifty-one percent for DoD contractors and by thirty-nine percent by Other Federal contractors.
- Similarly, there has been a decline in the percentage of new business entrants into this market, by fifty-two percent in both DoD and Other Federal markets, as illustrated in the figure on the Number of New Government Contractors. (*See* Chapter 1. Industrial Base Composition, Figure 2, page 11, for a full description)
- These alarming findings have been reported elsewhere, but separate Baroni analysis (see page 12) adds two important dimensions to this issue:
  - » A comprehensive survey of 45,000 "exited" firms found that the reported decline is significantly overstated because many of these firms were still pursuing work with DoD or working solely as a subcontractor.
  - » The percentage of new entrants in both DoD and Other Federal industrial bases has been relatively stable over the past decade, averaging eleven percent and twelve percent respectively.
- Despite the popular narrative that industry consolidation has reduced competition in the government contracting industrial base, separate Baroni analysis (see page 22) demonstrates that there are meaningful levels of competition in both DoD and Other Federal markets that have been very stable over time.

In the area of the small business industrial base, Baroni analysis found:

- Small businesses provide the government with services far more than products.
- As the government's requirements for contractor personnel and information technology evolve, the role and impact of small businesses that provide these services will do the same. This change is more likely to be seen for firms supporting Other

Federal agencies whose contracts are largely for services.

Finally, with the significant priority given *"non-traditional" contractors* in both the Executive and Legislative Branches, Baroni researchers examined non-traditional contractors in DoD markets over the period and found:

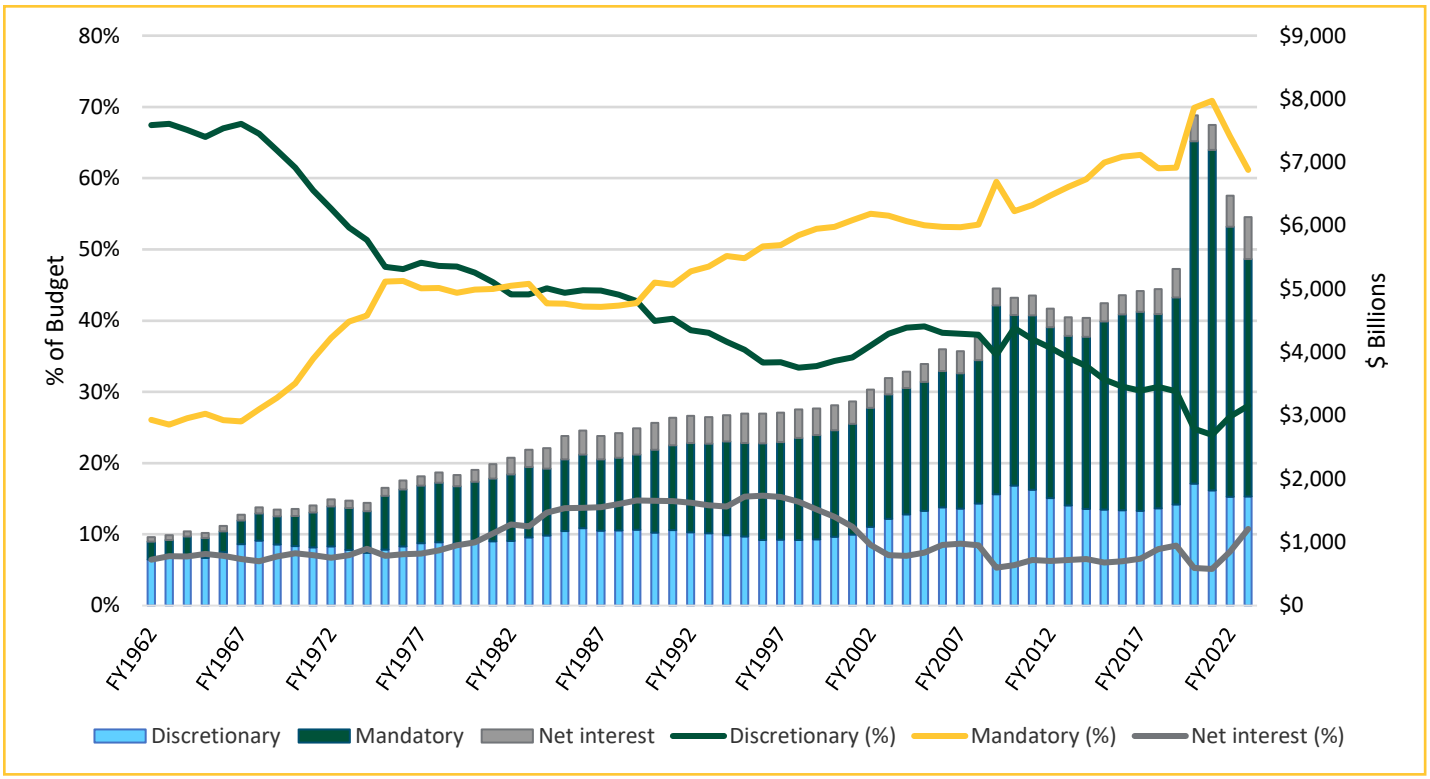
- The current legal definition for non-traditional firms excludes only 7.5% of firms. This significantly undermines the value of the term "non-traditional" as a proxy for identifying technology firms bringing innovation to the government. If non-traditional contractors are the focus for increasing innovation in government contracting, these firms must be both better defined and assessed.

Recommendations

Given these findings, the Baroni research team recommends:

- Along the lines proposed in S. 5618 FoRGED Act introduced in December 2024, Congress redefine "non-traditional defense contractor" in legislation updating and clarifying 10 U.S.C. §3014 so that the term and corresponding applications are directly useful in identifying, incentivizing, and measuring the performance of corporations developing and delivering new technological capabilities to DoD. For example, the definition can be made to identify corporations whose characteristics match those commonly associated with substantive technological innovation, such as investing meaningfully in non-reimbursable research and development, venture capital or private equity sponsorship, and high rates of annual revenue growth from commercial technology sales.
- DoD apply the updated statute redefining "non-traditional defense contractor" to the Defense Federal Acquisition Regulation Supplement as well as DoD Policy Directives so that the term and corresponding applications are employed in identifying, incentivizing, and tracking corporations and DoD programs of record in the development and delivery of new technological capabilities.

Federal Discretionary vs Non-Discretionary Spending



Source: Congressional Budget Office (Historical Budget Data issued February 2024), Baroni Center analysis

CONTRACTING TRENDS

The report's second section examines the trends in government contracts, namely in what the U.S. government is purchasing, from whom, and the instruments for doing so.

Looking at *overall outlays and obligations*, Baroni researchers found:

- There has been a dramatic growth in the percentage of the total government spending allocated to mandatory spending (Social Security, Medicare, and net interest payments) compared to discretionary spending over time, going from twenty-seven percent in 1962 to seventy percent in 2019. The figure above illustrates the degree to which discretionary spending has shrunk over this period. (*See* Chapter 2, Contracting Trends, Figure 13, page 25 for a full description)
- The relative divide between discretionary DoD investment and Other Federal discretionary investment has remained consistent over the 2009–2023 period, however.
- The largest volume of Federal obligations over the past decade have been in research and development; computer hardware, software, and services; and aircraft and aircraft parts. The 2022 and 2023 spend on IT-related products and services, over $80 billion annually, underscores the rationale behind the IT focus of DOGE efforts.

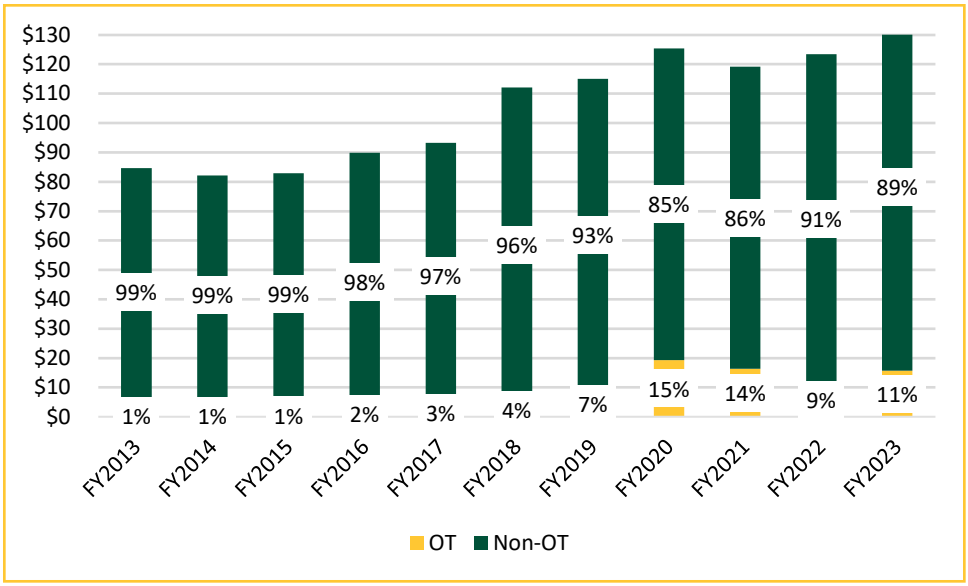
In *small business contracting*, Baroni researchers found:

- Small businesses prime approximately a fifth of DoD obligations and a fourth of Other Federal contract obligations, which is broadly in line with Small Business Administration goals.

Looking at DoD, contract spending largely goes to Small Businesses for facility services (e.g., office furniture, electrical wiring, plumbing, heating, and air-conditioning; waste removal); administrative services; wholesalers; non-technical manufacturing; and computer software installation services.

- Looking at Other Federal, small businesses are dominant in software installation and programming services, ship and boat construction (for various agencies in DHS as well as the Department of Commerce's National Oceanographic and Atmospheric Administration), forestry services, civil engineering (largely road

OTAs as Percentage of DoD RDT&E Obligations ($B)



Source: SAM.gov, DoD Budget Materials (DoD Comptroller), Baroni Center analysis

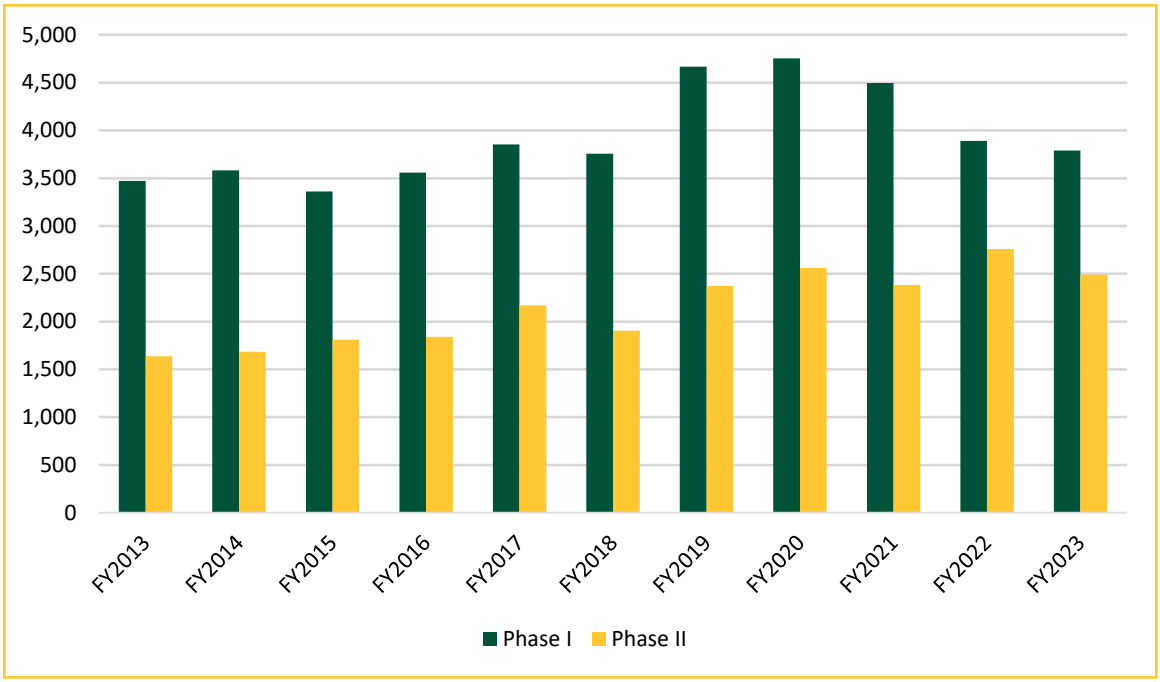
construction and repair for the Departments of Transportation, Interior, and Agriculture), and facility utilities (electrical, plumbing, heating, and air-conditioning) installation and repair contract services.

- While many Executive and Legislative Branch leaders tout the importance of small businesses in innovation, the types of work in which small businesses dominate are largely unrelated to innovation.

Given the importance of *innovation* to government leaders, Baroni researchers attempted to discern meaningful measures for assessing innovation in contracting trends. The team found:

- OTAs and SBIRs / Small Business Technology Transfer Research (STTR) are often used as proxies for assessing innovation in DoD and Other Federal agencies.
- OTA and SBIR/STTR obligations have significantly increased across the USG in the past decade.
  - » As illustrated in the figure on OTAs as Percentage of DoD RDT&E Obligations, DoD OTA spending increased 220% to $16 billion annually from 2018 to 2023, growing to approximately 10% of DoD Research, Development, Testing, and Evaluation (RDT&E) spending. (*See* Chapter 2. Contracting Trends, Figure 25, page 39 for a full description)
  - » Several Other Federal agencies, for example, the National Aeronautics and Space Administration (NASA), the Department of Homeland Security (DHS), and the Department of Interior (DOI), have OT authority, but there is no current way to assess overall Other Federal OTA spending.
  - » As illustrated in the following figure on SBIR/STTR Awards by Agency, DoD and Other Federal SBIR/STTR investment nearly tripled between 2013 and 2023, reaching almost $6 billion, with investments roughly equal between DoD and Other Federal. (*See* Chapter 2. Contract Trends, Figure 29, page 43 for a full description)
- However, these contractual instruments for adopting innovation continue to be a small percentage overall of government investment.
- Importantly, there is no publicly available data to measure the extent to which OTA and SBIR/STTR-funded prototype development have led to programs of record. This must change

SBIR/STTR Awards, All Agencies



Source: SBIR.gov, Baroni Center analysis

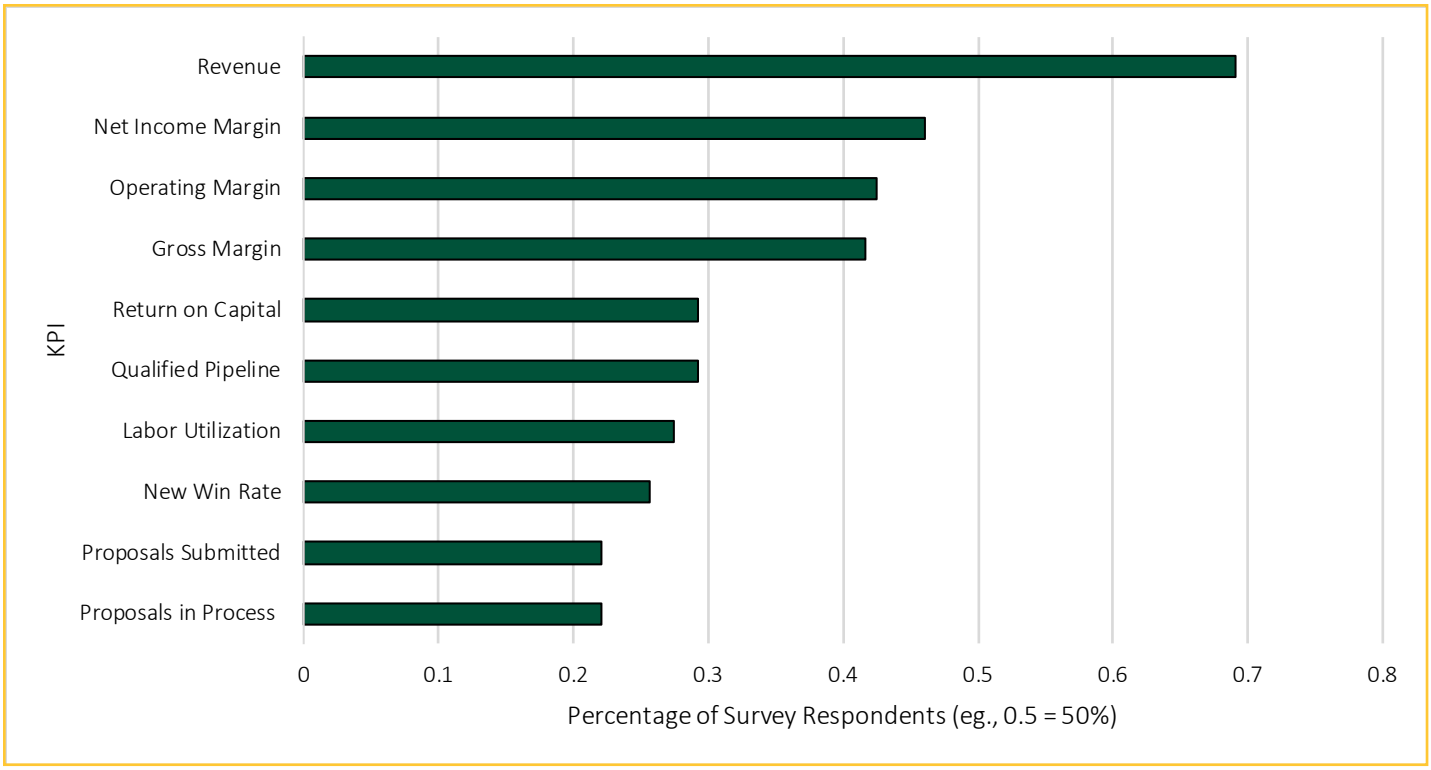
so innovation can be adequately incentivized and measures for its outcomes.

Recommendations

Given these findings, the Baroni team recommends:

- The Administration work with Congress to expand the publicly available data concerning OTA and SBIR/STTR to identify and track the progress of prototypes to production to understand the timeliness of development, adoption, and integration, as well as the length of service for capabilities devised through these funding and contract approaches.
- The Administration work to create contract structures that better incentivize small business investment in identified priority areas where innovations from small businesses are most greatly desired.

Top 10 KPIs for Survey Respondents



Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

FINANCIAL PERFORMANCE INDEX

The report's third section presents the findings from a survey polling over 400 government contracting firms during 2024. Most federal government contractor companies are privately owned businesses and there is little publicly available information about these companies' financial performance. This lack of information inhibits data-driven decisions by legislators, regulators, and policymakers. Improved government comprehension of how these privately owned businesses view their operating and financial performance is central to well-informed legislation and policies that harness and incentivize industry contributions to public service.

The results of this survey provide a visualization and quantification of the firms' self-assessment of their financial performance. The results also reveal the firms' principal metrics upon which they evaluate themselves. As illustrated in the figure above, profitability and business development metrics were the KPIs used to assess their financial and operating performance. (*See* Chapter 3. Financial Performance Index, Figure 35, page 52 for a full description)

A Financial Performance Index was calculated from the performance of the top KPI questions. The responses were converted into numeric scores using a Likert-type scale with the following levels: 0 = Significant Worsening, 50 = Slight Worsening, 100 = No Change, 150 = Slight Improvement, and 200 = Significant Improvement. This resulted in three index scores for each participating company: (1) for the trailing twelve months; (2) for the next twelve months; and (3) an overall scoring combining the trailing twelve months and the next twelve months.

Overall, the survey results indicate that the sampled companies exhibit a financial performance level that can be considered good—with a Financial Performance Index rating of 146. Across the different subsegments of the sample, companies on average reported a financial performance level that also can be considered healthy, with index readings ranging from a low of 135 to a high of 152. Some differences were observed across paired segments, but in most cases, the magnitude of the differences was relatively

minor. The companies sampled expected to maintain this level financial performance, or even exceed it, in the coming year.

CONCLUSIONS

This *2025 Government Contracting Trends and Performance Index* provides a holistic view of the composition of today's industrial base, key contracting trends, and a self-assessment of the government contracting industry's financial performance. Our findings reveal significant strengths in the overall government contracting community. While there has been an overall decline in companies pursuing business with Federal agencies, tens of thousands of companies continue to serve the government as prime contractors and there are healthy levels of competition across the marketplace. There has also been a significant increased focus on innovation and companies surveyed are optimistic about their business future. Our analysis, however, also identified weaknesses in measuring the success of efforts focused on innovation and in getting small business investment focused to support innovation priorities. Our recommendations focus on addressing these weaknesses and creating better incentive structures to achieve the desired outcomes of both government and industry.

The report was principally completed in 2024, but its independent analytical visualization of the government contracting landscape supports the objectives outlined by DOGE and the emerging acquisition reform agenda of the Trump Administration. Moreover, there is broad consensus that the Federal agencies and the companies that make up the government contracting community need to serve the national interest more effectively and efficiently. Accordingly, this report is designed to inform public understanding through a visualization of the contracting industry, contracting trends, and firms' self-assessment of their financial performance.

The Baroni Center will publish this *Government Contracting Trends and Performance Index* annually as an aid to elected and appointed government officials as well as businesses, investors, and academic researchers. We welcome comments, questions, and suggestions for improving this publication for the future. Please send comments to govcon@gmu.edu.

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1
Industrial Base Composition

PURPOSE

This section examines the composition of the government contracting industry, specifically the number and type of firms that conduct business with the federal government, as well as the change of this composition over time. Much of the current national conversation about government spending has been anchored to the dollar amount. This section looks at the businesses to which a portion of those dollars are outlaid. The section also considers in broad terms what is being purchased from those businesses as well as the extent of market competition for those businesses. This is done to promote an increased public awareness of the context of government spending and the government's reliance upon the private sector for products and services.

RATIONALE

The shape of today's government contracting industrial base is often commented on, but little analyzed. While there have been examinations of the industry supporting the DoD, there is no broad analysis of the entire industrial base providing products, materials, and services to the whole of the federal government. In response this section provides an informed picture of the firms who do business with the federal government, what they provide their customers, and the competitiveness of their market.

APPROACH

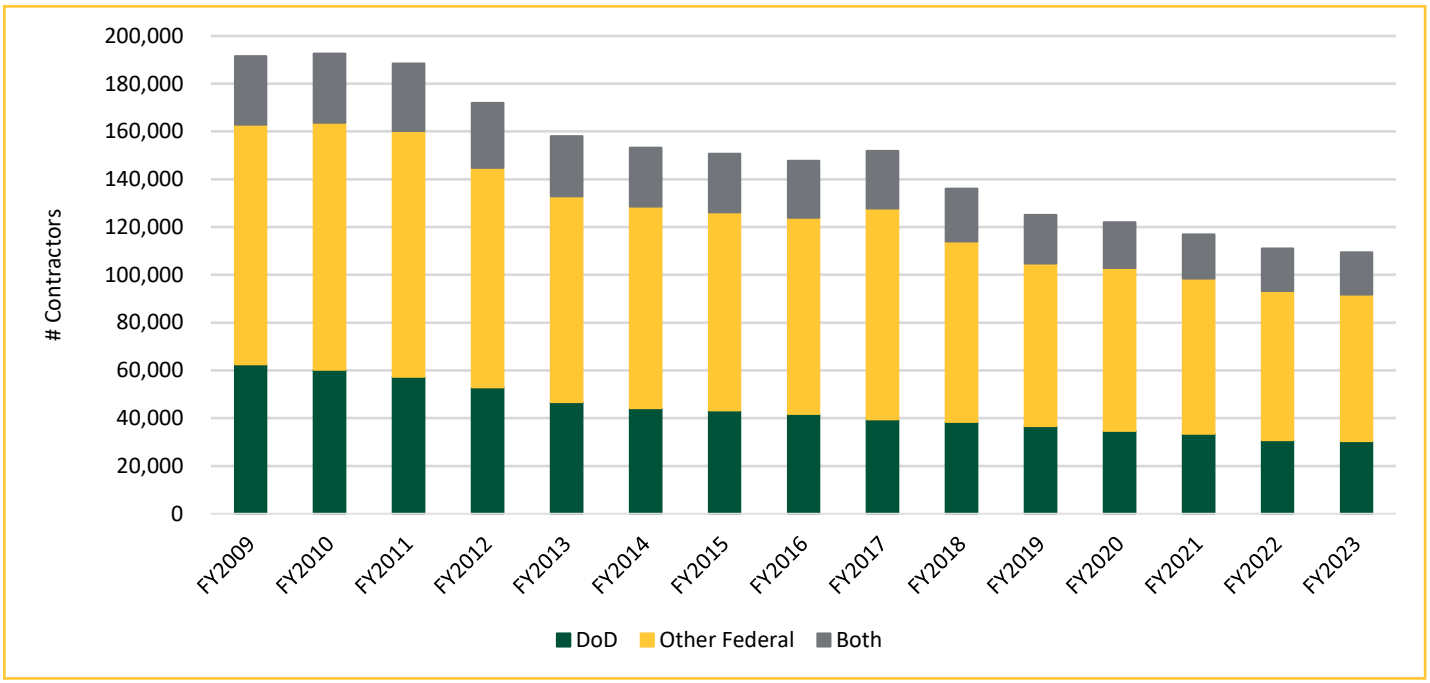
Baroni Center analysts examined publicly available data to identify trends in the composition of the government contracting industry over the past fifteen years, from Fiscal Year (FY) 2009 through FY 2023. This analysis focused on the following areas:

- The number and type of companies that comprise the government contracting industrial base;
- The impact of so-called non-traditional contractors on the industrial base; DoD and Other Federal Small Business contractor obligations; and
- The level of concentration within specific markets.

OVERALL INSIGHTS

- The number of prime contractor firms in the government contracting industry has decreased; difficulty working with DoD was cited as the major reason for leaving, although this decline is overstated inasmuch as many "exiting" firms were found to be still pursuing prime work with DoD;
- The percentage of new contractors for both DoD and Other Federal significantly declined during FY2009–2013, but since then has remained stable;
- Non-traditional firms, which are not required to comply with Cost Accounting Standards, make up the vast preponderance of DoD contractors;
- DoD obligates more funding to products than services, and DoD obligates more funding to products than does the total of Other Federal agencies;
- Nearly three-quarters of Other Federal contract obligations are for services regardless of the size of the contractor firm;
- Small Businesses provide services more than products in both DoD and Other Federal markets;
- There are meaningful levels of industry competition in the DoD and Other Federal markets.

Figure 1. Number of Prime Contractors, DoD and Other Federal



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
DoD	62,613	60,316	57,312	52,914	46,697	44,207	43,270	41,784	39,531	38,398	36,777	34,702	33,539	30,787	30,466
Other Federal	100,196	103,371	102,889	91,888	86,187	84,355	82,903	82,082	88,282	75,610	68,002	68,104	64,956	62,493	61,231
Both	28,690	28,924	28,183	27,160	25,110	24,703	24,498	23,886	24,016	22,104	20,378	19,180	18,501	17,745	17,699

Figure 1 illustrates the number of firms each year that held prime contracts within:

- Department of Defense only
- Other Federal agencies only
- Both DoD and Other Federal agencies

KEY TAKEAWAYS

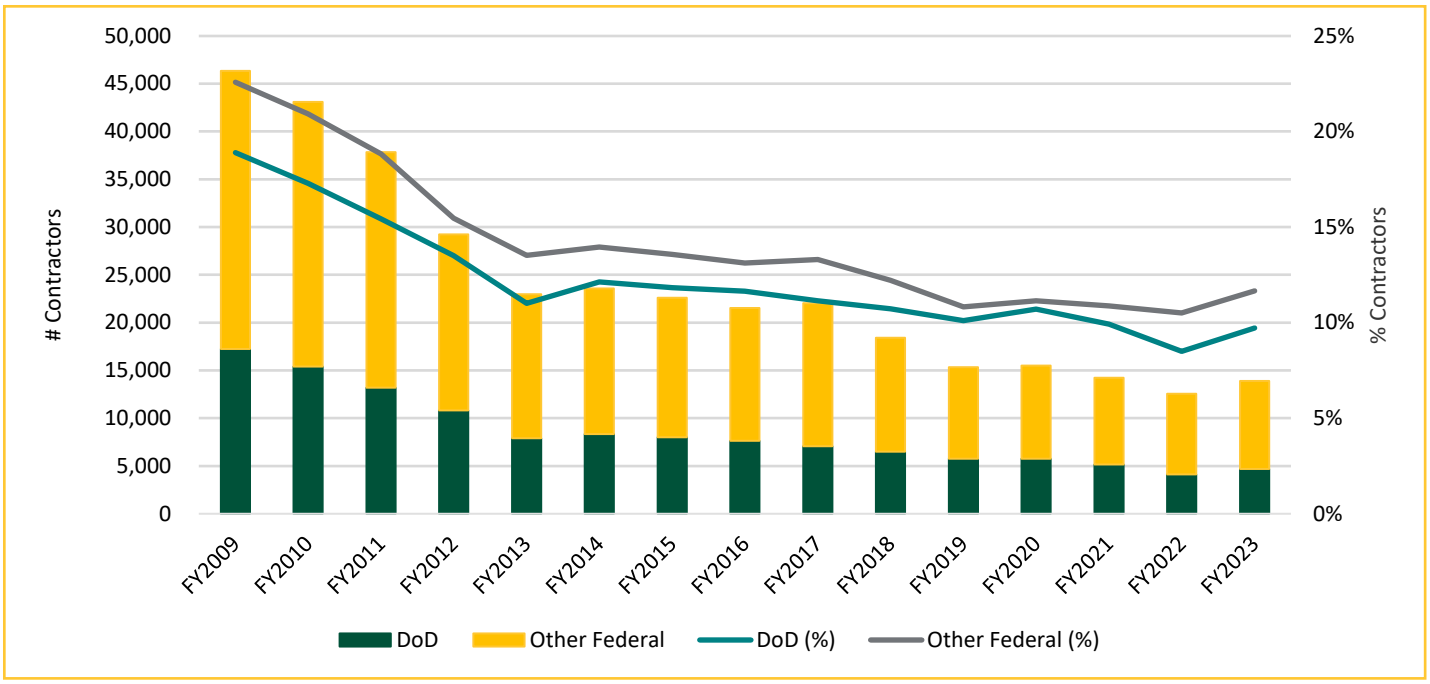
There has been a declining number of contractors for both DoD and Other Federal agencies. Some key trends from the above figure include:

1. Change over the period (FY2009–2023)
    a. DoD: -51.3%
    b. Other Federal: -38.9%
    c. Both: -38.3%
2. Year-over-year change over the period
    a. DoD: -1.0% to -11.7%
    b. Other Federal: -14.4% to 7.6%
    c. Both: -8.0% to 0.8%
3. FY2022 to FY2023 change
    a. DoD: -1.0%
    b. Other Federal: -2.0%
    c. Both: -0.3%

This decline among DoD contractors has been examined separately by Baroni Center research staff with survey work of 45,000 "exited" contractors. The most frequent reason given by companies for exiting was an unfavorable working condition with DoD, which can potentially be corrected with future policy and process changes.

That is balanced, however, by the second and third most frequent reasons which indicated that the company had not departed the Defense Industrial Base as they were still actively bidding for work but had simply not won anything current or was performing only work as a subcontractor (and therefore only appeared to have exited). See *The "Shrinking" Defense Industrial Base: A Survey of Former DoD Prime Contractors*, Edward Hyatt and Lloyd Edward Everhart, NPS, for additional information. https://dair.nps.edu/handle/123456789/5119.

Figure 2. Number of New Government Contractors



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
DoD	17,244	15,422	13,185	10,810	7,911	8,355	8,022	7,645	7,079	6,490	5,773	5,768	5,159	4,123	4,683
Other Federal	29,091	27,666	24,666	18,411	15,049	15,222	14,574	13,898	14,942	11,937	9,569	9,731	9,076	8,432	9,207
DoD (%)	19%	17%	15%	14%	11%	12%	12%	12%	11%	11%	10%	11%	10%	8%	10%
Other Federal (%)	23%	21%	19%	15%	14%	14%	14%	13%	13%	12%	11%	11%	11%	11%	12%

Figure 2 illustrates the number of new prime contractors (i.e., new entrants) per year for DoD and Other Federal agencies, and the proportion of new entrants compared to total contractors for both DoD and Other Federal agencies. Entry year is defined as the first fiscal year of a contract action for a contractor with no contract record from any previous fiscal year, starting in FY2001.

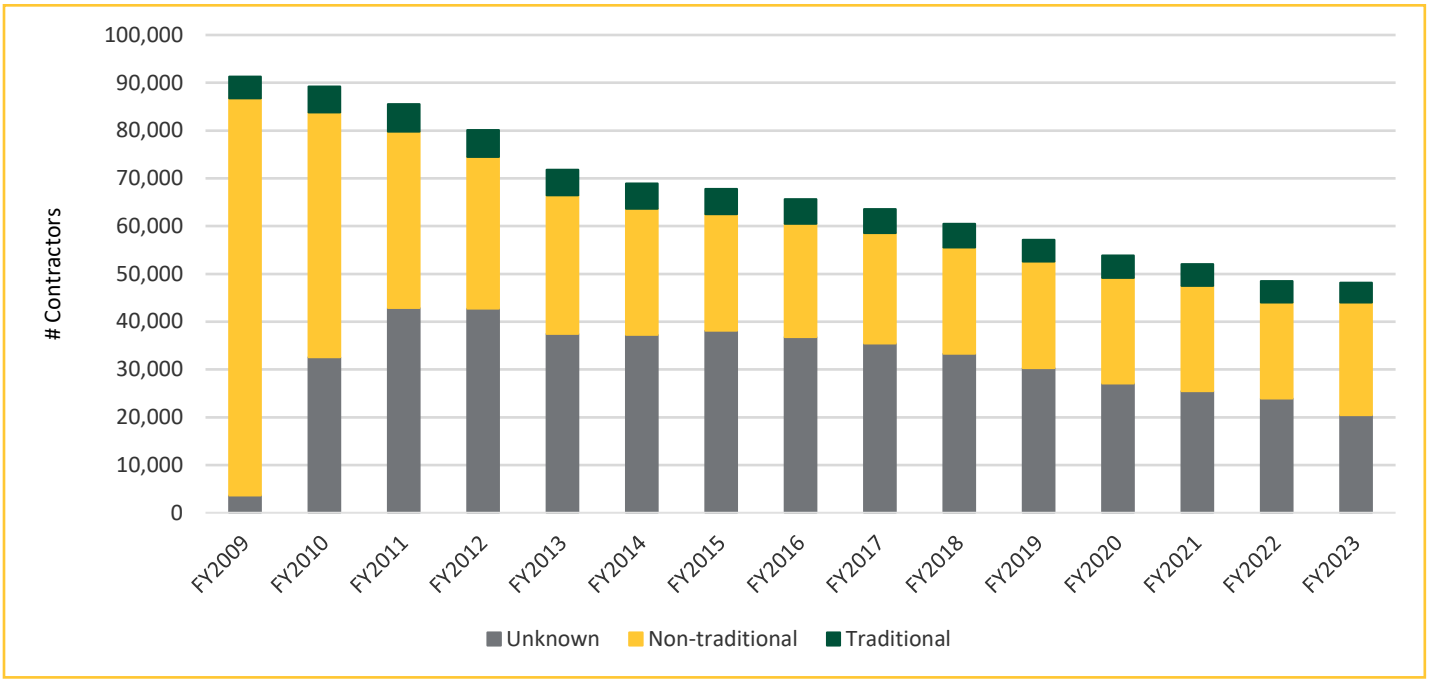
KEY TAKEAWAYS

There was a big decrease from FY2009 through FY2012, then relatively stable from FY2013–2017, another sizeable drop though FY2018, and then again relatively stable from FY2019–2023 (with a slight dip in FY2022), thereby an overall downward trend. The percentage of new entrants in both DoD and Other Federal industrial bases, however, has been relatively stable over the past decade, averaging 11% and 12% respectively.

ADDITIONAL TAKEAWAYS

1. Change over the period (FY2009–2023)
    a. DoD: -51.5% (proportion of new entrants)
    b. Other Federal: -51.7% (proportion of new entrants)
    c. DoD: -72.8% (# of new entrants)
    d. Other Federal: -68.4% (# of new entrants)
2. Year-over-year change over the period
    a. DoD: -26.8% to 13.6%
    b. Other Federal: -25.4% to 9.2%
3. FY2022 to FY2023 change
    a. DoD: 114% (proportion of new entrants)
    b. Other Federal: 111% (proportion of new entrants)
    c. DoD: 13.6% (# of new entrants)
    d. Other Federal: 9.2% (# of new entrants)

Figure 3. Number of DoD Traditional and Non-traditional Contractors



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unknown	3,612	32,584	42,899	42,709	37,429	37,272	38,128	36,800	35,433	33,327	30,269	27,083	25,486	23,893	20,426
Non-traditional	83,096	51,186	36,901	31,757	29,014	26,375	24,381	23,713	23,112	22,235	22,313	22,064	21,994	20,125	23,579
Traditional	4,596	5,471	5,696	5,608	5,364	5,263	5,259	5,157	5,002	4,940	4,573	4,735	4,560	4,514	4,161

Figure 3 illustrates the number of traditional and non-traditional contractors for DoD only. Attracting non-traditional contractors has been a major focus of DoD efforts in recent years. The definition of a non-traditional contractor is provided in 10 USC 3014: "an entity that is not currently performing and has not performed, for at least the one-year period preceding the solicitation of sources by the Department of Defense for the procurement or transaction, any contract or subcontract for the Department of Defense that is subject to full coverage under the cost accounting standards prescribed pursuant to section 1502 of title 41 and the regulations implementing such section." Therefore, the Cost Accounting Standards field in USASpending.gov was used to delineate if a contractor was traditional or non-traditional.

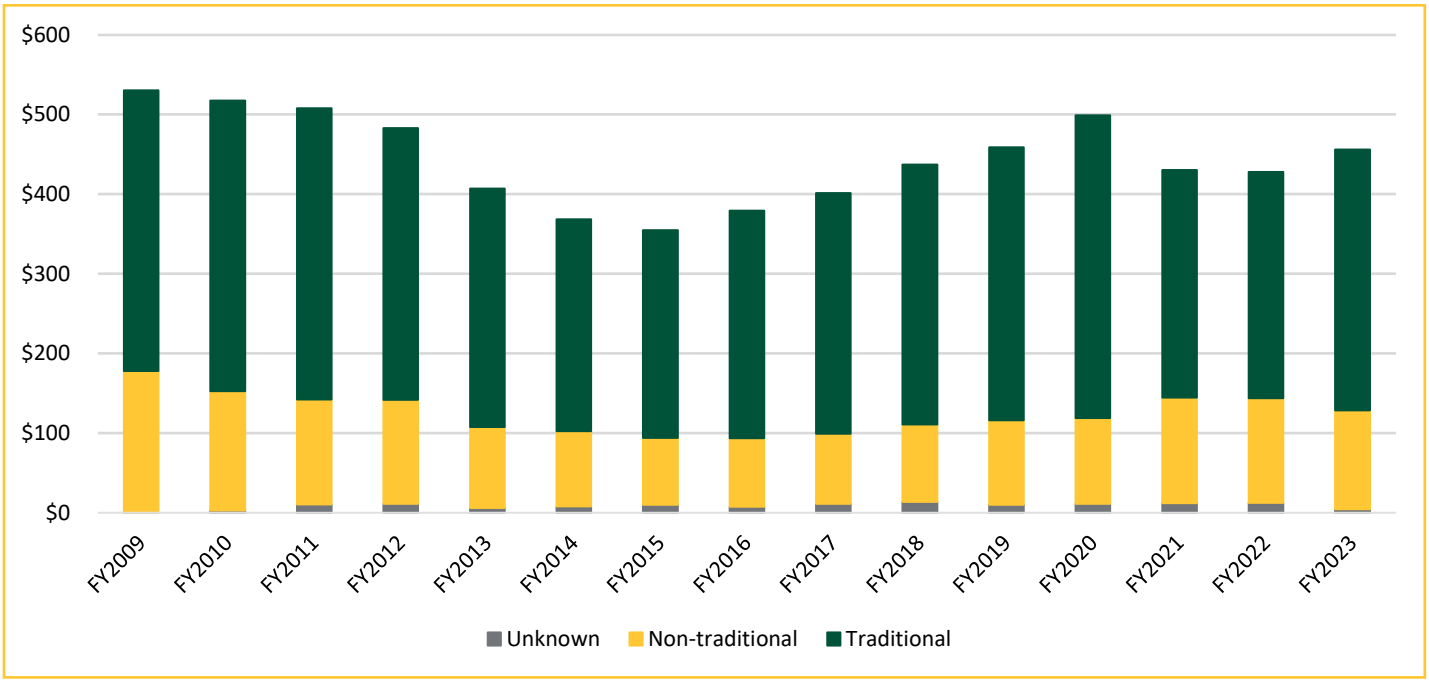
KEY TAKEAWAYS

The bulk of the contractors are of unknown status because the CAS field is blank (46.5% for the entire period). The CAS field is frequently blank for Delivery Orders and BPA calls that are based on Indefinite Delivery Vehicles (e.g., Indefinite Delivery / Indefinite Quantity). The second largest group includes non-traditional contractors (46% for the entire period). The smallest group is traditional contractors (7.5% for the entire period). Most of the known contractors are non-traditional based on the legal definition.

ADDITIONAL TAKEAWAYS

1. Change over the period (FY2009–2023)
    a. Traditional: -9.5%
    b. Non-traditional: -71.6%
2. Year-over-year change over the period
    a. Traditional: -7.8% to 19.0%
    b. Non-traditional: -38.4% to 17.2%
3. FY2022 to FY2023 change
    a. Traditional: -7.8%
    b. Non-traditional: 17.2%

Figure 4. DoD Obligations to Traditional and Non-traditional Contractors ($B)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Unknown	$0	$3	$10	$11	$6	$8	$10	$8	$11	$14	$10	$11	$12	$12	$4
Non-traditional	$178	$150	$132	$130	$102	$94	$84	$86	$88	$97	$106	$108	$133	$132	$124
Traditional	$352	$365	$366	$341	$299	$266	$261	$286	$302	$327	$343	$380	$286	$284	$327

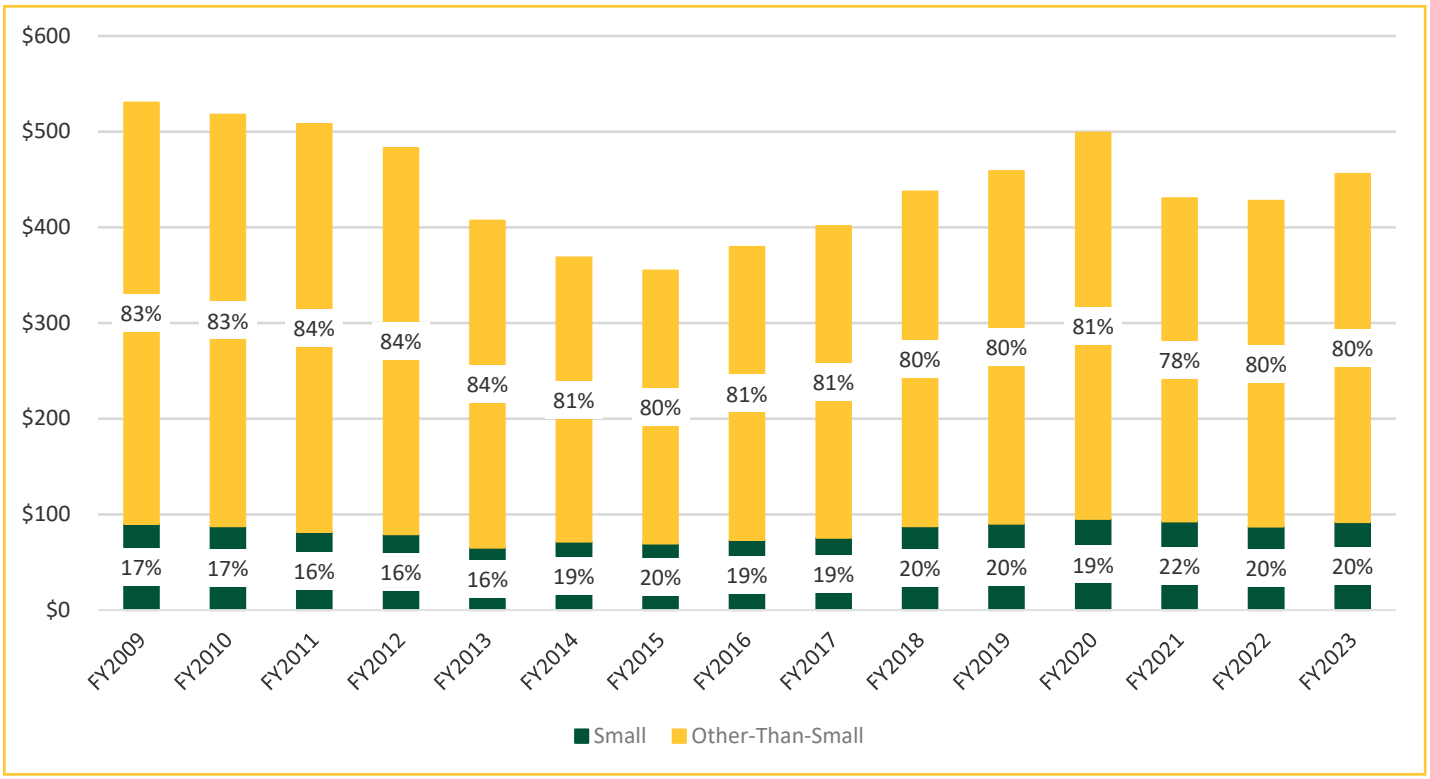
KEY TAKEAWAYS

The obligations for the "Unknown" category are because the CAS field for those contract actions is blank. The bulk of DoD obligations have been awarded to traditional contractors (71.8% for the entire period). The second largest group is non-traditional contractors (26.2% for the entire period). The smallest group is the unknown status (2.0% for the entire period). DoD obligations to non-traditionals have increased 15.4% since 2020.

ADDITIONAL TAKEAWAYS

1. Change over the period (FY2009–2023)
   a. Traditional: -7.1%
   b. Non-traditional: -30.1%
2. Year-over-year change over the period
   a. Traditional: -24.8% to 15.4%
   b. Non-traditional: -22.0% to 23.1%
3. FY2022 to FY2023 change
   a. Traditional: 15.4%
   b. Non-traditional: -5.6%

Figure 5. DoD Obligations, Small and Other than Small Businesses ($B)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Small	$90	$88	$81	$79	$65	$72	$70	$73	$76	$88	$90	$95	$93	$87	$92
Other-Than-Small	$440	$430	$426	$404	$342	$297	$285	$306	$326	$350	$369	$404	$338	$341	$364

Figure 5 illustrates the amount of DoD dollars obligated to Small and Other-Than-Small contractors.

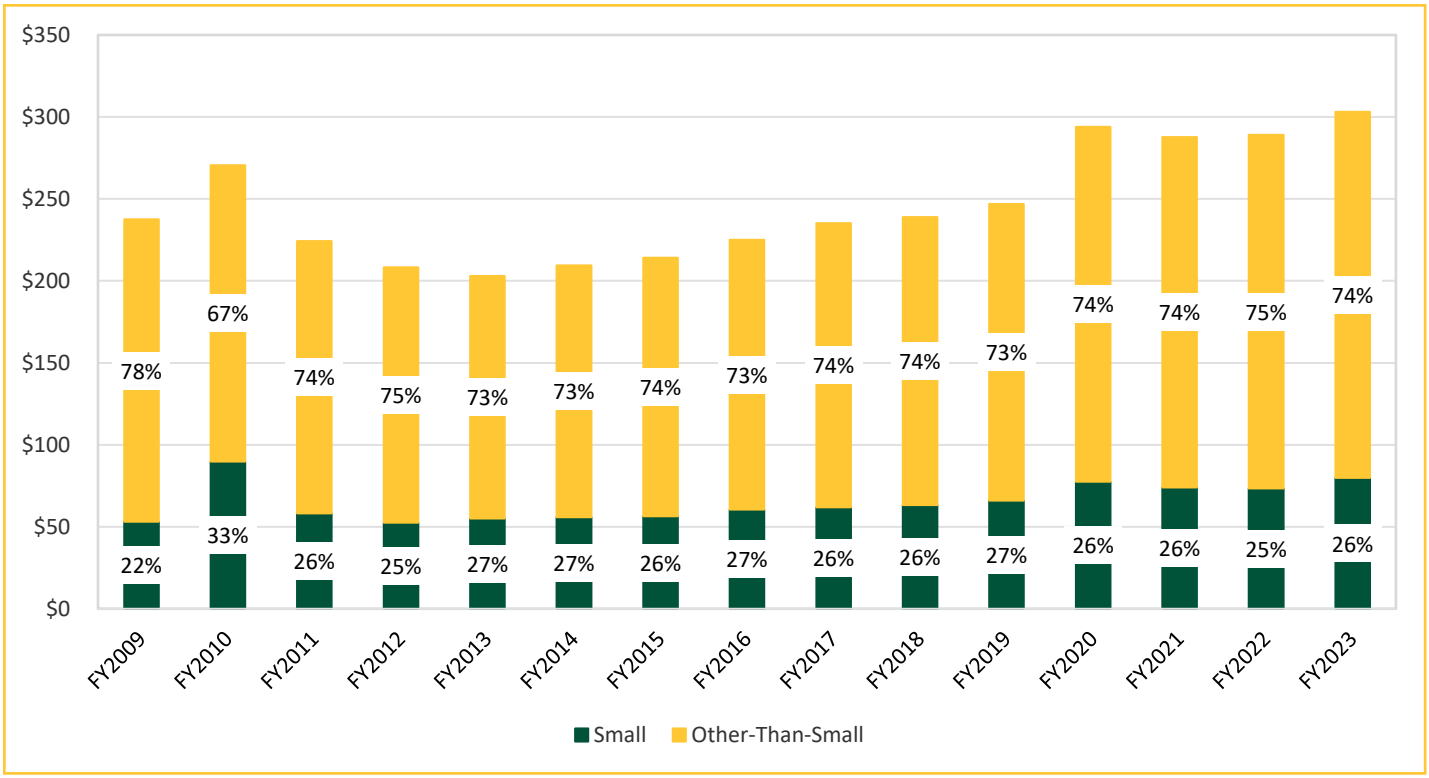
KEY TAKEAWAYS

While the total dollars obligated to DoD contractors has fluctuated over time, the proportion of dollars obligated to both Small and Other-Than-Small contractors has been relatively consistent over time.

ADDITIONAL TAKEAWAYS

1. Change over the period (FY2009–2023)
   a. Small: 1.9%
   b. Other-Than-Small: -17.3%
2. Year-over-year change over the period
   a. Small: -18.1% to 16.0%
   b. Other-Than-Small: -16.4% to 9.6%
3. FY2022 to FY2023 change
   a. Small: 5.2%
   b. Other-Than-Small: 6.9%

Figure 6. Other Federal Obligations, Small and Other than Small Businesses ($B)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Small	$53	$90	$58	$53	$55	$56	$56	$61	$62	$63	$66	$78	$74	$73	$80
Other-Than-Small	$185	$181	$166	$156	$148	$154	$158	$164	$173	$176	$181	$216	$214	$216	$223

Figure 6 illustrates the amount of Other Federal dollars obligated to Small and Other-Than-Small contractors.

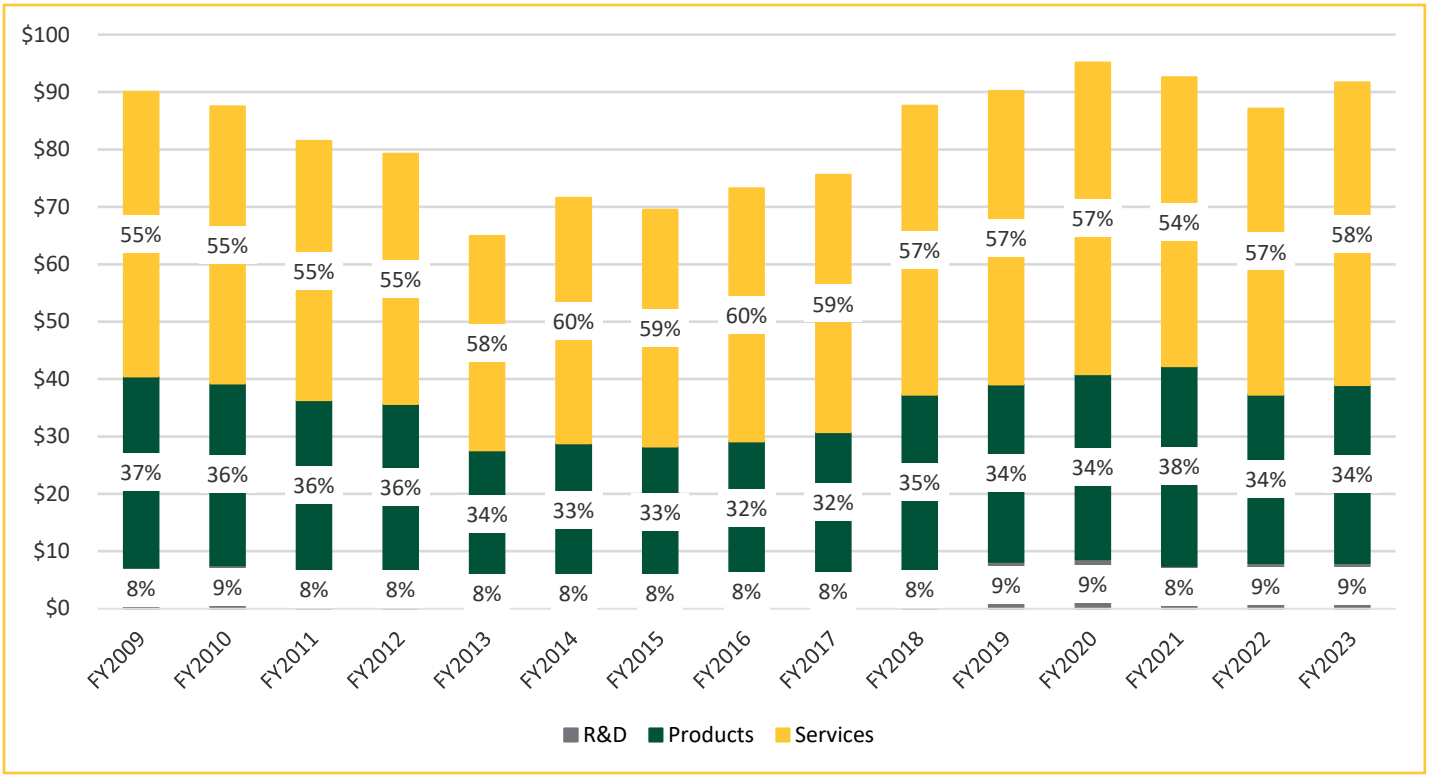
KEY TAKEAWAYS

While the total dollars obligated to Other Federal contractors has fluctuated over time, the proportion of dollars obligated to both Small and Other-Than-Small contractors has been relatively consistent over time.

ADDITIONAL TAKEAWAYS

1. Change over the period (FY2009–2023)
    a. Small: 50.3%
    b. Other-Than-Small: 21.0%
2. Year-over-year change over the period
    a. Small: -35.3% to 69.3%
    b. Other-Than-Small: -8.0% to 19.5%
3. FY2022 to FY2023 change
    a. Small: 8.8%
    b. Other-Than-Small: 5.3%

Figure 7. DoD Small Business Obligations (R&D, Products, and Services) ($B)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
R&D	$7	$8	$7	$7	$5	$5	$6	$6	$6	$7	$8	$9	$7	$8	$8
Products	$33	$32	$30	$29	$22	$23	$23	$23	$24	$31	$31	$32	$35	$29	$31
Services	$50	$48	$45	$44	$37	$43	$41	$44	$45	$50	$51	$54	$50	$50	$53

Figure 7 illustrates the amount of DoD dollars obligated to Small contractors, organized by PSC category.

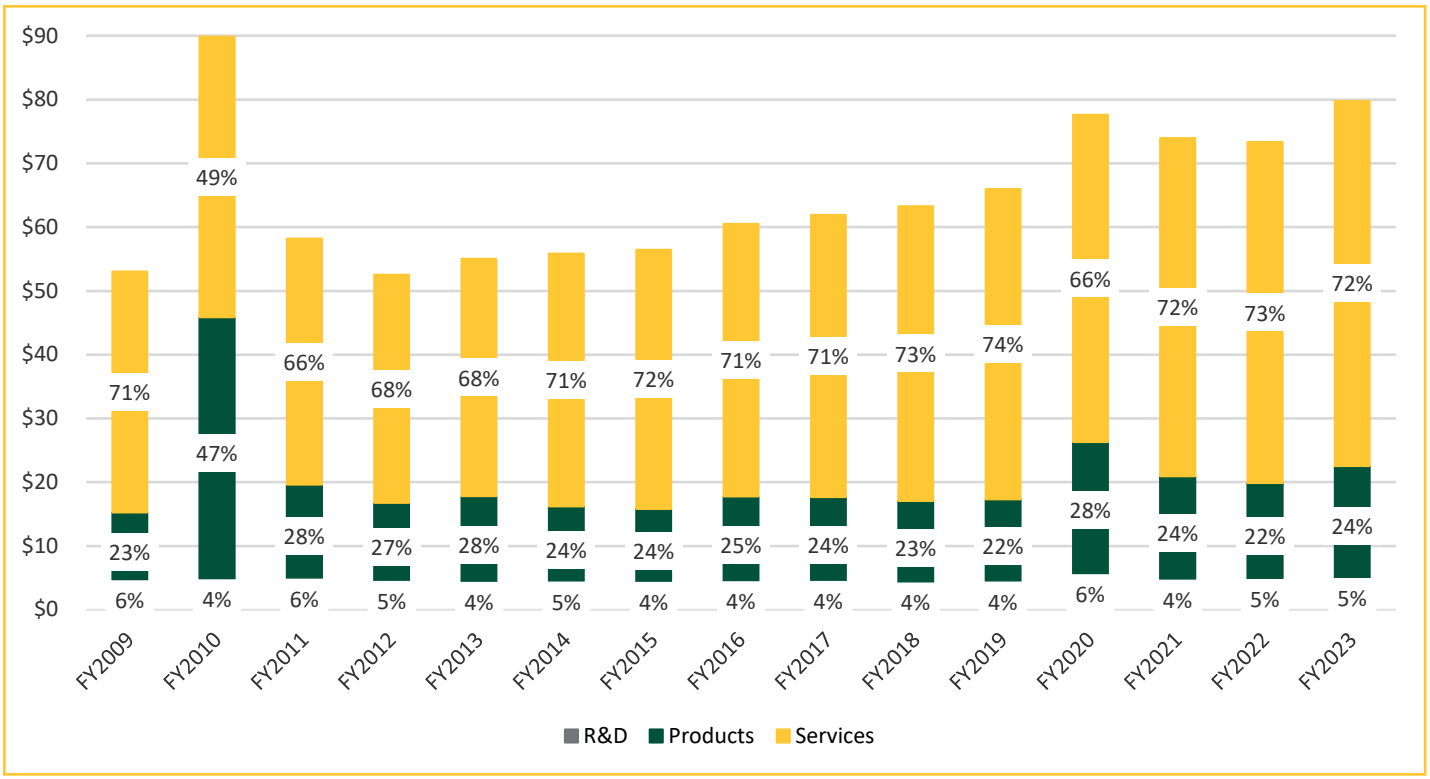
KEY TAKEAWAYS

While the total dollars obligated to Small DoD contractors has fluctuated over time, the proportion of dollars obligated to Research and Development (R&D), Products, and Services has been relatively consistent over time.

ADDITIONAL TAKEAWAYS

1. Change over the period (FY2009-2023)
   a. R&D: 11.5%
   b. Products: -7.0%
   c. Services: 6.5%
2. Year-over-year change over the period
   a. R&D: -18.4% to 21.4%
   b. Products: -23.6% to 24.7%
   c. Services: -14.4% to 14.4%
3. FY2022 to FY2023 change
   a. R&D: 0.5%
   b. Products: 5.5%
   c. Services: 5.8%

Figure 8. Other Federal Small Business Obligations (R&D, Products, and Services) ($B)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
R&D	$3	$3	$3	$3	$2	$3	$3	$3	$3	$2	$3	$5	$3	$3	$4
Products	$12	$43	$16	$14	$15	$14	$13	$15	$15	$15	$15	$21	$18	$16	$19
Services	$38	$44	$39	$36	$37	$40	$41	$43	$44	$46	$49	$51	$53	$54	$57

Figure 8 illustrates the amount of Other Federal dollars obligated to Small contractors, organized by Product Service Category (PSC).

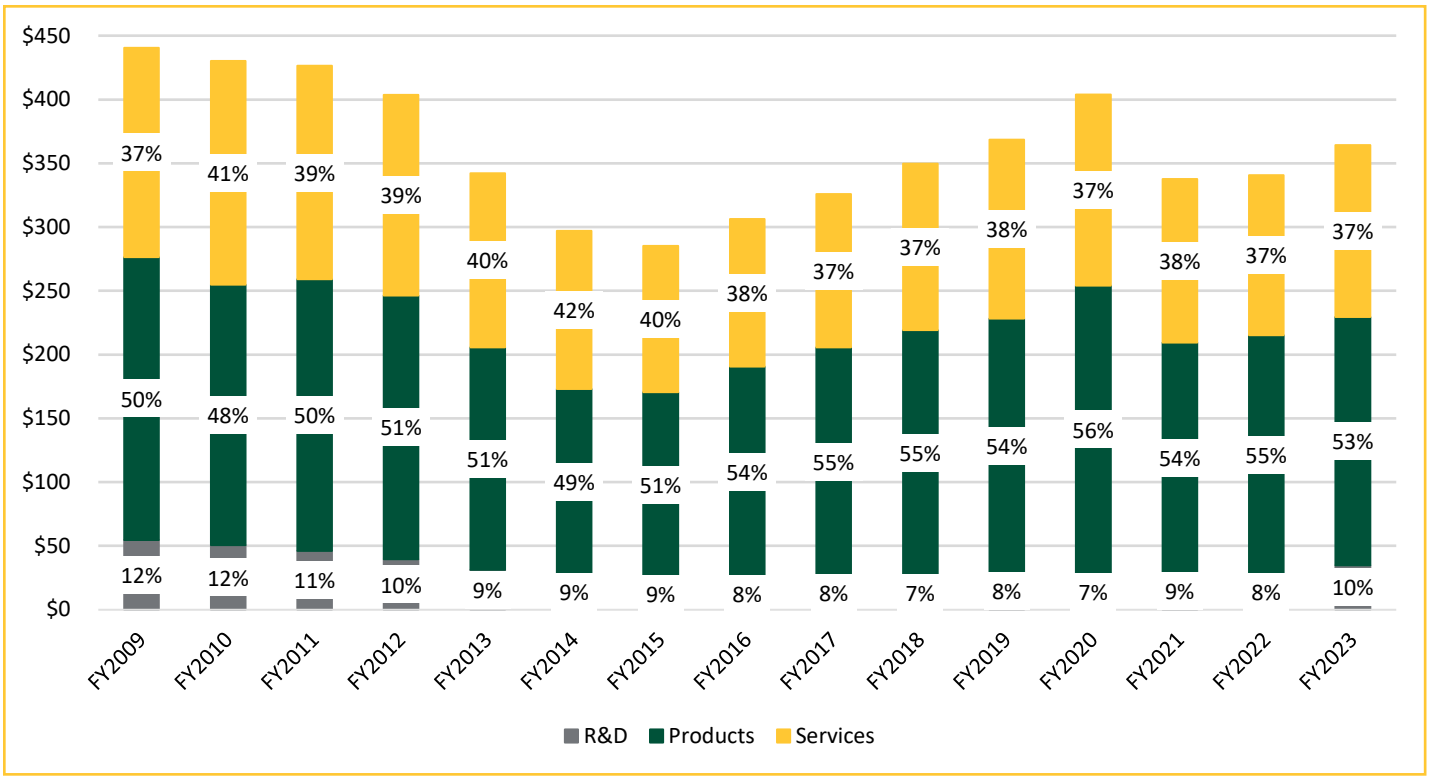
KEY TAKEAWAYS

While the total Other Federal dollars obligated to Small contractors has fluctuated over time, the proportion of these dollars obligated to R&D, Products, and Services has been relatively consistent over time. The overall amount of small business obligations is roughly the same for DoD and Other Federal. However, DoD obligates a greater percentage of its dollars to products, and Other Federal dollars are obligated at a greater percentage to services.

ADDITIONAL TAKEAWAYS

1. Change over the period (FY2009-2023)
    a. R&D: 23.6%
    b. Products: 53.7%
    c. Services: 51.6%
2. Year-over-year change over the period
    a. R&D: -35.5% to 89.8%
    b. Products: -62.0% to 246.8%
    c. Services: -12.3% to 16.5%
3. FY2022 to FY2023 change
    a. R&D: 7.9%
    b. Products: 14.7%
    c. Services: 7.0%

Figure 9. DoD Other-Than-Small Contractor Obligations (R&D, Products, and Services) ($B)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
R&D	$55	$51	$46	$40	$31	$28	$25	$25	$26	$26	$29	$28	$29	$28	$35
Products	$222	$204	$213	$207	$174	$145	$145	$165	$180	$193	$200	$226	$181	$187	$195
Services	$164	$175	$167	$157	$136	$124	$115	$116	$120	$131	$140	$150	$128	$125	$135

Figure 9 illustrates the amount of DoD dollars obligated to Other-Than-Small contractors, organized by PSC.

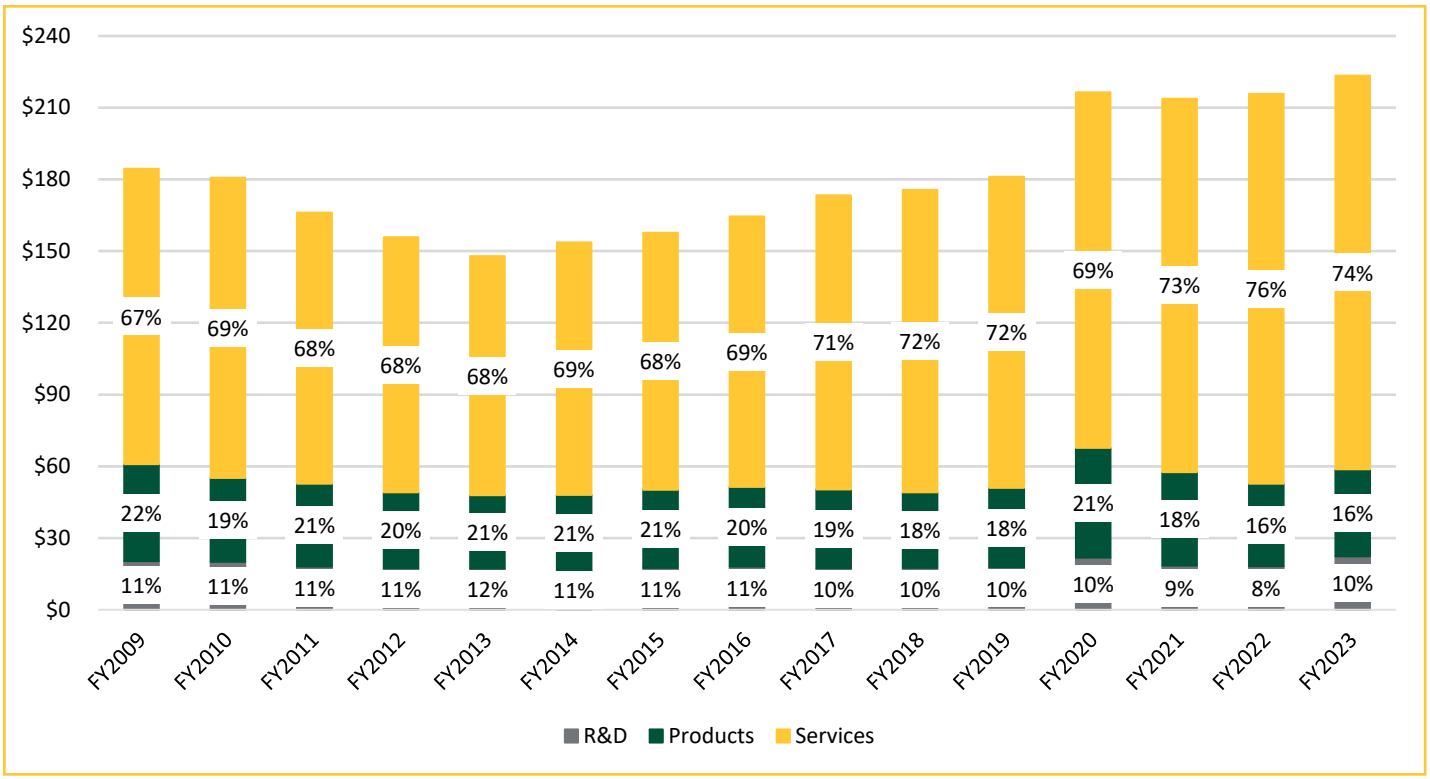
KEY TAKEAWAYS

While the DoD total dollars obligated to Other-Than-Small contractors has fluctuated over time, the proportion of dollars obligated to R&D, Products, and Services has been relatively consistent over time.

ADDITIONAL TAKEAWAYS

1. Change over the period (FY2009-2023)
   a. R&D: -36.2%
   b. Products: -12.2%
   c. Services: -17.9%
2. Year-over-year change over the period
   a. R&D: -20.9% to 24.0%
   b. Products: -19.9% to 13.7%
   c. Services: -14.4% to 8.8%
3. FY2022 to FY2023 change
   a. R&D: 24.0%
   b. Products: 4.1%
   c. Services: 7.4%

Figure 10. Other Federal Other-Than-Small Contractor Obligations (R&D, Products, and Services) ($B)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
R&D	$20	$20	$18	$17	$17	$16	$17	$18	$17	$18	$18	$22	$18	$18	$22
Products	$40	$35	$35	$32	$31	$32	$33	$33	$33	$31	$33	$46	$39	$35	$36
Services	$124	$126	$113	$107	$100	$106	$107	$113	$123	$127	$130	$149	$156	$163	$165

Figure 10 illustrates the amount of Other Federal dollars obligated to Other-Than-Small contractors, organized by PSC.

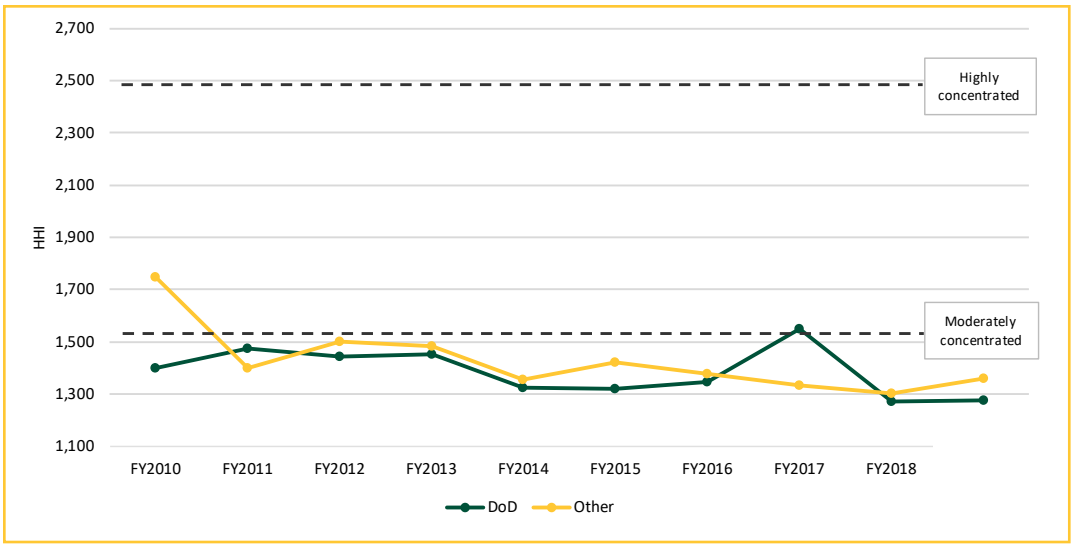
KEY TAKEAWAYS

While the total Other Federal dollars obligated to Other-Than-Small contractors has fluctuated over time, their proportion obligated to R&D, Products, and Services has been relatively consistent over time. DoD has a larger overall amount of spending on other-than-small contractors, and a much higher percentage of spending on products, than does Other Federal.

ADDITIONAL TAKEAWAYS

1. Change over the period (FY2009-2023)
   a. R&D: 9.6%
   b. Products: -10.0%
   c. Services: 33.2%
2. Year-over-year change over the period
   a. R&D: -15.2% to 23.2%
   b. Products: -14.9% to 38.8%
   c. Services: -9.7% to 14.3%
3. FY2022 to FY2023 change
   a. R&D: 23.2%
   b. Products: 5.4%
   c. Services: 1.0%

Figure 11. Concentration in DoD and Other Federal Markets



Source: Effective Competition and Market Concentration in the Defense Industrial Base and the U.S. Federal Government

Fiscal Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
DoD	1,402	1,474	1,442	1,454	1,324	1,322	1,349	1,551	1,274	1,279
Other	1,750	1,400	1,503	1,482	1,358	1,421	1,377	1,336	1,302	1,362

Figure 11 illustrates the average level of market concentration for DoD and all Other Federal agencies combined, as measured by the Herfindahl-Hirschman index (HHI) over 2010–2019. Averages were calculated for every individual market, which were weighted by the value of those markets against the total dollars obligated by DoD and all other Federal agencies, and then combined to form a final overall average.

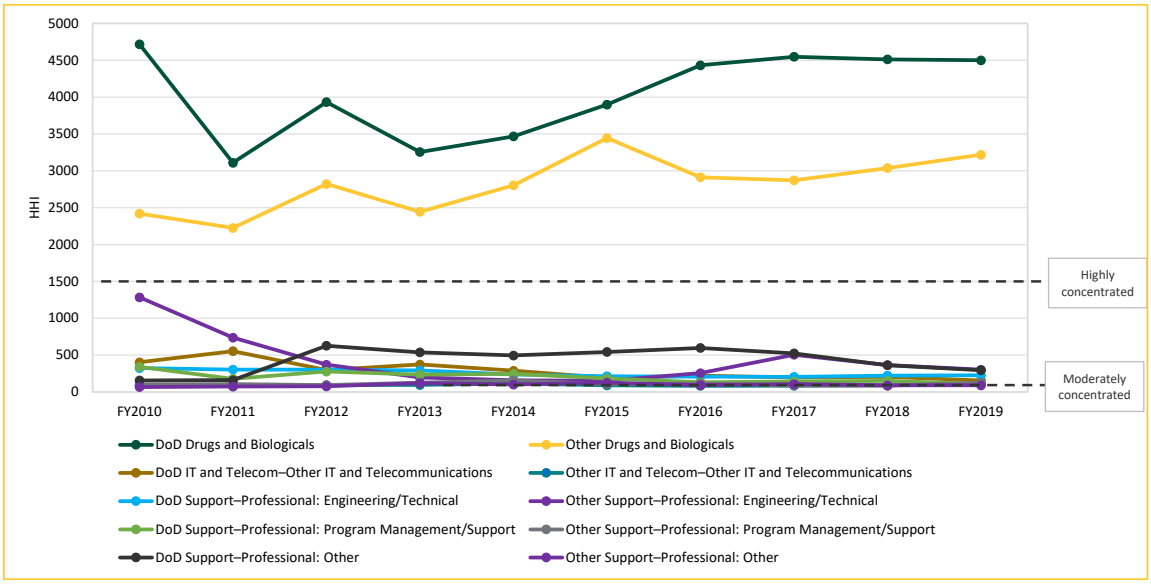
HHI is a well-established measure of market concentration used by government agencies such as the U.S. Department of Justice, Antitrust Division and the Federal Trade Commission. A higher HHI value represents a higher level of concentration within a market and a presumed lower level of competition. According to the Horizontal Merger Guidelines, published by the U.S. Department of Justice, Antitrust Division and the Federal Trade Commission, markets where the HHI is below 1,500 are defined as unconcentrated, between 1,500 and 2,500 points are moderately concentrated, and more than 2,500 points are highly concentrated.

KEY TAKEAWAYS

With a few exceptions, both DoD and other Federal agencies exhibit HHI values, mostly just below the moderately concentrated threshold. DoD consistently has a lower HHI value, albeit only slightly, than other Federal agencies for most of the FY2010–FY2019 period.

Please Note: For Figures 11 and 12, see *Effective Competition and Market Concentration in the Defense Industrial Base and the U.S. Federal Government*, Edward Hyatt, NPS. https://dair.nps.edu/handle/123456789/4827; and Baroni Center White Paper, *Effective Competition and Market Concentration Trends in the Department of Defense Contractor Base*, Edward Hyatt. https://business.gmu.edu/news/2023-11/no-18-effective-competition-and-market-concentration-trends-department-defense. For Figure 12, see *Effective Competition and Market Concentration in the Defense Industrial Base and the U.S. Federal Government, Edward Hyatt*, NPS. https://dair.nps.edu/handle/123456789/4827; and Baroni Center White Paper, *Effective Competition and Market Concentration Trends in the Department of Defense Contractor Base*, Edward Hyatt. https://business.gmu.edu/news/2023-11/no-18-effective-competition-and-market-concentration-trends-department-defense.

Figure 12. Concentration in the Largest DoD & Other Federal Markets



Source: Effective Competition and Market Concentration in the Defense Industrial Base and the U.S. Federal Government

		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Other	Drugs and Biologicals	2419	2226	2821	2445	2803	3444	2912	2872	3037	3219
Other	IT and Telecom–Other IT and Telecommunications	80	78	92	95	116	89	82	84	89	107
Other	Support–Professional: Program Management/Support	101	107	93	125	156	107	116	87	83	125
Other	Support–Professional: Engineering/Technical	1284	737	370	196	159	151	256	505	364	302
Other	Support–Professional: Other	66	74	75	119	100	126	92	105	90	90
DoD	Drugs and Biologicals	4718	3110	3933	3255	3468	3898	4433	4547	4512	4500
DoD	IT and Telecom–Other IT and Telecommunications	402	553	298	372	288	191	222	195	204	156
DoD	Support–Professional: Program Management/Support	341	178	277	233	245	184	130	141	151	107
DoD	Support–Professional: Engineering/Technical	323	303	303	290	237	213	208	205	222	226
DoD	Support–Professional: Other	157	160	626	536	495	542	597	523	362	295

Figure 12 illustrates the HHI for the five largest markets for DoD and Other Federal agencies. These markets represent the five PSCs with the most dollars obligated for every fiscal year from FY2010–FY2019 (roughly 12–15% of total Federal dollars obligated each year) in which both DoD and Other Federal agencies have a presence.

A market was removed from consideration if more than 90% of its federal dollars obligated to contractors in a year were from a single agency. Then the remaining markets were ranked according to total obligated dollars.

KEY TAKEAWAYS

Only one market (Drugs and Biologicals) of the five markets is highly concentrated for both DoD and Other Federal agencies. DoD has higher market concentrations than Other Federal agencies almost every year in all five markets, but the trend lines are within several hundred points in many cases and well below the moderately concentrated level. This means that while DoD is more concentrated in comparison to Other Federal agencies in these five markets, this relative measure does not merit concern according to U.S. Department of Justice standards.

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2
Contracting Trends

PURPOSE

This section examines the trends in federal government contracts, what the government is purchasing, from whom, the instruments, and the change over time. In particular, this section looks at contractual agreements commonly associated with the rapid adoption and integration of new technology as a means to consider the government's receptivity to innovation. The section also looks at government incentives to propel industry development and delivery of solutions.

RATIONALE

Today's government spending on contracts is often commented on but little analyzed. There has been criticism of current government contracting rules and practices. There have also been calls for DoD to more quickly acquire advanced capabilities. However, there has not been a broad examination of the trends and numbers related to the government's contractual agreements with industry, both in general and to incentivize the rapid adoption of new capabilities. In response, this section provides a picture of how much money is being outlaid to government contractors, DoD's use of rapid prototyping agreements, and the types of contract reimbursements and incentives being used.

APPROACH

This section examines contract trends across the federal government defense and non-defense marketplace. Baroni Center analysts examined publicly available data to identify trends over the past fifteen years, from FY2009 through FY2023. This analysis focused on the following areas:

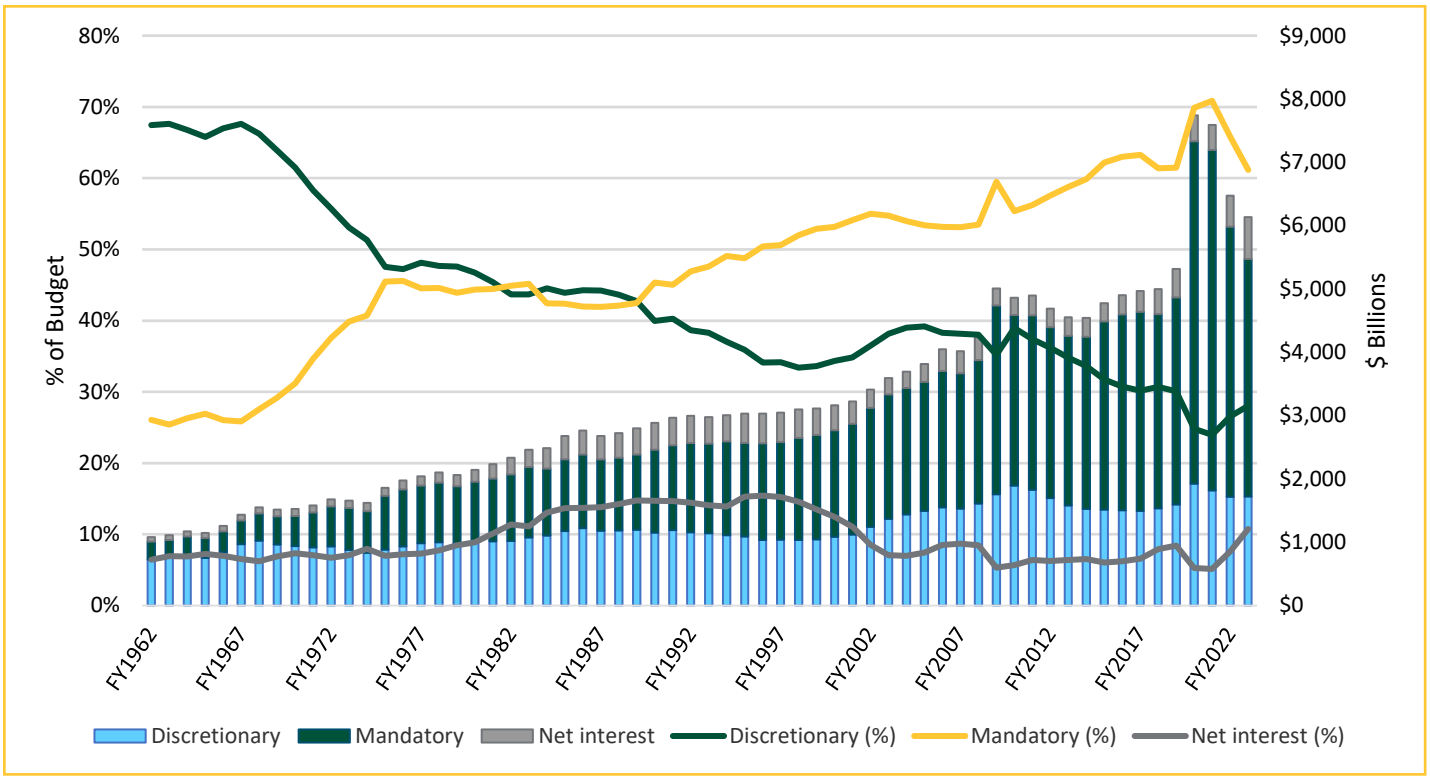
- Discretionary vs. non-discretionary spending
- Obligations based on contractor size
- Award values
- Small business obligations
- OTA awards and obligations
- SBIR/STTR awards and obligations
- Incentive contracts

OVERALL INSIGHTS

- There has been significant growth in the percentage of the total government spending allocated to mandatory spending and net interest payments compared to discretionary spending; ranging from 27% in 1962 to 70% in 2019.
- Across this period, the relative discretionary investment in DoD compared to Other Federal has remained consistent;
- The median DoD award value has increased significantly since 2017, whereas this has not been the case with Other Federal contract awards;
- Baroni analysts attempted to assess the impact of innovation on contract trends through examinations of activities such as OTAs and SBIRs, but the results were limited because there are no readily available means to measure transition.
- Other Transaction Authority use in DoD dramatically increased over 220% to $16 billion from 2018 to 2023, growing to 10% of RDT&E spending;
- DoD and Other Federal SBIR/STTR investment nearly tripled between 2013 and 2023, reaching almost $6 billion, with investments roughly equal between DoD and Other Federal;

- The absence of SBIR/STTR Phase III data leaves open the question of how much SBIR/STTR investment has transitioned to production;
- In incentive contracts between 2013 and 2023
  - » DoD organizations have increasingly preferred Firm Fixed Price contracts with incentive fees
  - » Other Federal organizations, on the other hand, have consistently and overwhelmingly preferred cost-plus contracts with an award fee

Figure 13. Federal Discretionary vs Non-Discretionary Spending



Source: Congressional Budget Office (Historical Budget Data issued February 2024), Baroni Center analysis

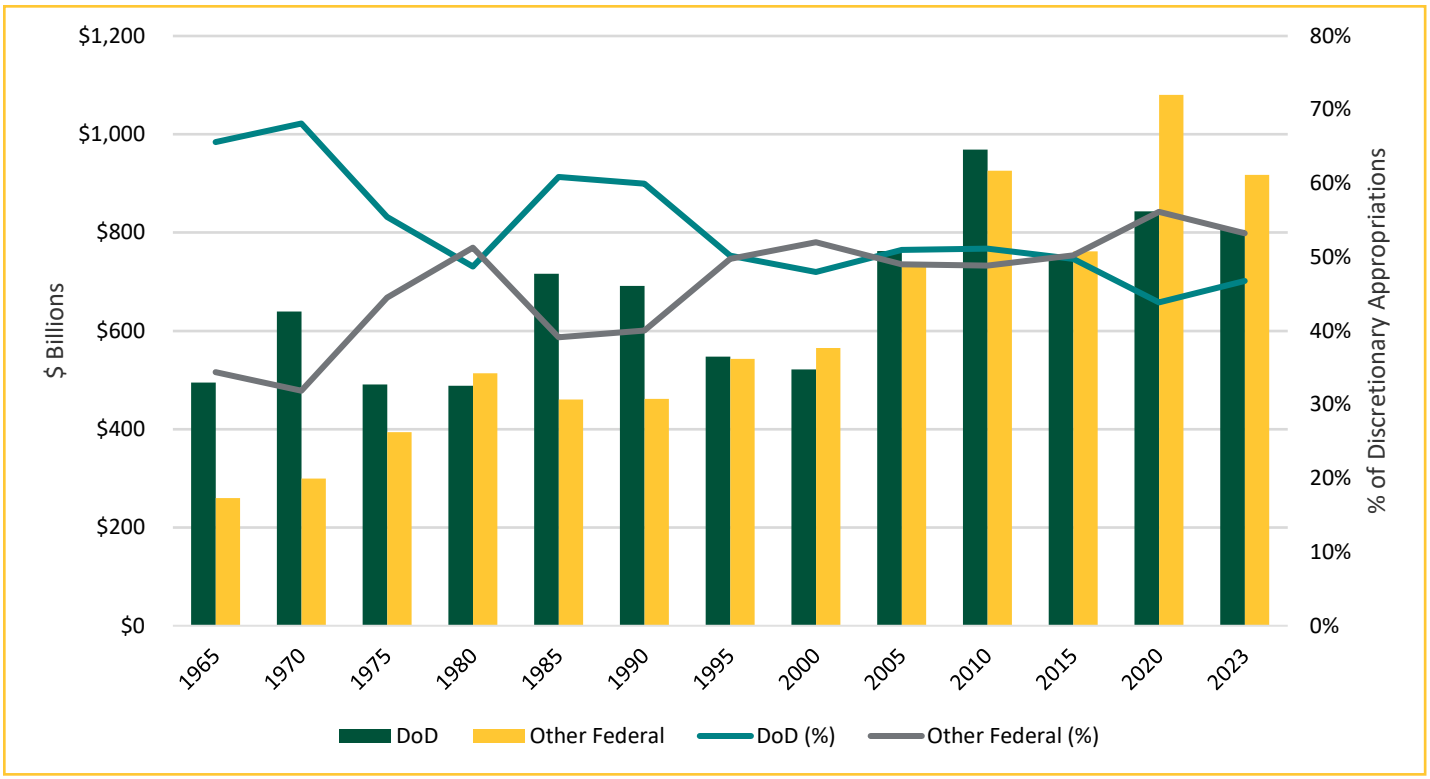
Figure 13 illustrates the amount of annual discretionary, mandatory, and net interest outlays since FY1962 as well as their percentage of the federal budget each year.

KEY TAKEAWAYS

The percentage of the total budget allocated to discretionary spending has significantly decreased over time, the amount of mandatory spending has increased over time, and the amount of net interest payments has fluctuated, albeit with a current up trend.

The total amount of spending on all three categories combined has steadily increased over time, with only a few years of decline.

Figure 14. DoD and Other Federal Discretionary Appropriations



Source: Congressional Budget Office (Historical Budget Data Issued February 2024), Baroni Center analysis

Fiscal Year	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2020	2023
DoD	$495	$640	$491	$488	$716	$692	$548	$522	$762	$969	$755	$843	$805
Other Federal	$260	$299	$394	$514	$460	$462	$543	$565	$734	$926	$762	$1,080	$917

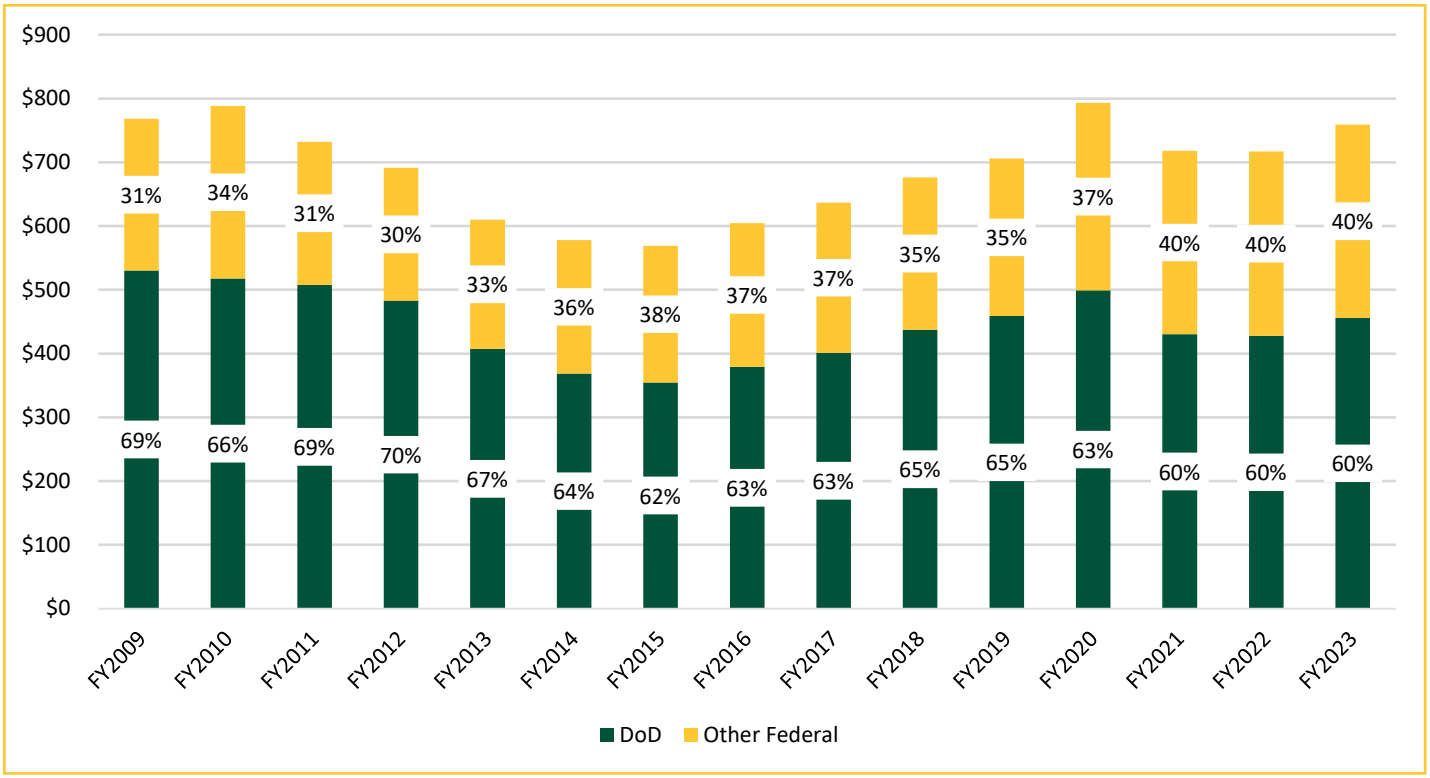
Fiscal Year	1965	1970	1975	1980	1985	1990	1995	2000	2005	2010	2015	2020	2023
DoD (%)	66%	68%	55%	49%	61%	60%	50%	48%	51%	51%	50%	44%	47%
Other Federal (%)	34%	32%	45%	51%	39%	40%	50%	52%	49%	49%	50%	56%	53%

Figure 14 illustrates the nominal and percentage amount of DoD and Other Federal discretionary appropriations for every five years since FY1965, including the most recent year of FY2023.

KEY TAKEAWAYS

- This chart provides an in-depth look at the levels of discretionary spending derived from the previous two charts. Both DoD and Other Federal portions of appropriations have fluctuated over time.
- Other Federal spending represented a much larger share of the spending since FY2020 due to pandemic-related appropriations.

Figure 15. DoD and Other Federal Obligations ($B)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
DoD	531	518	508	483	407	369	355	379	401	437	459	499	430	428	456
Other Federal	238	271	224	208	203	209	214	225	235	239	247	294	288	289	303

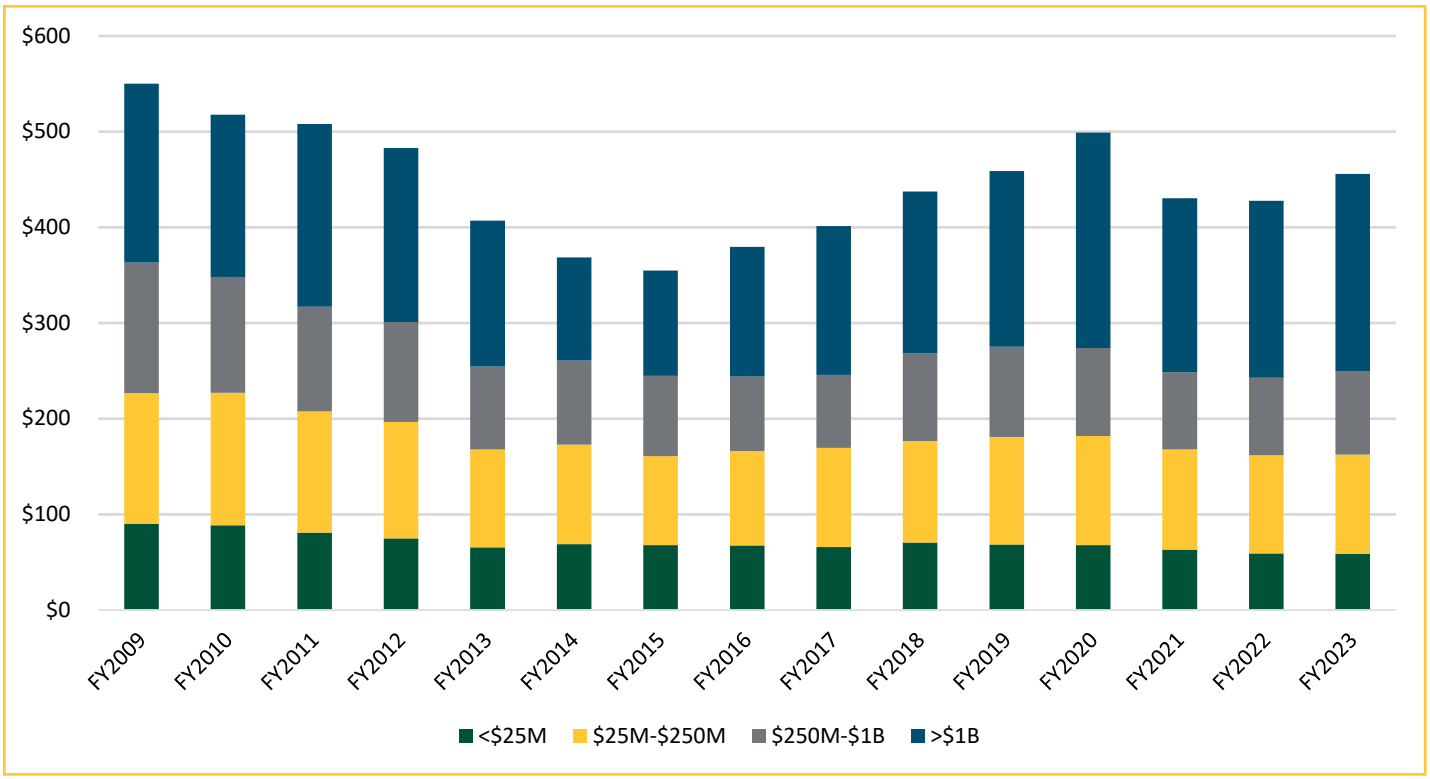
Figure 15 illustrates the amount of money obligated on DoD and Other Federal contracts with prime contractors per year.

KEY TAKEAWAYS

The proportional relationship between DoD and Other Federal obligations has been relatively consistent.

1. Change over the period (FY2009–2023)
    a. DoD: -14.1%
    b. Other Federal: 27.6%
2. Year-over-year change over the period
    a. DoD: -15.7% to 9.0%
    b. Other Federal: -17.1% to 19.0%
3. FY2022 to FY2023 change
    a. DoD: 6.6%
    b. Other Federal: 4.9%

Figure 16. DoD Obligations Based on Contractor Size ($B)



Source: USASpending.gov, Baroni Center analysis

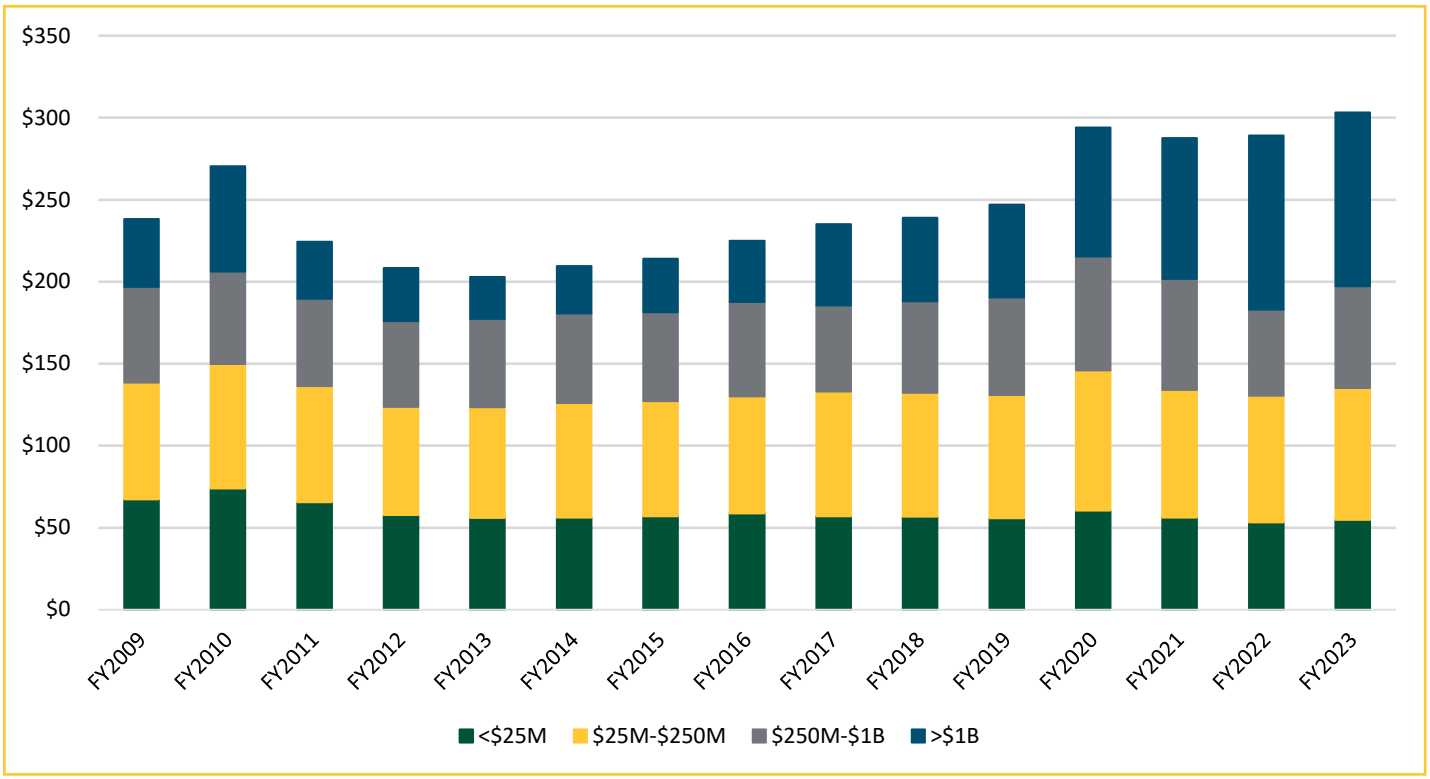
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<$25M	90	88	81	75	65	69	68	67	66	70	69	68	63	59	59
$25M–$250M	137	138	127	122	103	104	93	99	104	106	112	114	105	103	104
$250M–$1B	137	121	110	104	87	88	84	78	76	92	94	92	81	81	87
>$1B	187	170	191	182	153	108	110	135	156	169	184	225	182	185	206

Figure 16 illustrates the amount of DoD money obligated to companies in groupings based on the firms' contracting revenues.

KEY TAKEAWAYS

The largest companies (>$1B in revenue) have the largest share of dollars obligated (29% to 45%) and the smallest companies (<$25M in revenue) have the smallest share of dollars obligated (13% to 19%) in all years.

Figure 17. Other Federal Obligations Based on Contractor Size ($B)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
<$25M	67	74	65	58	56	56	57	59	57	57	56	60	56	53	55
$25M-$250M	71	76	71	66	67	70	70	71	76	75	75	86	78	77	80
$250M-$1B	58	56	53	52	54	55	54	58	52	56	59	70	68	52	62
>$1B	41	64	35	32	26	29	33	37	50	51	57	79	86	106	106

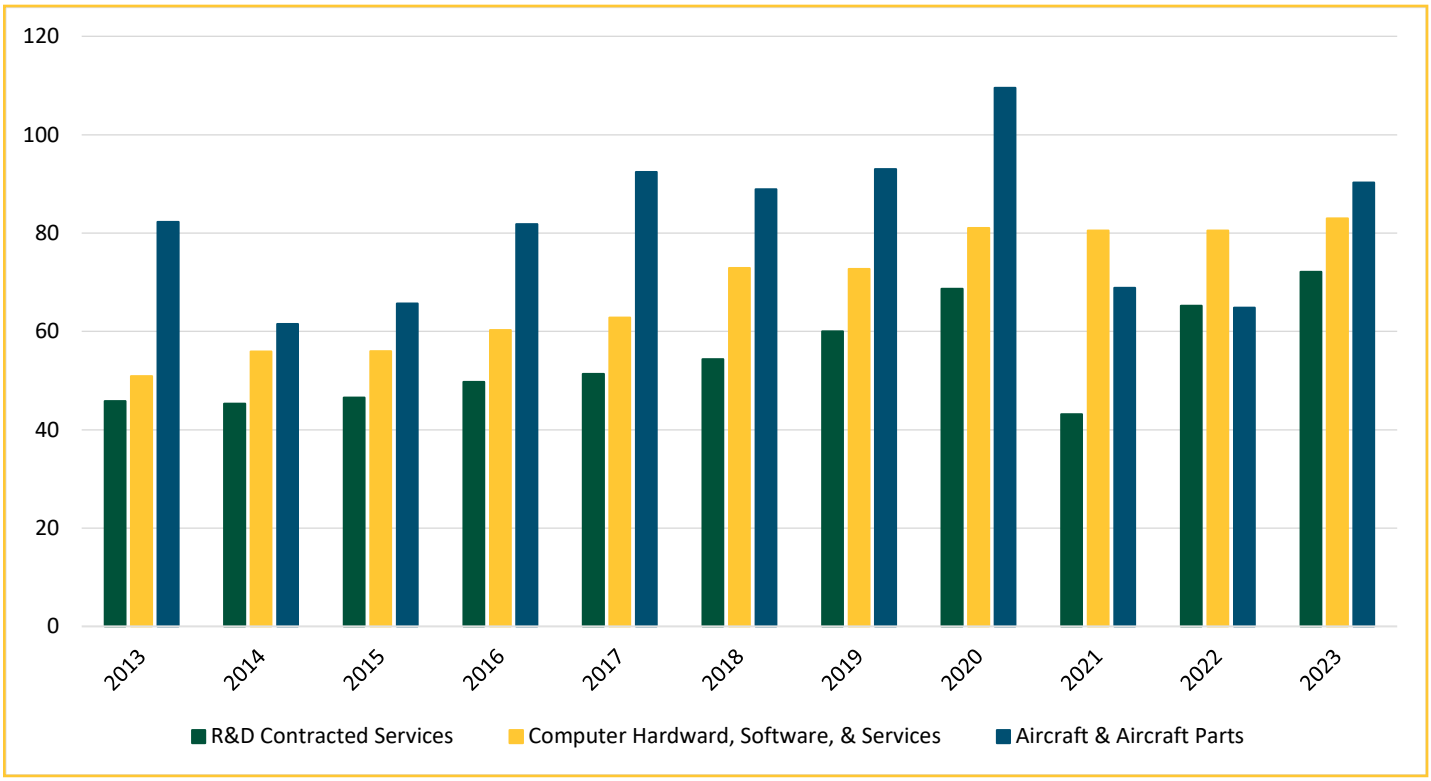
Figure 17 illustrates the amount of Other Federal money obligated to companies in groupings based on the firms' contracting revenues.

KEY TAKEAWAYS

From FY2009 to FY2019 the second smallest companies ($25M–$250M in revenue) have the largest share of dollars obligated (30% to 33%) and the largest companies (>$1B in revenue) have the smallest share of dollars obligated (13% to 24%).

Starting in FY2021, the largest companies (>$1B in revenue) have the largest share of dollars obligated (30% to 35%) and the smallest companies (<$25M in revenue) have the smallest share of dollars obligated (18% to 20%)—as is the case for DoD.

Figure 18. Contractor Services and Product Categories with Largest Volume of Federal Outlays ($B)



Source: USASpending.gov, Baroni Center analysis

Figure 18 illustrates the categories of North American Industry Classification System (NAICS) codes with the largest federal government dollar outlays in 2023 constant dollars.

For additional information, see *Policy Options to Improve Small Business Participation in the Industrial Base*, Emily Murphy, NPS. https://dair.nps.edu/handle/123456789/5105.

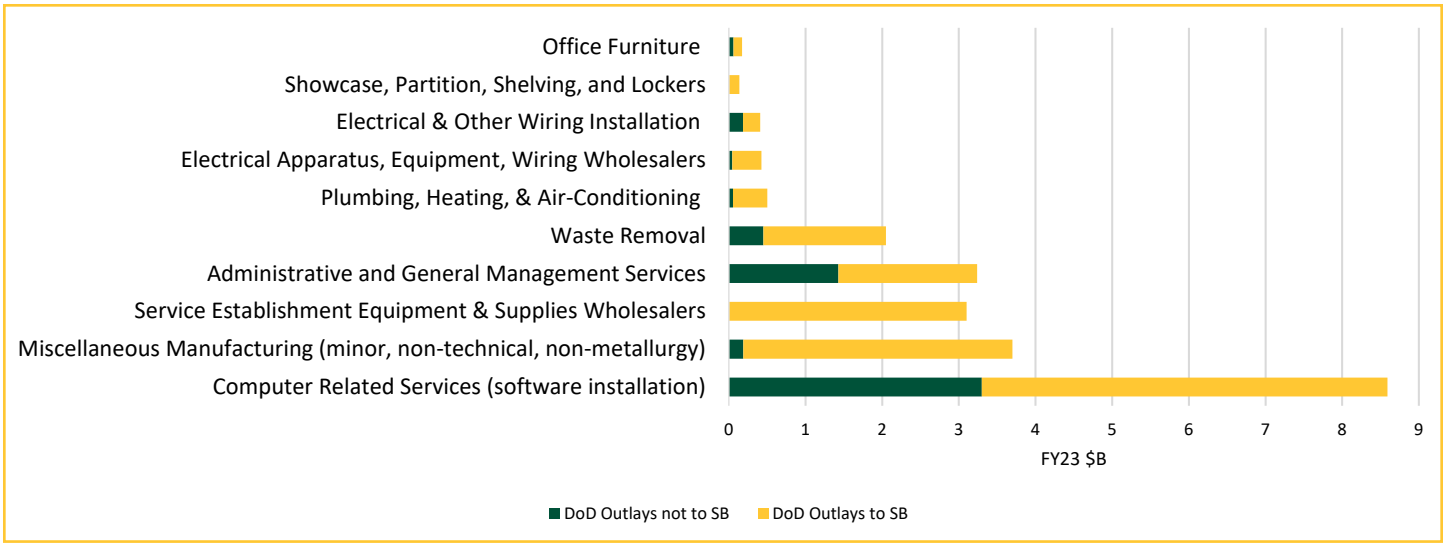
KEY TAKEAWAYS

The aircraft and aircraft component manufacturing 3 six-digit NAICS together have been the largest recipients of federal outlays for most of the years the past decade.

The sum of the 15 six-digit NAICS associated with enterprise computer hardware, software, and services has increasingly been a top recipient of federal outlays.

The amalgamation of the 6 six-digit R&D contracted services 6 six-digit NAICS has also been a top recipient of total federal outlays.

Figure 19. DoD Six-Digit NAICS Codes with the Greatest Small Business Participation



Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

6-Digit NAICS Codes with SB > 50% of DoD Outlays and > $100M DoD Outlays to SB (FY23 $B)	Non-SB DoD Outlays	SB DoD Outlays	SB % of DoD
Other Computer Related Services (software installation)	3.3	5.29	62%
All Other Miscellaneous Manufacturing (minor, non-technical, non-metallurgy products)	0.19	3.51	95%
Service Establishment Equipment and Supplies Merchant Wholesalers	0	3.1	100%
Administrative Management and General Management Consulting Services	1.43	1.81	56%
Remediation Services (waste removal)	0.45	1.6	78%
Plumbing, Heating, and Air-Conditioning Contractors	0.054	0.449	89%
Electrical Apparatus and Equipment, Wiring Supplies Merchant Wholesalers	0.046	0.378	89%
Electrical Contractors and Other Wiring Installation Contractors	0.186	0.222	54%
Showcase, Partition, Shelving, and Locker Manufacturing	0	0.137	100%
Office Furniture (except Wood) Manufacturing	0.061	0.11	64%

Figure 19 illustrates the FY2023 DoD dollar amounts going to Small Businesses relative to other businesses for 6-digit NAICS Codes with:

1. More than 50% of DoD Outlays to Small Businesses, and
2. More than $100M of DoD Outlays to Small Businesses

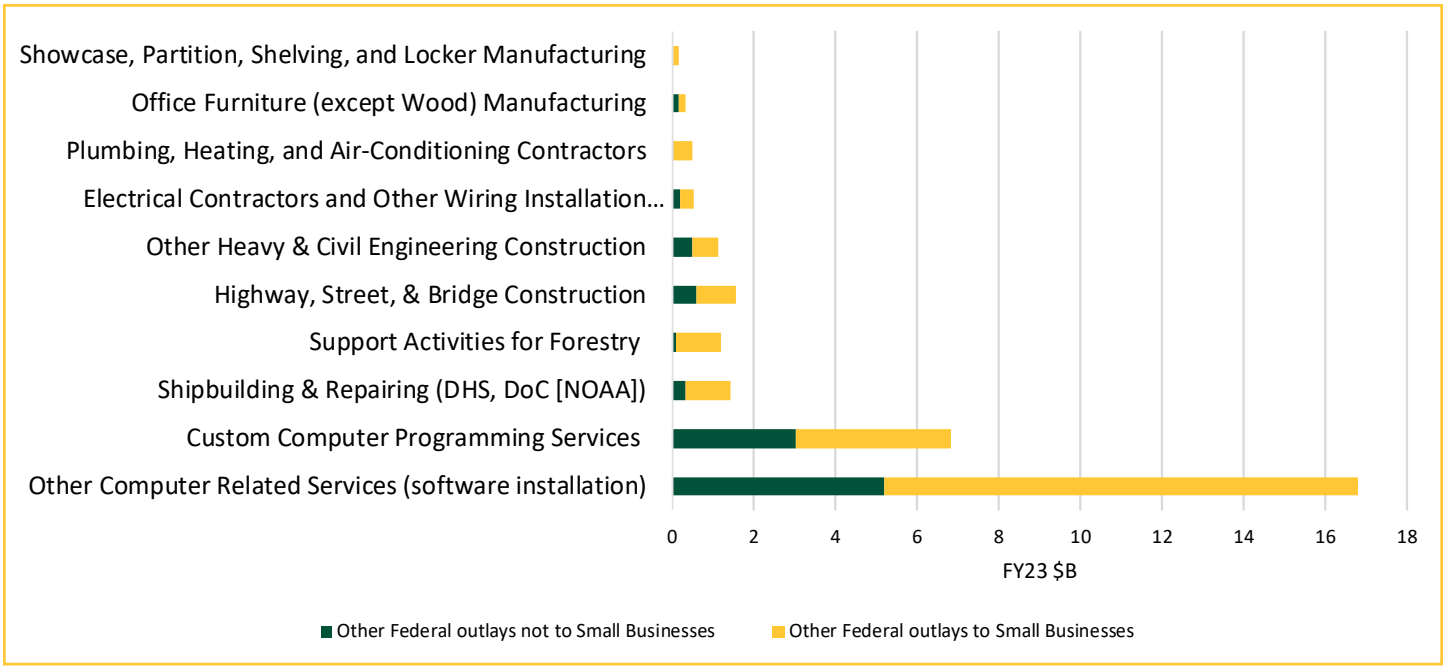
KEY TAKEAWAY

Small Businesses are dominant in DoD contracts for facilities services and products as well as office computer support services.

ASSESSMENT

These service contracts can be profitable for privately held Small Businesses with lower overhead corporate costs and smaller demands for profit-sharing; whereas such low-margin contracts can be less desirable for large publicly held corporations and large partnerships with significant overhead and return on equity demands, even when operating with economy of scale.

Figure 20. Other Federal Six-Digit NAICS Codes with the Greatest Small Business Participation



Source: USASpending.gov, Baroni Center analysis

6-Digit NAICS Codes with SB > 50% of Other Federal Outlays and > $100M Other Federal Outlays to SB (FY23 $B)	Non-SB Other Federal Outlays	SB Other Federal Outlays	SB % of Other Federal
Other Computer Related Services (software installation)	5.2	11.61	69%
Custom Computer Programming Services	3.02	3.8	56%
Shipbuilding & Repairing (DHS, DoC [NOAA])	0.34	1.1	76%
Support Activities for Forestry	0.099	1.085	92%
Highway, Street, & Bridge Construction	0.584	0.966	62%
Other Heavy & Civil Engineering Construction	0.48	0.65	58%
Electrical Contractors and Other Wiring Installation Contractors	0.203	0.334	62%
Plumbing, Heating, and Air-Conditioning Contractors	0.014	0.483	97%
Office Furniture (except Wood) Manufacturing	0.144	0.181	56%
Showcase, Partition, Shelving, and Locker Manufacturing	0.004	0.158	98%

Figure 20 illustrates the FY2023 Other Federal dollar amounts going to Small Businesses relative to other businesses for 6-digit NAICS Codes with:

1. More than 50% of Other Federal Outlays to Small Businesses, and
2. More than $100M of Other Federal Outlays to Small Businesses

For additional information, see *Policy Options to Improve Small Business Participation in the Industrial Base*, Emily Murphy, NPS. https://dair.nps.edu/handle/123456789/5105.

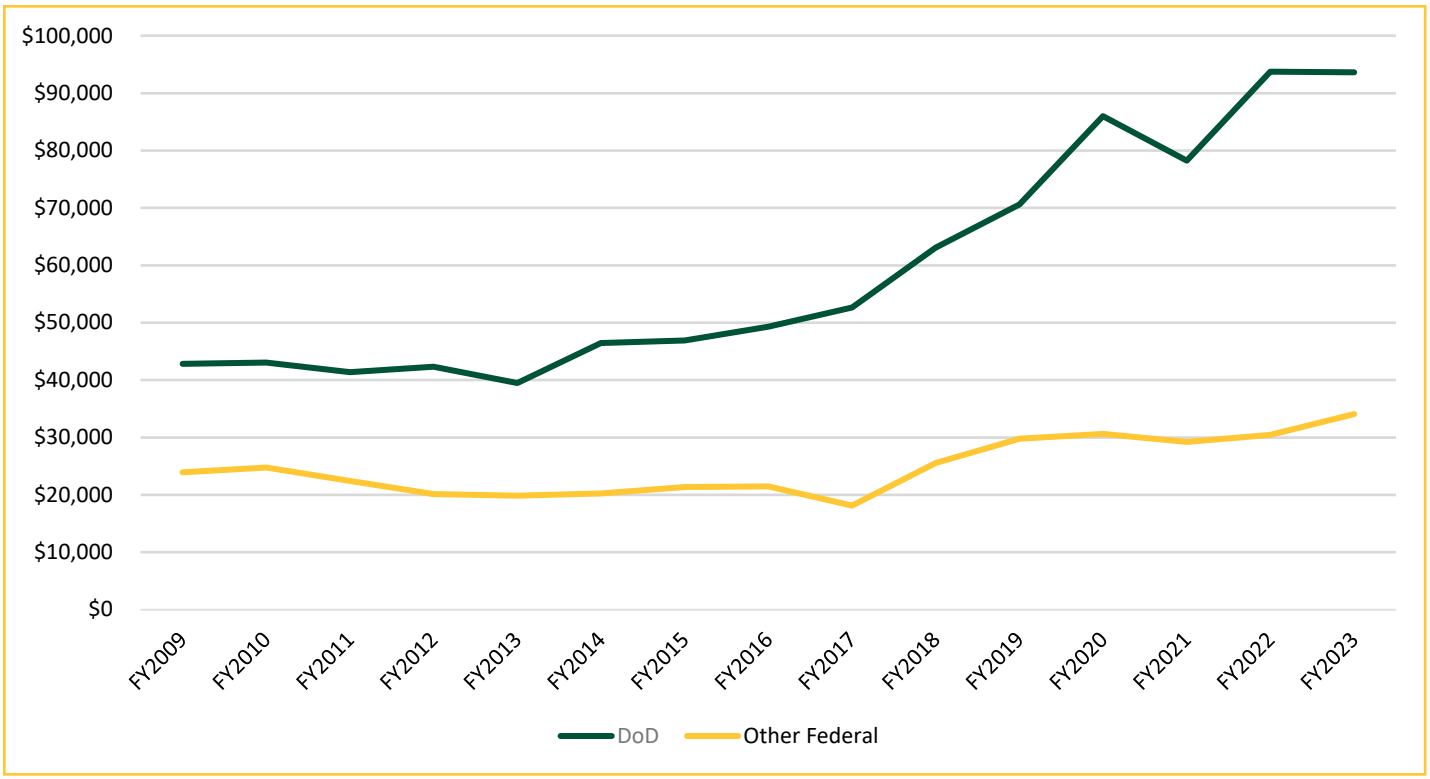
KEY TAKEAWAY

Small Businesses are dominant in Other Federal contracts for office computer support services, shipbuilding and repairs, forestry activities, road construction, and facilities services.

ASSESSMENT

These service contracts can be profitable for privately held Small Businesses with lower overhead corporate costs and smaller demands for profit-sharing; whereas such low-margin contracts can be less desirable for large publicly held corporations and large partnerships with significant overhead and return on equity demands, even when operating with economy of scale.

Figure 21. DoD and Other Federal Median Obligations Per Company



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
DoD	42820	43056	41369	42358	39504	46483	46928	49279	52639	63095	70619	85986	78245	93731	93647
Other Federal	23941	24760	22399	20167	19868	20271	21344	21480	18117	25523	29778	30596	29233	30458	34099

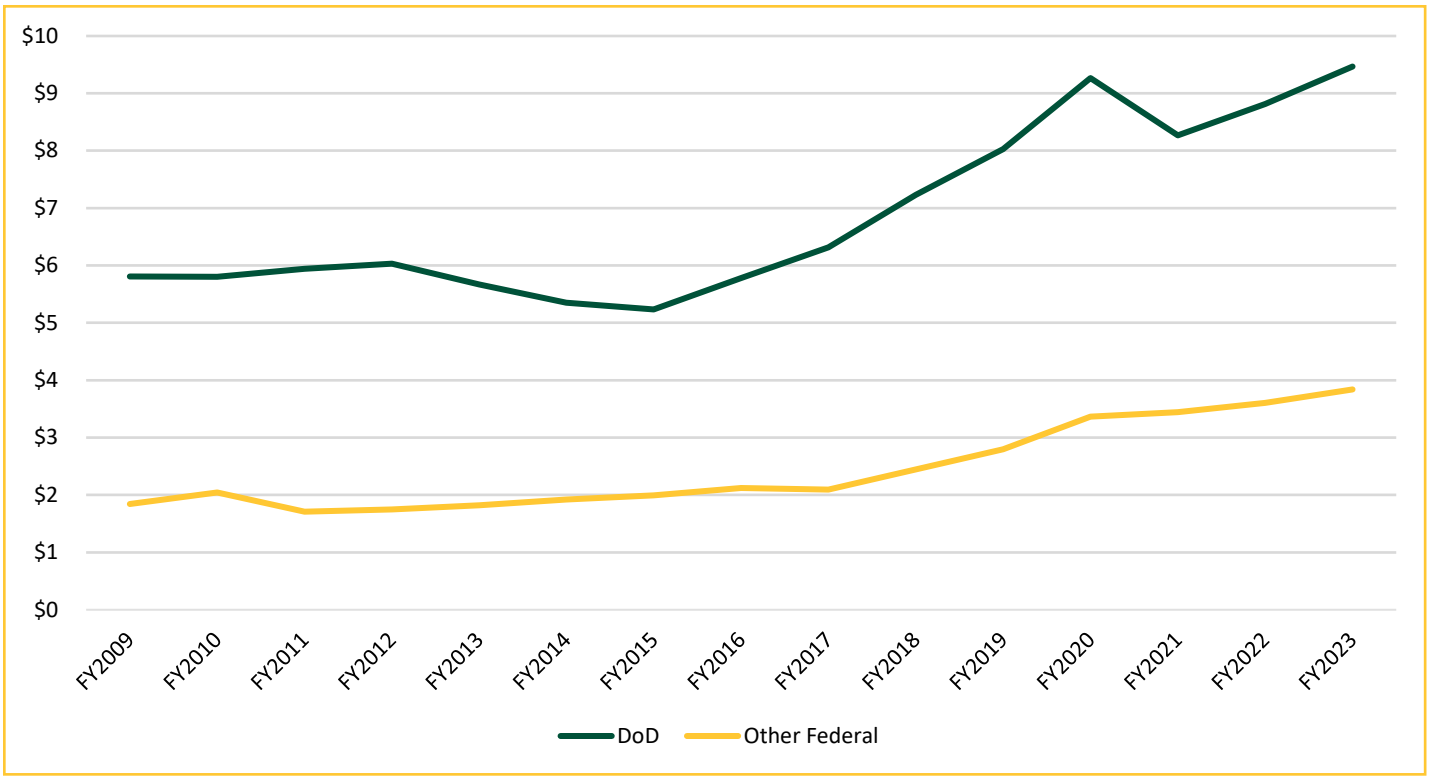
Figure 21 illustrates the DoD and Other Federal median value of obligations per company.

KEY TAKEAWAYS

The median value of DoD obligations per company was roughly double that of other Federal agencies until FY2017 when the median value of these DoD awards started to increase at a greater pace than other Federal agencies (except in FY2021 and FY2023). FY2020 and FY2022 saw unusual spikes in the median value of a DoD award.

1. Change over the period (FY2009–2023)
    a. DoD: 118.7%
    b. Other Federal: 42.4%
2. Year-over-year change over the period
    a. DoD: -9.0% to 21.8%
    b. Other Federal: -15.7% to 40.9%
3. FY2022 to FY2023 change
    a. DoD: -0.1%
    b. Other Federal: 12.0%

Figure 22. Mean Obligations Per Company ($M)



Source: USASpending.gov, Baroni Center analysis

Fiscal Year	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
DoD	6	6	6	6	6	5	5	6	6	7	8	9	8	9	9
Other Federal	2	2	2	2	2	2	2	2	2	2	3	3	3	4	4

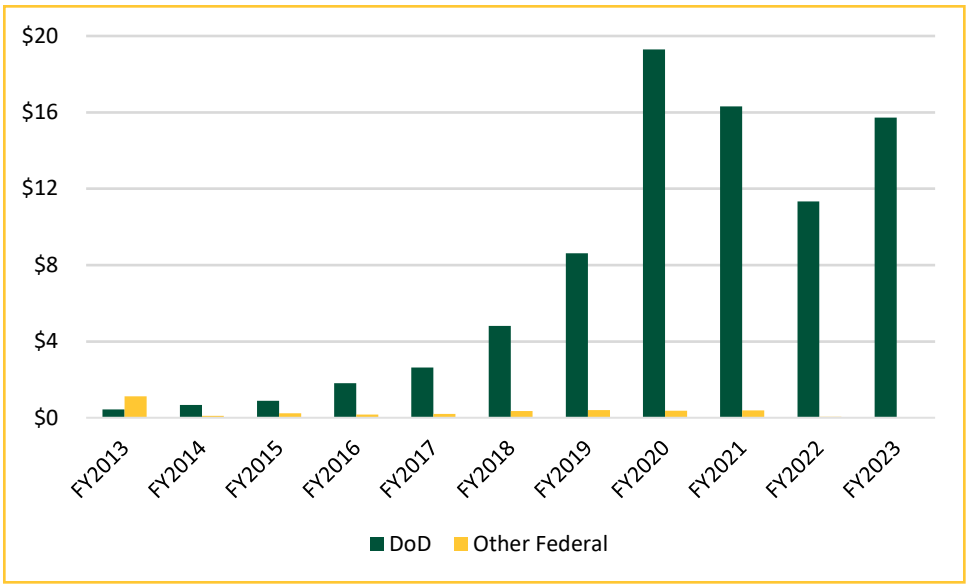
Figure 22 illustrates the average value of DoD and Other Federal obligations per company.

KEY TAKEAWAYS

The mean value of DoD obligations per company is between two to three times that of other Federal agencies in all years. The mean value of these DoD awards started to increase at a greater pace than other Federal agencies in FY2015, except in FY2021. FY2020 saw an unusual spike in the mean value of a DoD award.

1. Change over the period (FY2009–2023)
    a. DoD: 62.9%
    b. Other Federal: 108.3%
2. Year-over-year change over the period
    a. DoD: -10.7% to 15.4%
    b. Other Federal: 16.3% to 20.5%
3. FY2022 to FY2023 change
    a. DoD: 7.4%
    b. Other Federal: 6.6%

Figure 23. Other Transaction Authority Obligations ($B)



Source: SAM.gov, Baroni Center analysis

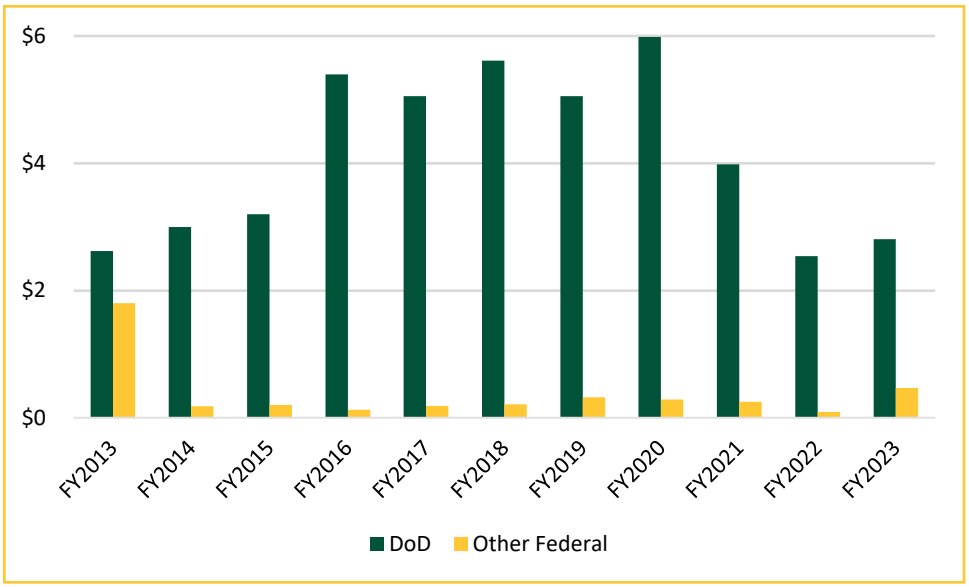
Figure 23 illustrates the amount of DoD and Other Federal [DHS & DOI only] dollars obligated using OTA.

KEY TAKEAWAYS

DoD represents the bulk of OTA dollars obligated for all agencies over the time period.

Note: Not all Other Federal agency data was publicly available; only DHS and DOI.

Figure 24. OTA Mean Award Value ($M)



Source: SAM.gov, Baroni Center analysis

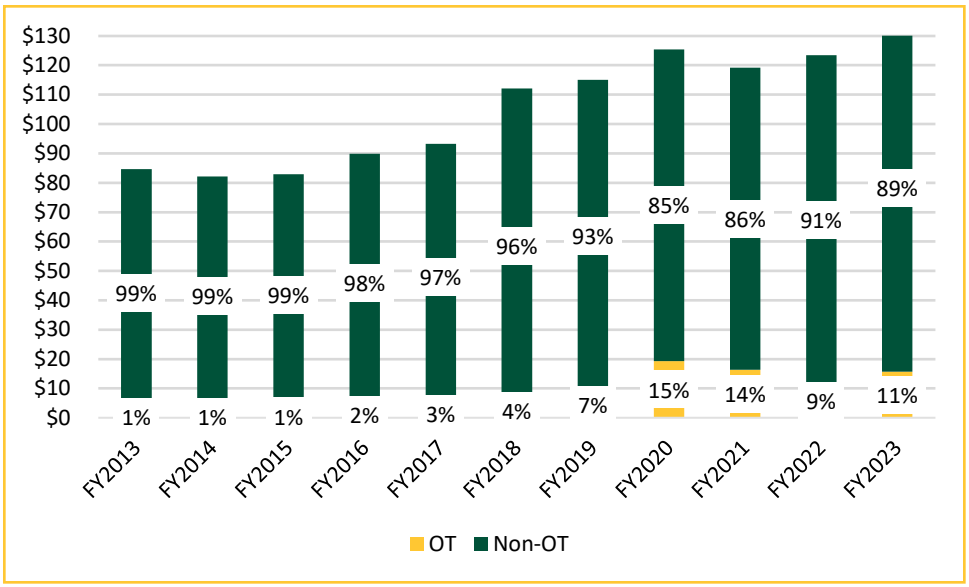
Figure 24 illustrates the average value of an award using OTA, DoD and Other Federal [DHS & DOI only].

KEY TAKEAWAYS

The average award value for DoD is much larger than the average award value for Other Federal, ranging from approximately 1.5 times larger in FY2013 to approximately 27 times larger in several years (FY2017, FY2018, and FY2022).

Note: Not all Other Federal agency data was publicly available; only DHS and DOI.

Figure 25. OTAs as Percentage of DoD RDT&E Obligations ($B)



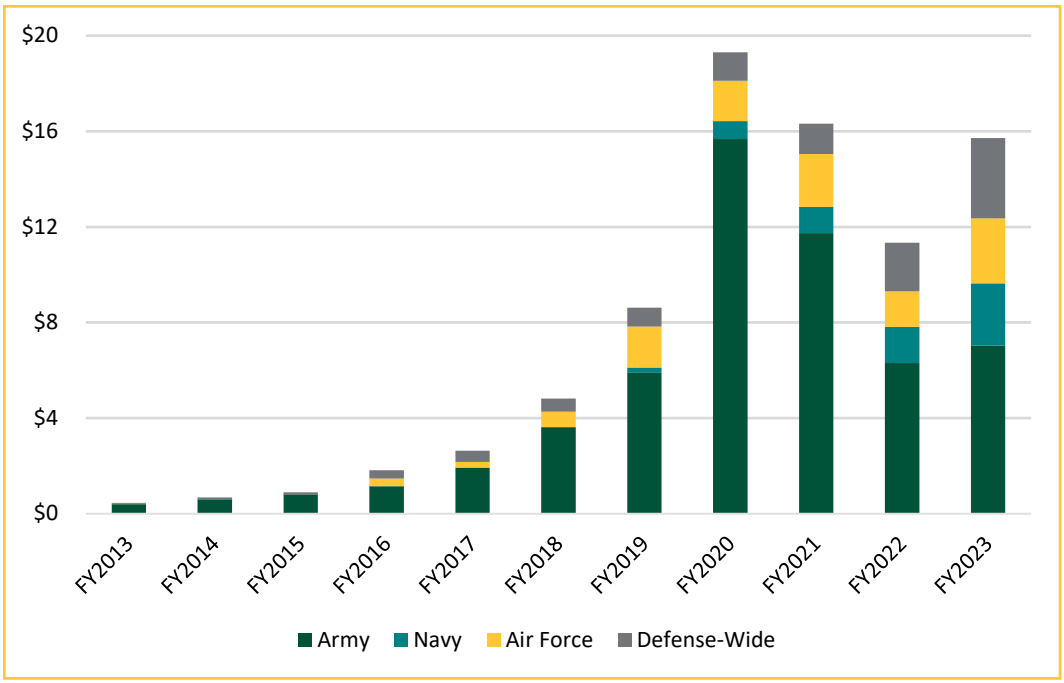
Source: SAM.gov, DoD Budget Materials (DoD Comptroller), Baroni Center analysis

Figure 25 illustrates DoD OTA dollars and non-OT dollars as a proportion of total RDT&E obligations.

KEY TAKEAWAY

DoD OTA spending increased 220% to $16 billion annually from 2018 to 2023, growing to approximately 10% of DoD RDT&E spending.

Figure 26. DoD OTA Obligations by Service ($B)



Source: SAM.gov, Baroni Center analysis

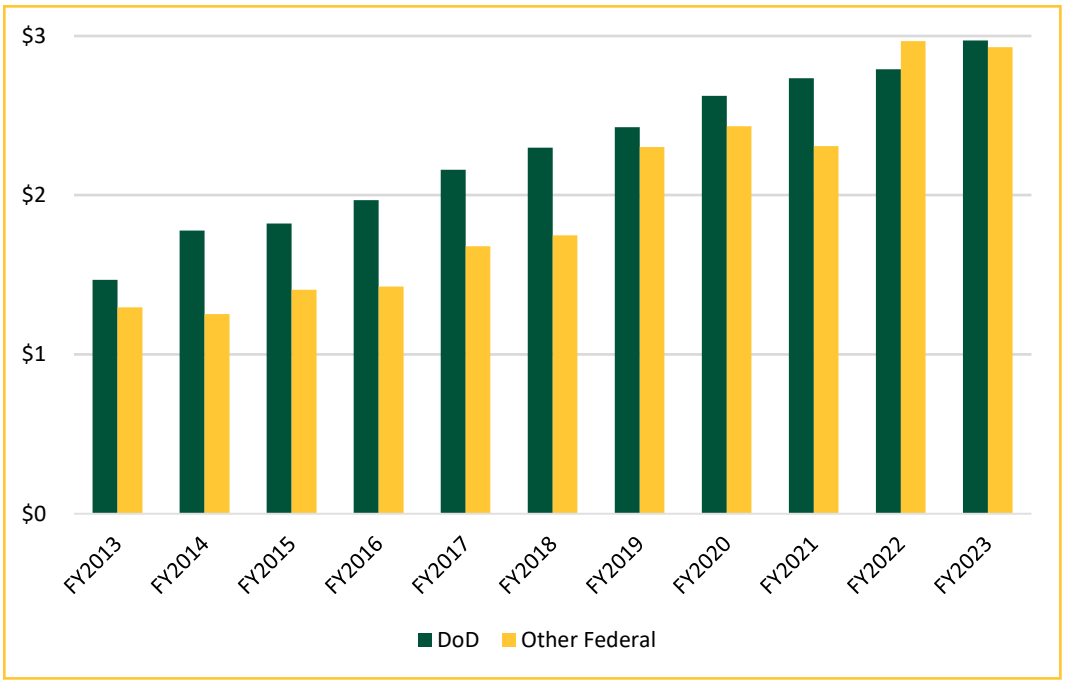
Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Army	0	1	1	1	2	4	6	16	12	6	7
Navy	0	0	0	0	0	0	0	1	1	2	3
Air Force	0	0	0	0	0	1	2	2	2	1	3
Defense-Wide	0	0	0	0	0	1	1	1	1	2	3

Figure 26 illustrates the OTA dollars obligated by Services (Army, Navy, Air Force, and Defense-Wide).

KEY TAKEAWAYS

The Department of the Army has been the greatest user of OTA contracts each year. The overall use of OTAs has increased during this period.

Figure 27. DoD and Other Federal SBIR/STTR Obligations ($B)



Source: SBIR.gov, Baroni Center analysis

Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
DoD	1	2	2	2	2	2	2	3	3	3	3
Other Federal	1	1	1	1	2	2	2	2	2	3	3

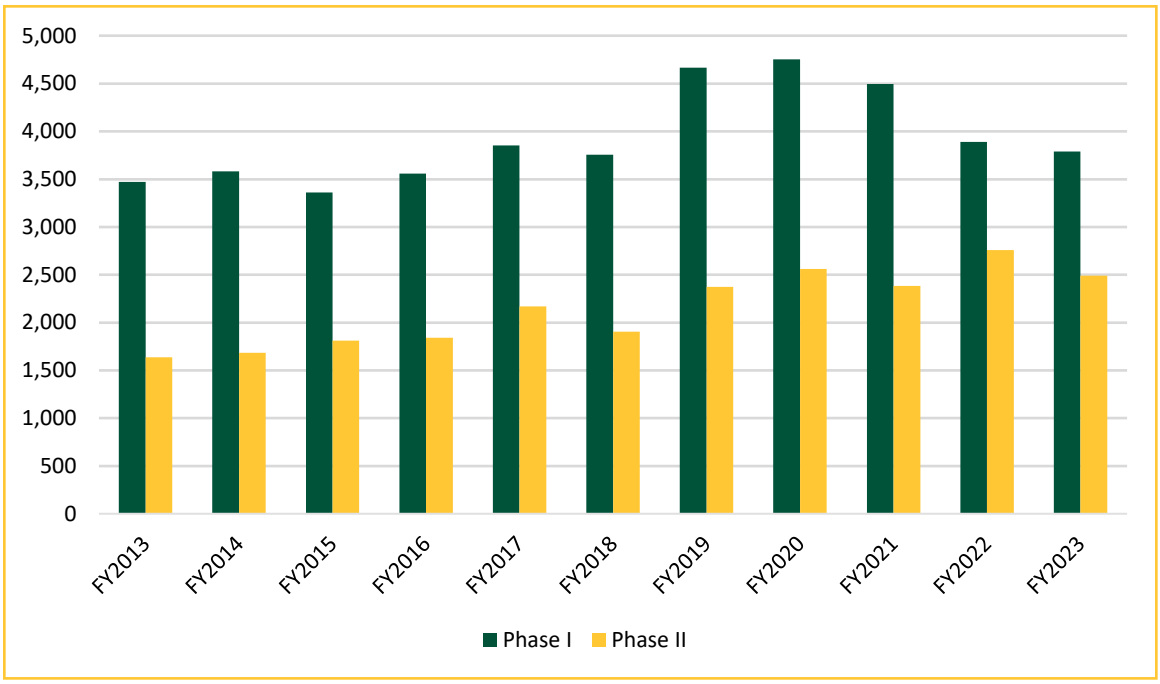
Figure 27 illustrates the amount of DoD and Other Federal dollars obligated on SBIR/STTR awards.

KEY TAKEAWAYS

Other Federal agencies have generally obligated more dollars on SBIR/STTR awards than DoD.

Note: There is no public data on Phase III awards. There is no public data on the transition of SBIR/STTR-funded prototypes to production.

Figure 28. SBIR/STTR Awards, Phase I and Phase II



Source: SBIR.gov, Baroni Center analysis

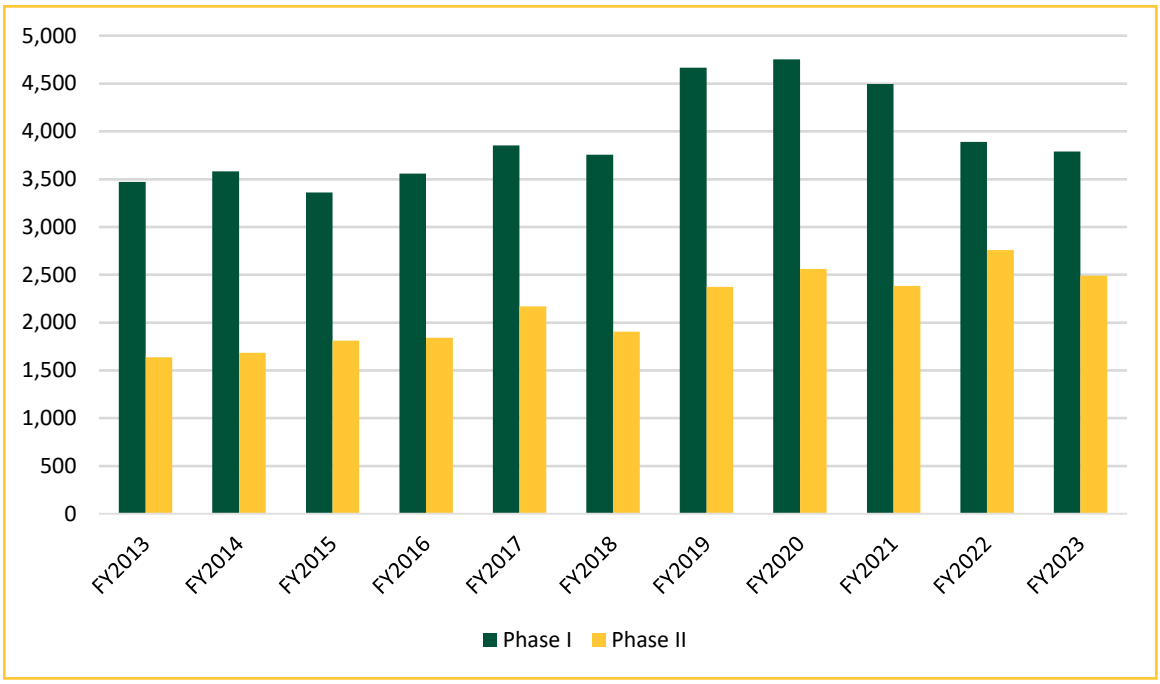
Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Phase I	3471	3581	3360	3559	3854	3757	4668	4754	4496	3889	3791
Phase II	1637	1685	1812	1841	2170	1905	2372	2561	2382	2757	2492

Figure 28 illustrates the number of SBIR/STTR awards, Phase I and Phase II.

KEY TAKEAWAYS

The number of Phase I awards has consistently been higher than the number of Phase II awards. This trend makes sense taking into account that not all prototypes prove themselves through the steps of initial development and experimentation.

Figure 29. SBIR/STTR Awards, All Agencies



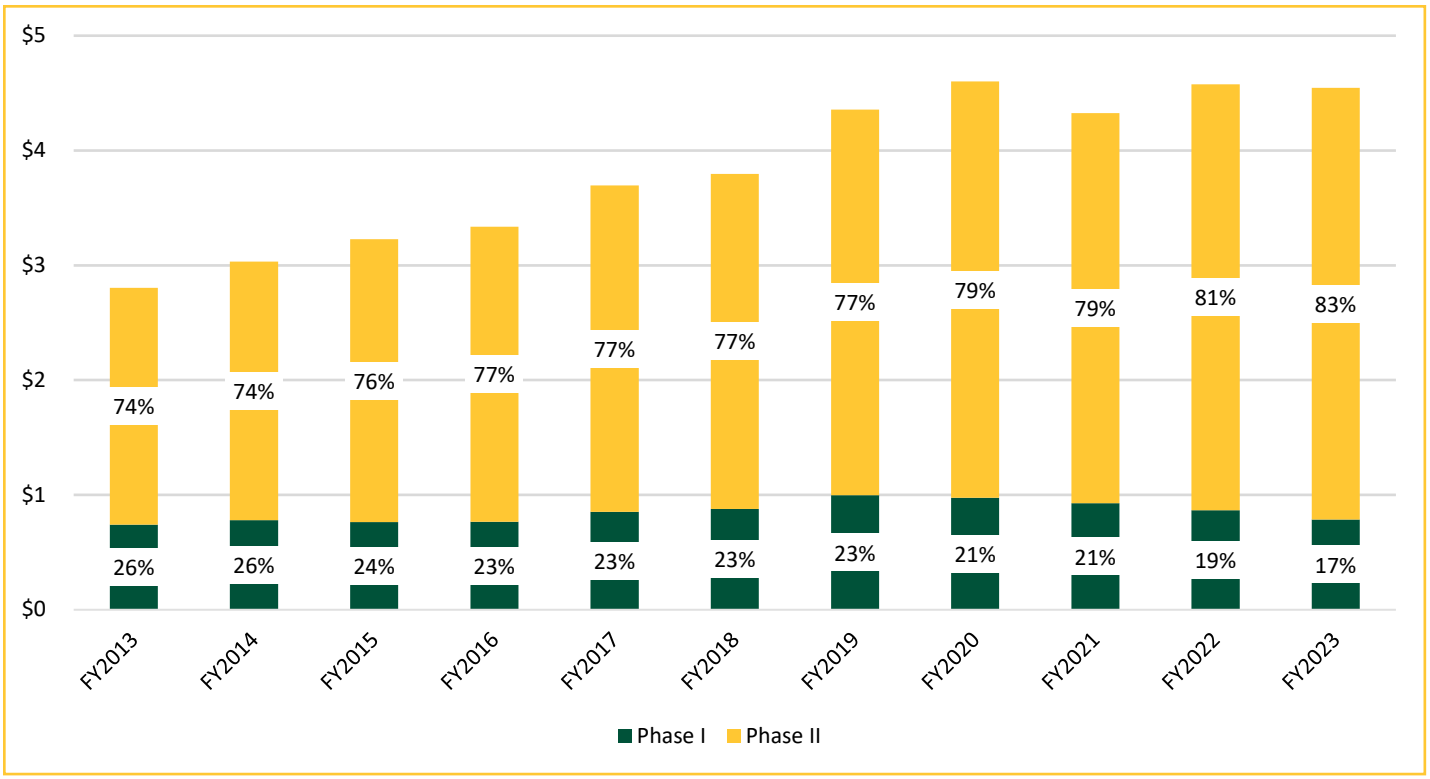
Source: SBIR.gov, Baroni Center analysis

Figure 29 illustrates the number of SBIR/STTR Awards by Agency.

KEY TAKEAWAYS

- Department of Defense has the greatest number of SBIR/STTR awards overall—at least 2,250 awards each year
- Department of Health and Human Services (HHS) is second with roughly 1,250 each year, and
- The rest of the agencies with roughly 500 or less each year

Figure 30. SBIR/STTR Obligations ($B)



Source: SBIR.gov, Baroni Center analysis

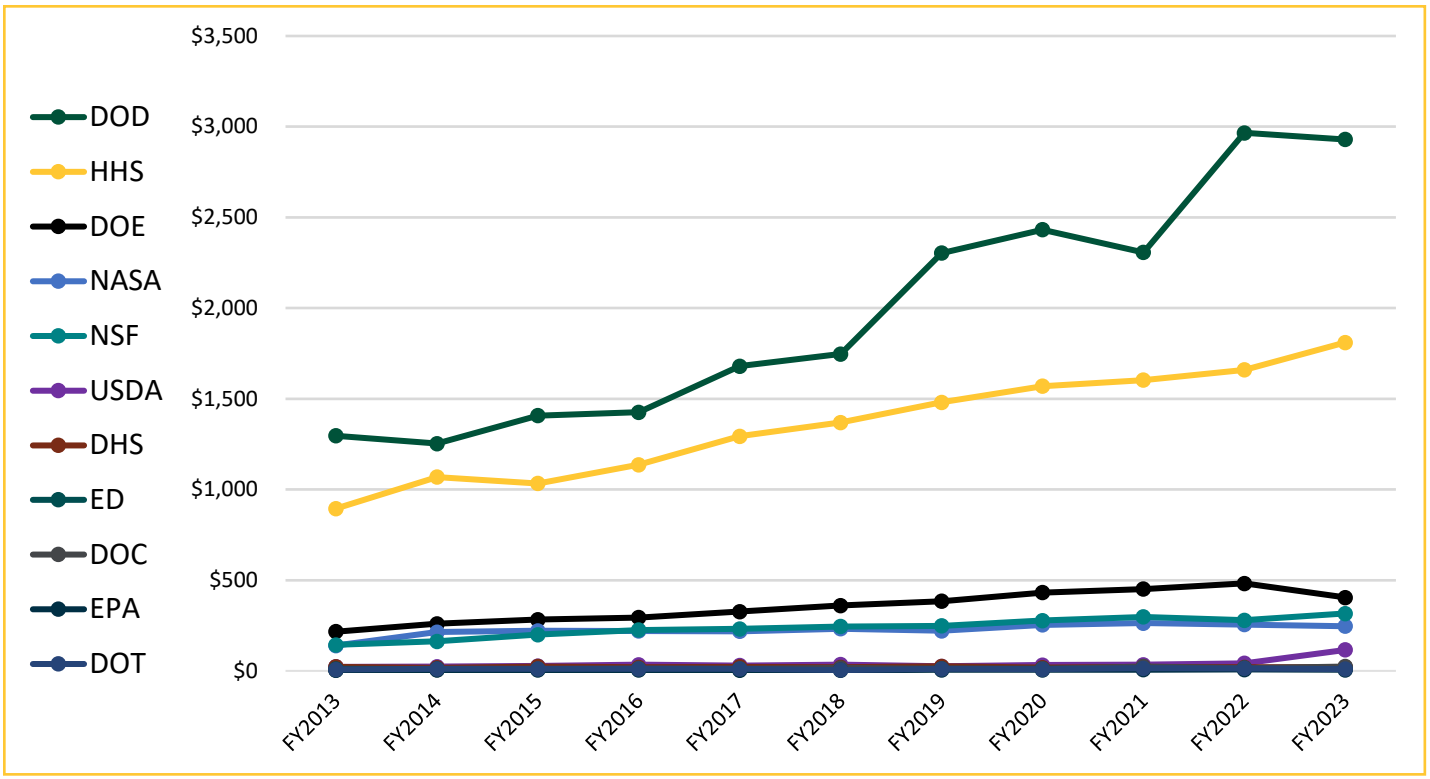
Fiscal Year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Phase I	1	1	1	1	1	1	1	1	1	1	1
Phase II	2	2	2	3	3	3	3	4	3	4	4

Figure 30 illustrates the amount of dollars obligated on SBIR/STTR awards across the U.S. Government, Phase I and Phase II.

KEY TAKEAWAYS

The amount of dollars obligated on Phase II awards has consistently been higher than the amount obligated on Phase I awards (roughly three to five times as much each year). This is explainable by advanced prototyping garnering a greater amount of investment in projects that have passed through initial development and experimentation.

Figure 31. SBIR/STTR Obligations by Agency ($M)



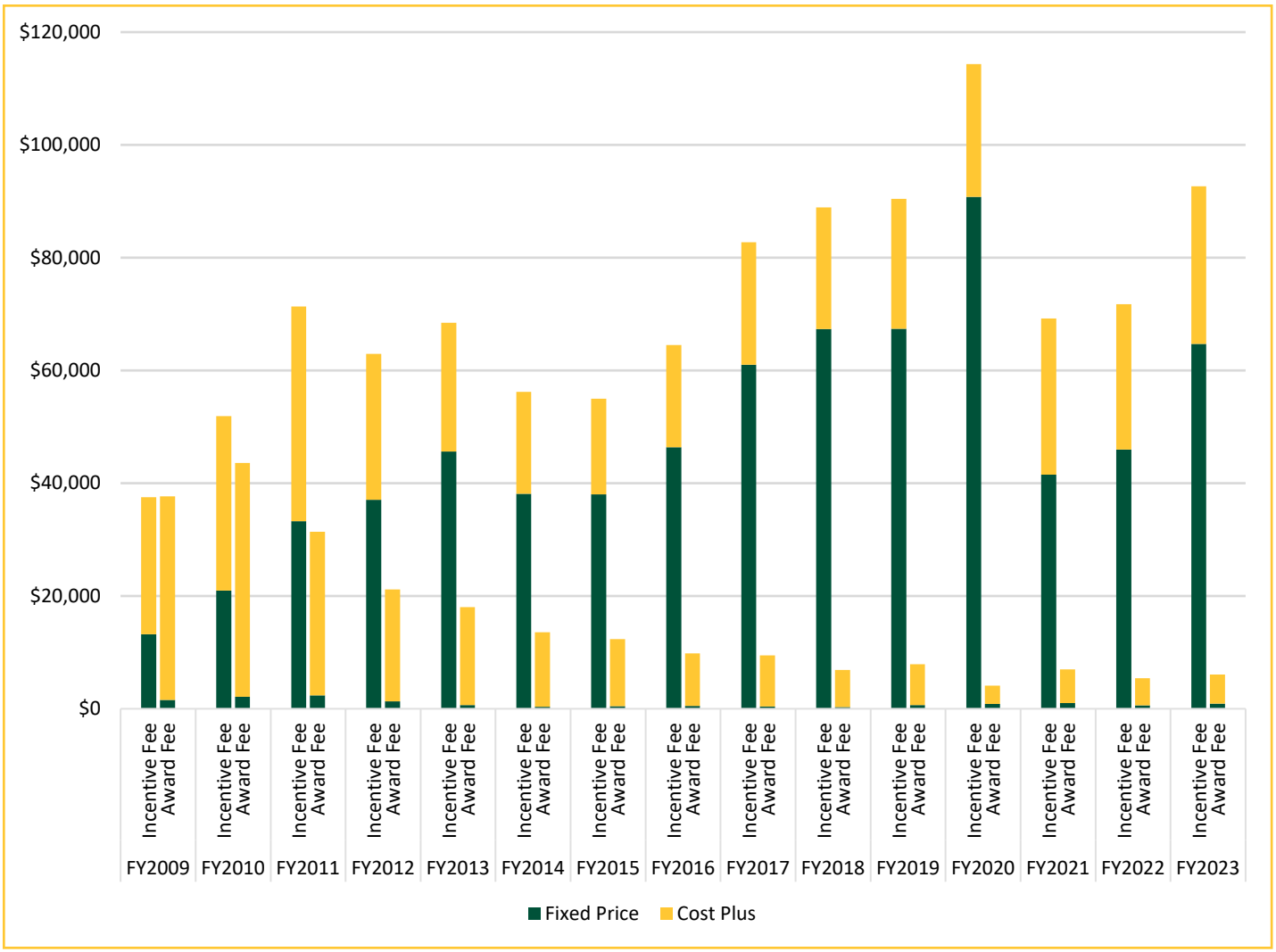
Source: SBIR.gov, Baroni Center analysis

Figure 31 illustrates the amount of dollars obligated on SBIR/STTR Awards by Agency.

KEY TAKEAWAYS

Similar to the number of awards per Agency, DoD has obligated the greatest amount of dollars on SBIR/STTR awards overall, HHS has obligated the second most, and the rest of the agencies have awarded roughly the same amount each year. The amount of dollars obligated has generally increased for all agencies during the time period.

Figure 32. DoD Obligations to Contracts with Incentive Fee or Award Fee ($M)



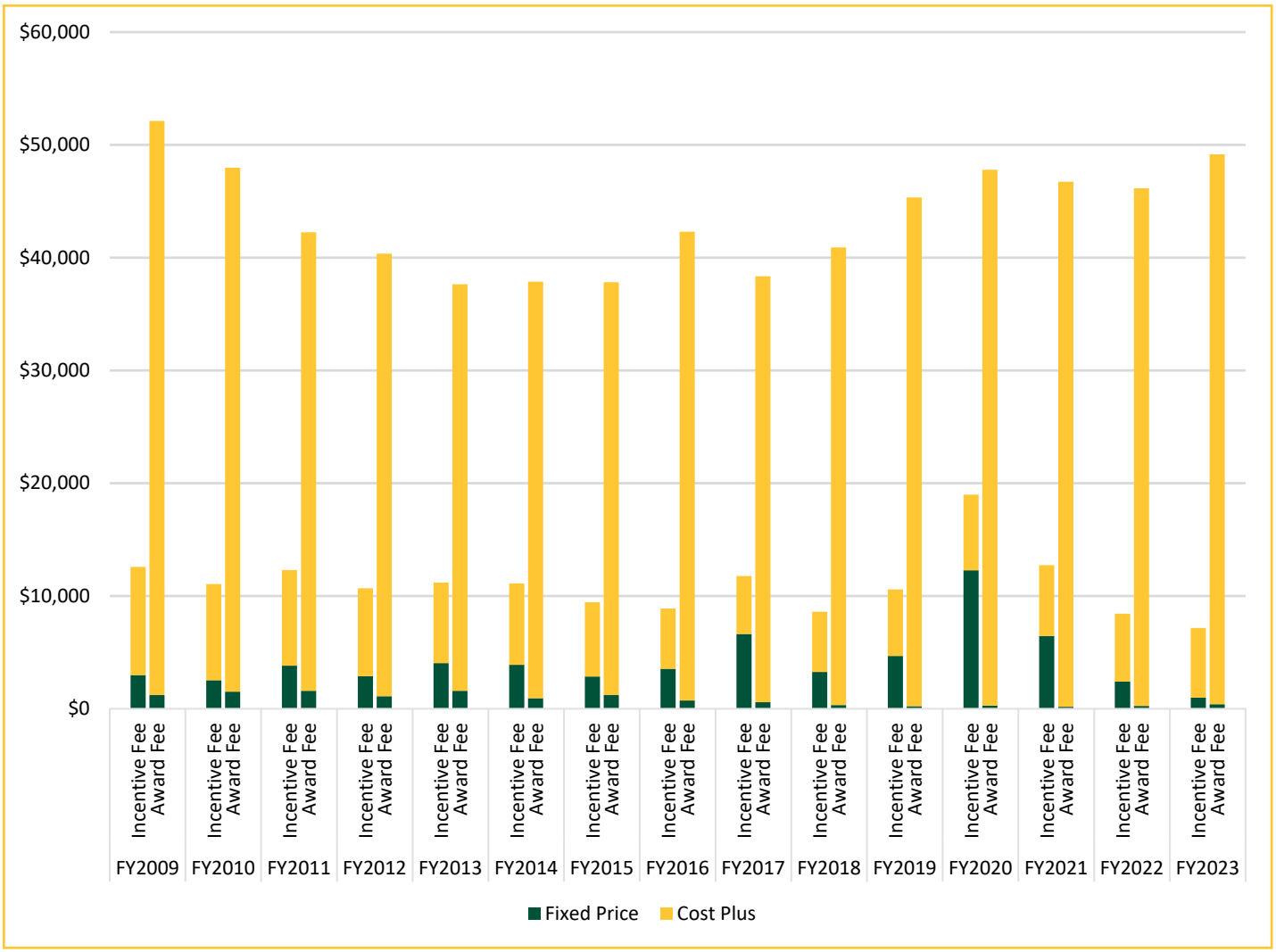
Source: USASpending.gov, Baroni Center analysis

Figure 32 illustrates the amount of DoD dollars obligated on Fixed Price and Cost Plus type contracts that have an Incentive Fee or Award Fee attached to them.

KEY TAKEAWAYS

- *Incentive Fee* is predominantly associated with Fixed Price contracts, although it is also used on Cost Plus contracts (about one to four ratio).
- Alternatively, *Award Fee* is almost exclusively associated with Cost Plus contracts as Fixed Price contracts rarely use it.
- *Incentive Fee* has been used more frequently than Award Fee on both types of contracts.

Figure 33. Other Federal Obligations to Contracts with Incentive Fee or Award Fee ($M)



Source: USASpending.gov, Baroni Center analysis

Figure 33 illustrates the amount of Other Federal dollars obligated on Fixed Price and Cost Plus type contracts that have an Incentive Fee or Award Fee attached to them.

KEY TAKEAWAYS

- *Award Fee* is almost exclusively associated with Cost Plus contracts;
- *Fixed Price* contracts rarely use it.
- *Incentive Fee* is more balanced between the two types of contracts, although it is used more on Fixed Price contracts than Cost Plus contracts.

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3
Financial Performance Index

PURPOSE

This section examines the financial and operating performance of the federal government contracting industry. The national discussion concerning federal spending faces the question of what the government must pay to accomplish itself and what it should pay industry to achieve. This conversation must take into account that for industry to work on behalf of the government customer, industry must financially profit and have the expectation of future profits. With this in mind, the section gives a view of how the government contracting industry assesses itself in profit-making.

RATIONALE

The vast majority of federal government contractor companies are privately owned businesses. Therefore, there is little publicly available information about these companies' current financial performance. This lack of information inhibits data-driven decisions by legislators, regulators, and policymakers. Improved government comprehension of how these privately owned businesses view their operating and financial performance is central to well-informed legislation and policies that harness and incentivize industry contributions to public service.

APPROACH

To assess federal contractors' financial performance, the research team utilized a survey instrument to collect novel data from a sample of companies in the government contracting industrial base. The survey was designed to be completed by a senior leader such as the CEO, CFO, COO, or an equivalent at companies participating in the government contracting base.

The team used a hybrid approach to recruit participants. First, a randomized set of 400 US-based, for-profit companies registered in SAM.gov were contacted with an offer to complete the survey. Second, the research team distributed the survey through several trade associations, the Baroni Center's internal distribution list, and the Baroni Center's advisory board. Third, Qualtrics research services were contracted to collect responses.

The survey included three primary sections:

- The first section contained questions related to firm-level demographics. These questions also allowed the research team to categorize the sample to conduct segment analyses. The demographic questions were related to company size (revenue and employee counts), revenue attributable to prime contracts and sub-contracts (including as a supplier), primary industries (6-digit NAICS codes), and primary federal customer. Demographic questions also provided the necessary data to check the representativeness of the sample against the population.
- The second section contained a ranking of top performance metrics utilized by management. The identification of top KPI questions allowed the research team to establish what performance metrics were primarily being utilized by the government contracting industrial base. Survey respondents were asked to identify their companies' top five KPIs.
- The third section contained questions related to the improvement or deterioration of top performance metrics over the trailing twelve months as well as how these metrics were expected to improve or worsen over the next twelve months. The questions related to performance utilized a Likert-type scale with the following levels: Significant Worsening, Slight Worsening, No

Change, Slight Improvement, and Significant Improvement. The survey questions are provided in full as Appendix A.

The survey results were analyzed to better understand what metrics were being utilized by companies in the government contracting industrial base; how companies have performed based upon their preferred metrics; and the degree to which any differences might exist between segments of the government contracting industrial base.

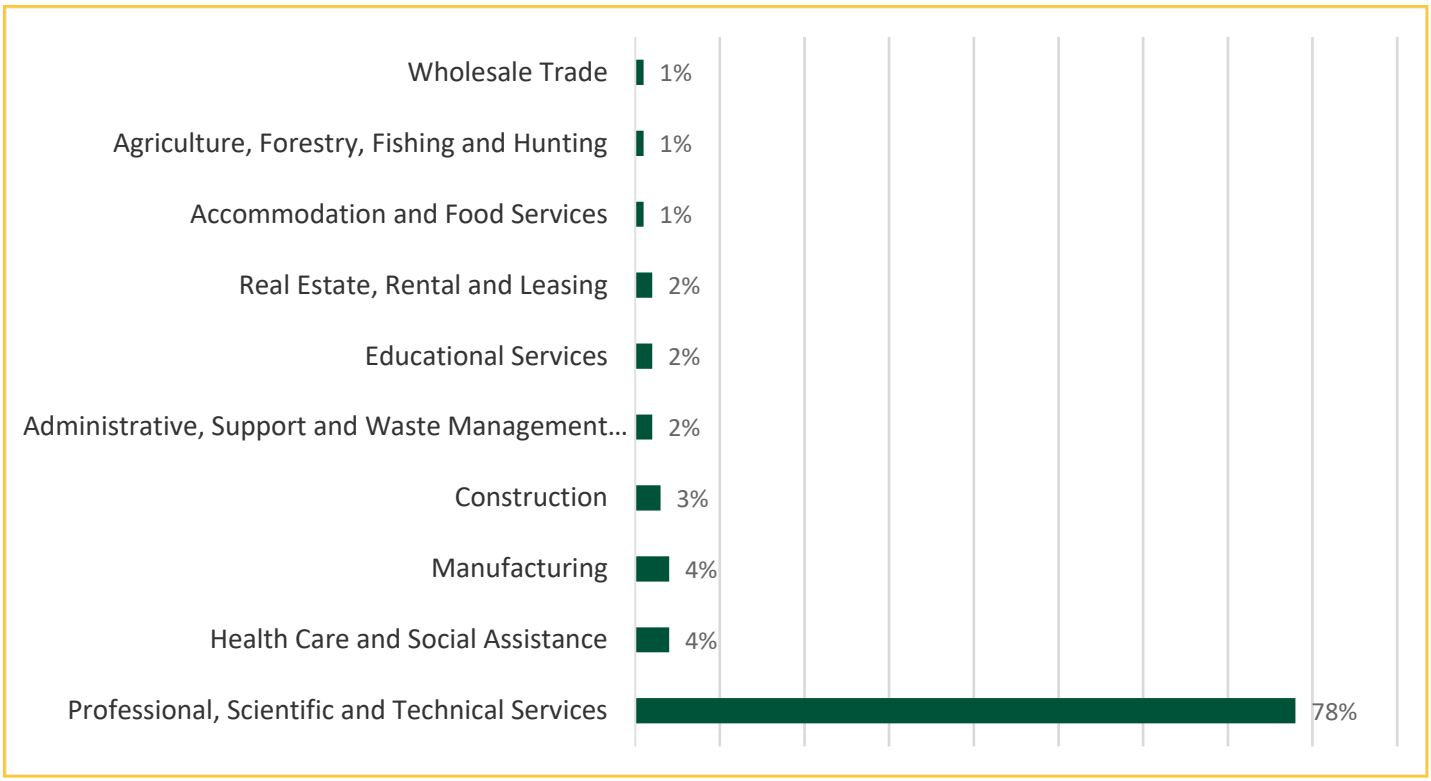
A Financial Performance Index was calculated from the performance of the top KPI questions. The responses were converted into numeric scores and the numeric scoring system was then utilized to calculate three index scores for each participating company: (1) for the trailing twelve months; (2) for the next twelve months; and (3) an overall scoring combining the trailing twelve months and the next twelve months. Details on index construction are provided in Appendix B.

OVERALL INSIGHTS

Overall, the companies sampled reported a financial performance level that can be considered good. Using a scale of 0 = Significant Worsening, 50 = Slight Worsening, 100 = No Change, 150 = Slight Improvement, and 200 = Significant Improvement, the response of the firms to the survey was quantified in an overall Financial Performance Index reading of 146. Across the different subsegments of the sample, companies on average reported a financial performance level that also can be considered healthy, with index readings ranging from a low of 135 to a high of 152. The companies reported that they expect to continue or exceed their present financial performance level in the coming year. This positive expectation was found across all ten segments analyzed.

Profitability and business development were reported as the companies' primary focus when internally assessing their financial and operating performance. Some differences were observed across paired segments, but in most cases, the magnitude of the differences was relatively minor.

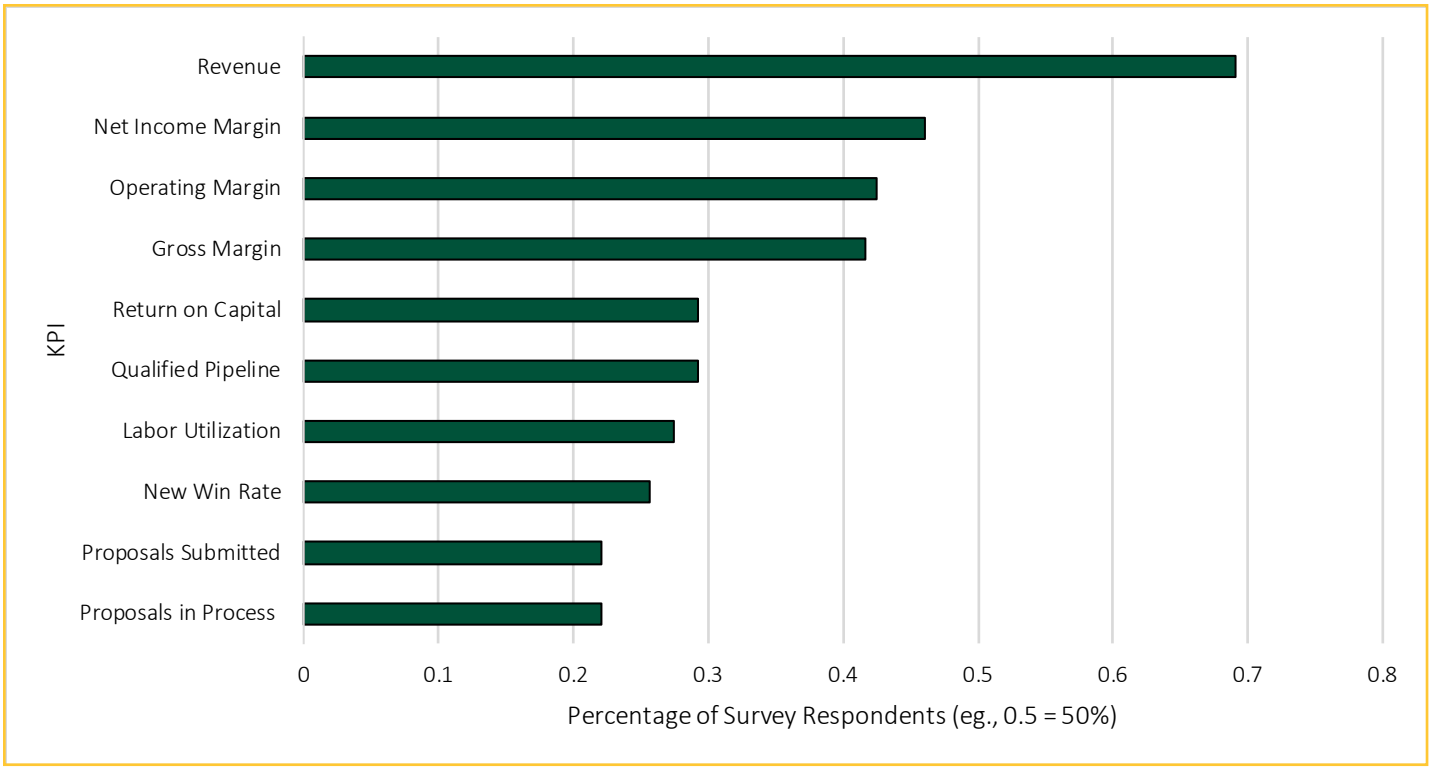
Figure 34. Composition of Sample by Sector



Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 34 displays the composition of the sample across sectors (based upon companies' primary 2-digit NAICS code). The sample is overwhelmingly comprised of companies from the Professional, Scientific, and Technical Services sector.

Figure 35. Top 10 KPIs for Survey Respondents



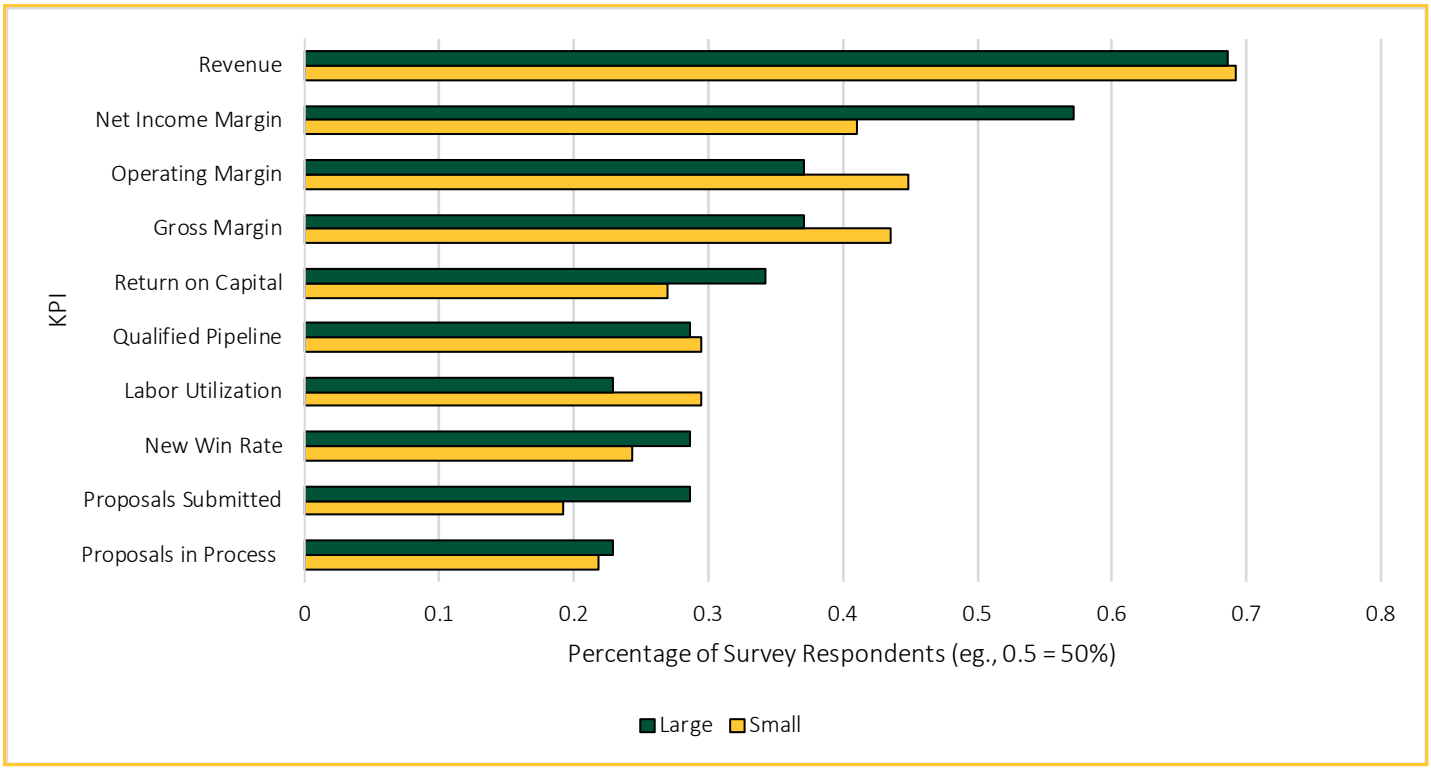
Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 35 displays the top 10 most frequently designated KPI across all survey responses.

KEY TAKEAWAY

Sampled companies primarily focus on profitability and business development when internally assessing their financial and operating performance, as these two larger categories could fairly encompass nearly all the top KPIs.

Figure 36. Top KPIs Among Large and Small Companies



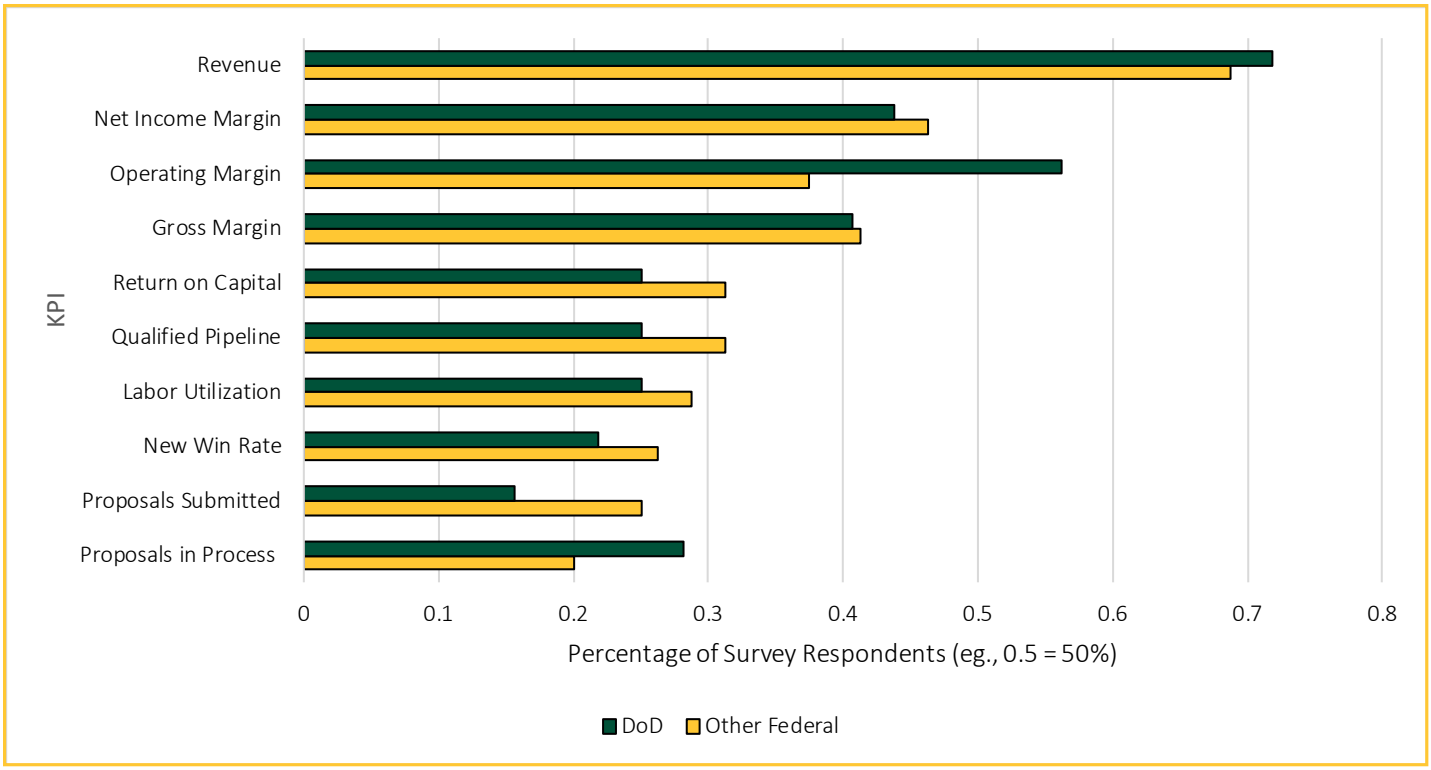
Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 36 displays a comparison of the top 10 KPI percentages reported among small and large companies. Companies with revenue greater than $25M were classified as large; all others were classified as small.

KEY TAKEAWAY

The survey results suggest that large companies and small companies within the sample tend to focus on a similar set of performance metrics. Some differences were observed but the magnitude of such differences was often relatively minor.

Figure 37. Top KPIs Among DoD and Other Federal Companies



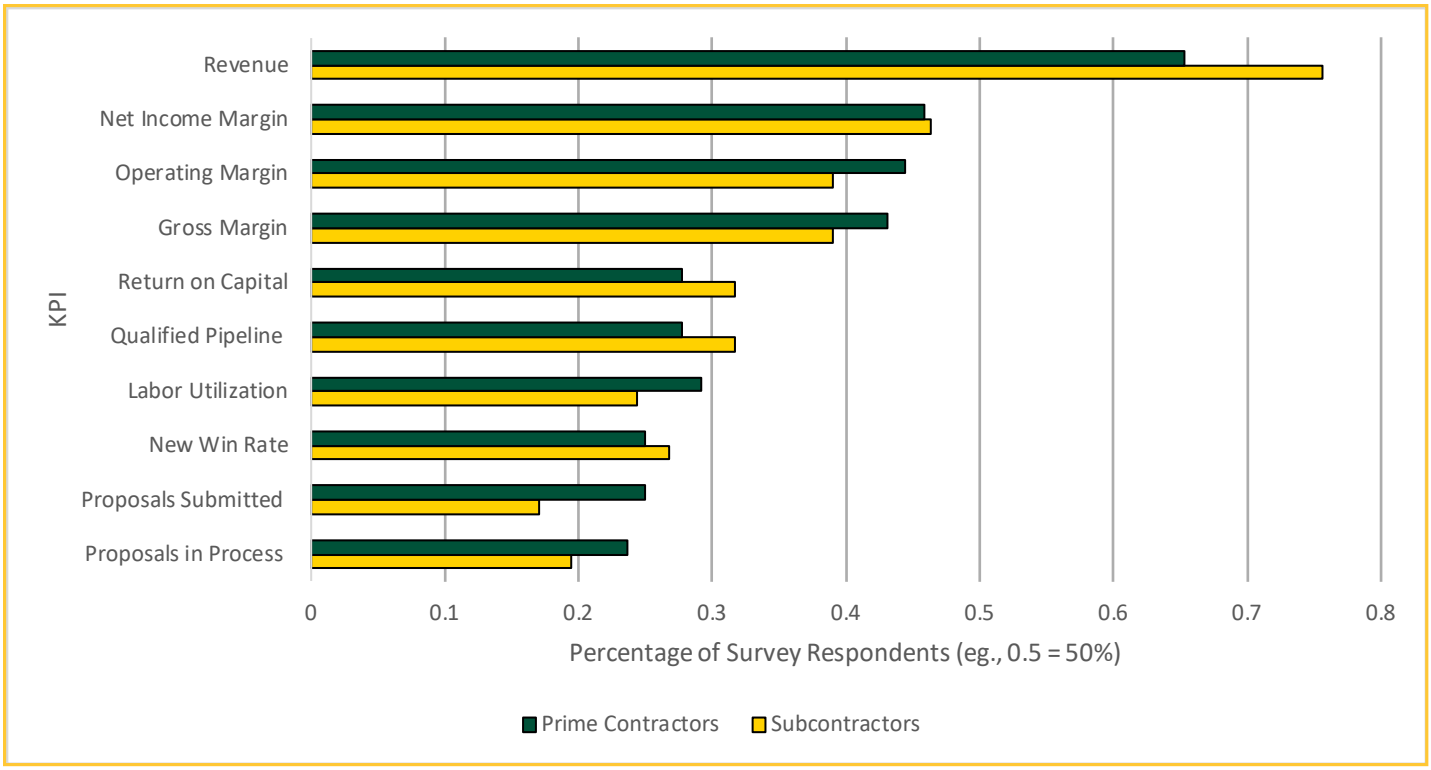
Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 37 displays a comparison of the top 10 KPI percentages reported among DoD and Other Federal companies. Companies that listed any component of DoD as their primary federal customer were classified as DoD; all others were classified as Other Federal.

KEY TAKEAWAY

The survey results suggest that regardless of their specific federal agency customer, government contractor companies focus on a similar set of performance metrics. Some differences were observed but the magnitude of such differences was often relatively minor.

Figure 38. Top KPIs Among Prime Contractors and Subcontractors



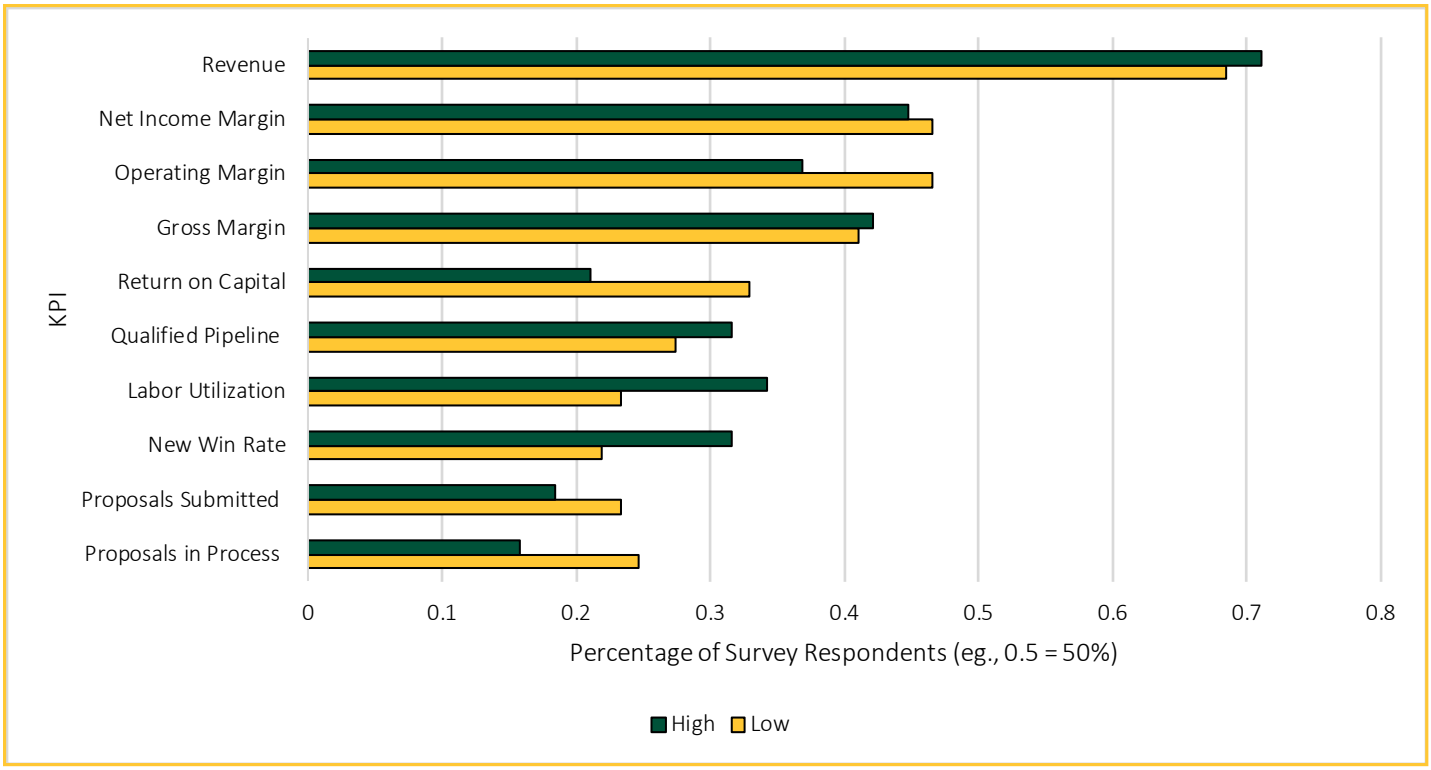
Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 38 displays a comparison of the top 10 KPI percentages reported among prime contractors and subcontractors. Companies with prime revenue greater than or equal to subcontract revenue were classified as prime contractors; all others were classified as subcontractors.

KEY TAKEAWAY

The survey results suggest that prime contractors and subcontractors tend to focus on a similar set of performance metrics. Some differences were observed but the magnitude of such differences was often relatively minor.

Figure 39. Top KPIs Among Companies with High and Low Customer Concentration



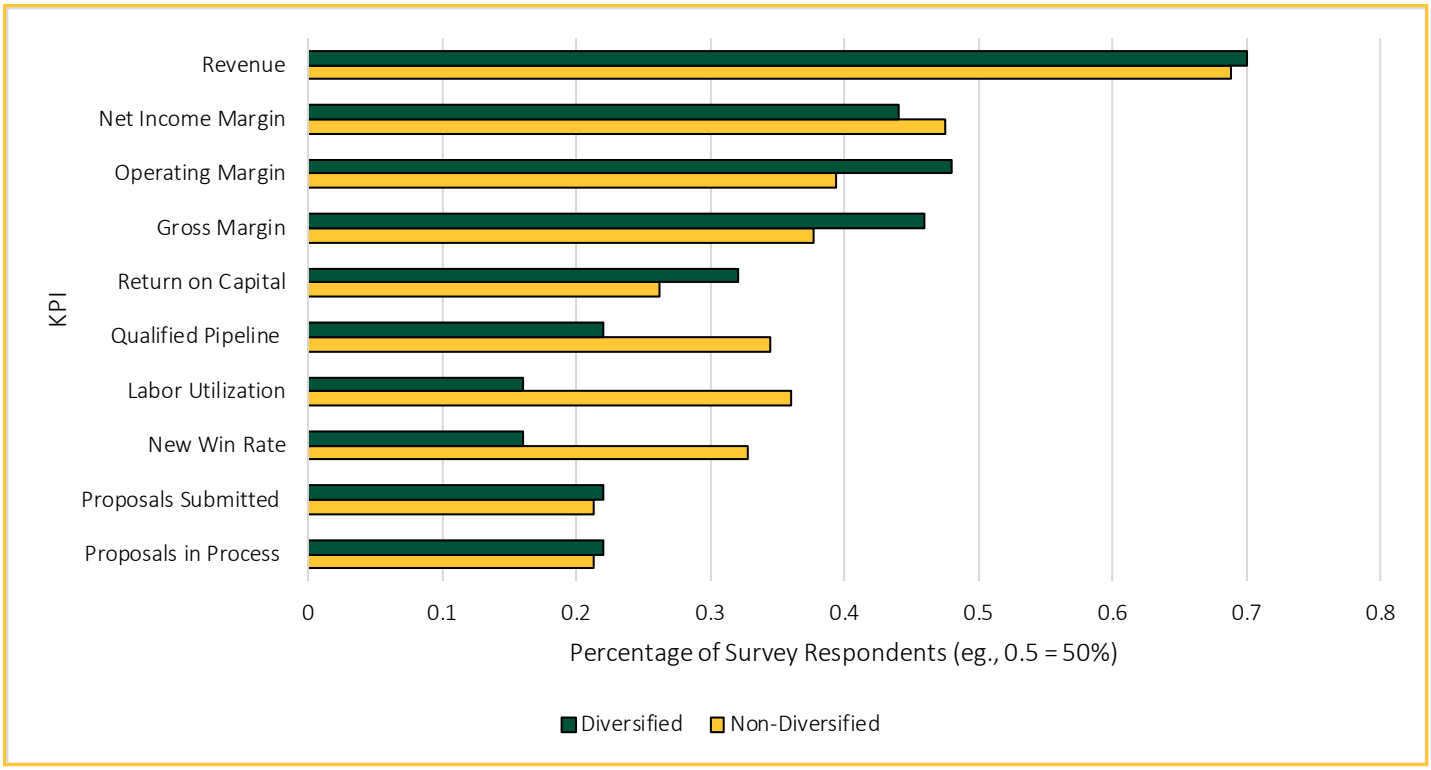
Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 39 displays a comparison of the top 10 KPI percentages reported among companies with high customer concentration and low customer concentration. Companies with 2/3 or more of their revenue being derived from a single customer were classified as high customer concentration; all others were classified as low customer concentration.

KEY TAKEAWAY

The survey results suggest that companies with high customer concentration and low customer concentration tend to focus on a similar set of performance metrics. Some differences were observed with about half of the metrics having differences in the magnitude that were relatively minor and the other half having more pronounced differences.

Figure 40. Top KPIs Among Diversified and Non-Diversified Companies



Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

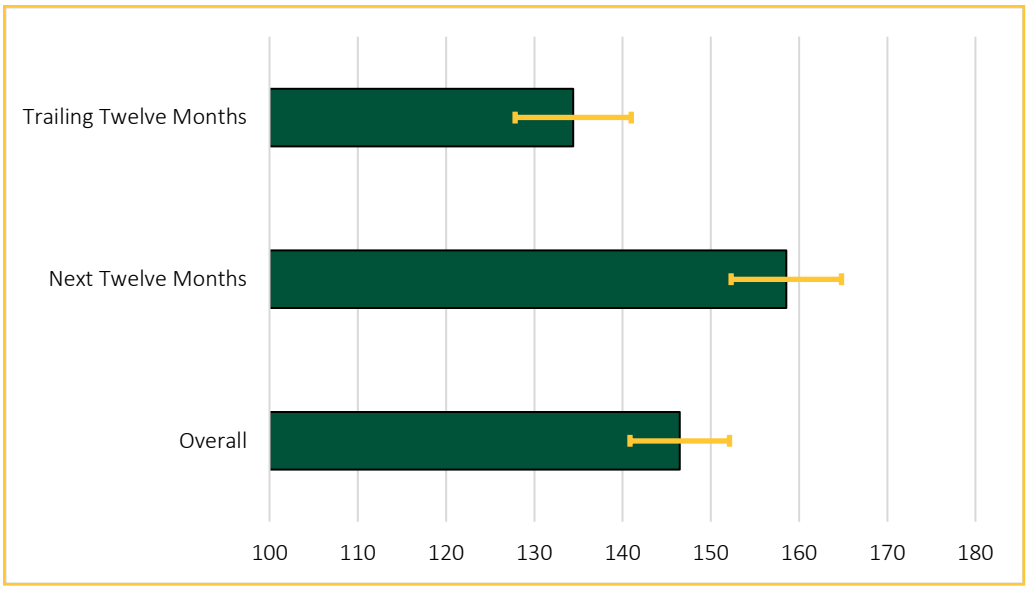
Figure 40 displays a comparison of the top 10 KPI percentages reported among diversified and non-diversified companies. Companies with 2/3 or more of their revenue generated from a single sector (2-digit NAICS) were classified as non-diversified; all others were classified as diversified.

KEY TAKEAWAY

The survey results suggest that diversified companies and non-diversified companies tend to focus on a similar set of performance metrics. Some differences were observed but the magnitude of such differences was often relatively minor.

The frequency of qualified pipeline, labor utilization, and new win rate was much higher for non-diversified companies than diversified companies.

Figure 41. Financial Performance Index for All Firms in the Sample



Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

The survey results suggest that the sampled companies exhibit a financial fitness level that can be considered good with an overall financial performance index reading of 146. Sampled companies expect to experience greater performance improvement in the coming year compared to the prior year, as evidenced by the difference between the TTM financial performance index reading and the NTM financial performance index reading.

KEY TAKEAWAYS

The financial fitness level of the sampled companies in all ten segments analyzed can be considered good with performance index readings ranging from 135 to 152.

Table 1 reports the overall performance index reading for all ten segments.

Figures 42–48 display the financial performance index readings by paired segments over the trailing twelve months, the next twelve months, and an overall reading combining the two time periods.

Table 1. Financial Performance Index for Different Segments

Large Companies	149	Small Companies	145
DoD Companies	145	Other Federal Companies	148
Prime Contractors	145	Subcontractors	149
High Customer Concentration	135	Low Customer Concentration	152
Diversified Companies	151	Non-Diversified Companies	143

The Financial Performance Index score range definition:

- Significant Worsening = 0
- Slight Worsening = 50
- No Change = 100
- Slight Improvement = 150
- Significant Improvement = 200

The survey results suggest similar firm-level performance for most of the sampled companies across all segments. Both the "Trailing Twelve Months" and "Next Twelve Months" time frames, as the overall performance index reading, exhibit a financial fitness level that can be considered good, with some cases bordering on very good.

All segments analyzed expect to achieve greater performance improvement in the next year compared to the prior year with half of the segments expecting to achieve a financial fitness level that can be considered very good with the other half expecting to achieve a financial fitness level in the upper bounds of what can be considered good.

The segments are defined as follows.

LARGE VERSUS SMALL COMPANIES

The research team used the generally accepted threshold of $25 million in revenue to categorize between large and small companies in the sample. Companies with revenue greater than $25M were classified as large; all others were classified as small.

DOD VERSUS OTHER FEDERAL COMPANIES

The research team categorized survey respondents as DoD or other federal companies based on their largest federal customer. Companies that listed any component of DoD as their primary federal customer were classified as defense; all others were classified as Other Federal.

PRIME CONTRACTORS VERSUS SUBCONTRACTORS

The research team categorized companies based upon the percentage of revenue attributable to prime contracts versus subcontracts (including as a supplier). Companies with prime revenue greater than or equal to subcontract revenue were classified as prime contractors; all others were classified as subcontractors.

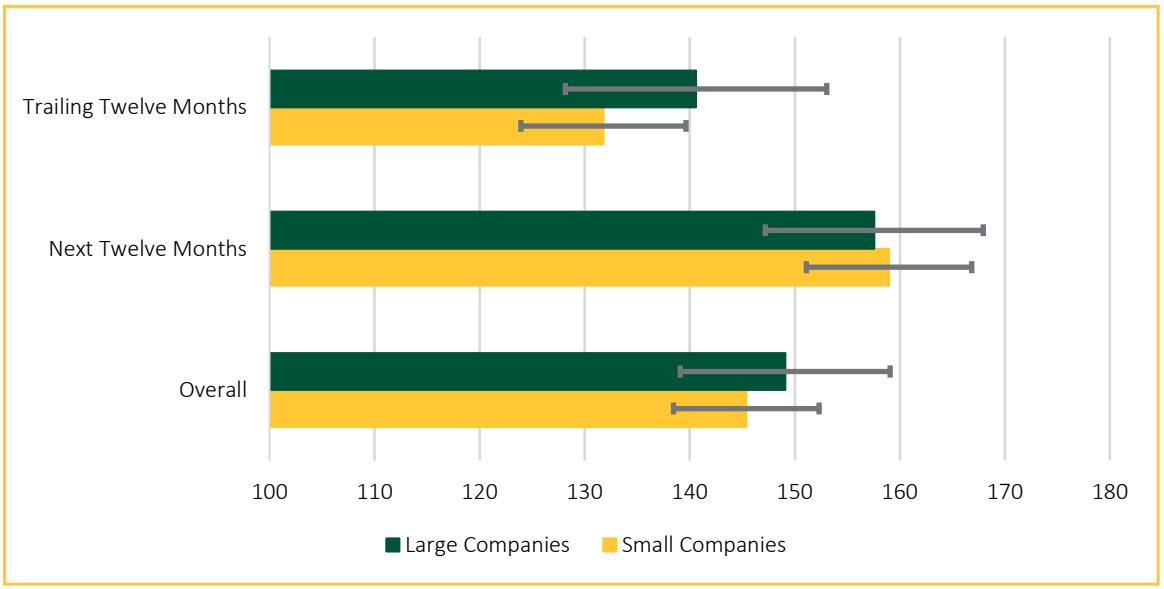
HIGH CUSTOMER CONCENTRATION VERSUS LOW CUSTOMER CONCENTRATION

The research team categorized companies based upon the level of revenue attributable to their largest federal customer. Companies with 2/3 or more of their revenue being derived from a single customer were classified as high customer concentration; all others were classified as low customer concentration.

DIVERSIFIED VERSUS NON-DIVERSIFIED COMPANIES

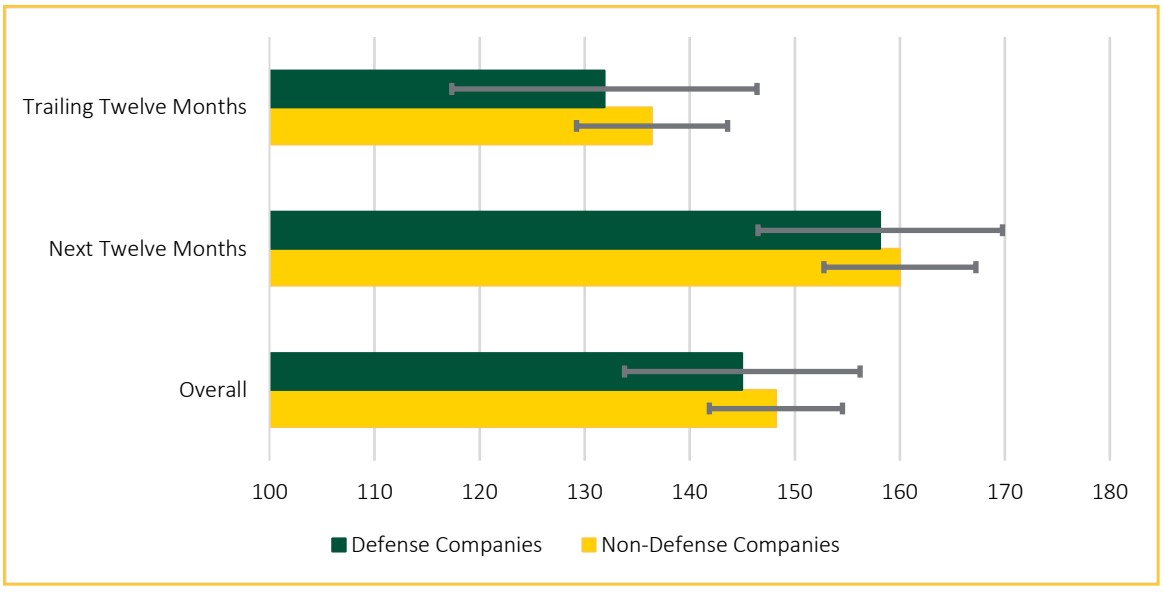
The research team categorized companies based upon the level of revenue attributable to their primary sector classification (2-digit NAICS). Companies with 2/3 or more of their revenue generated from a single sector were classified as non-diversified; all others were classified as diversified.

Figure 42. Performance Index for Large Companies and Small Companies



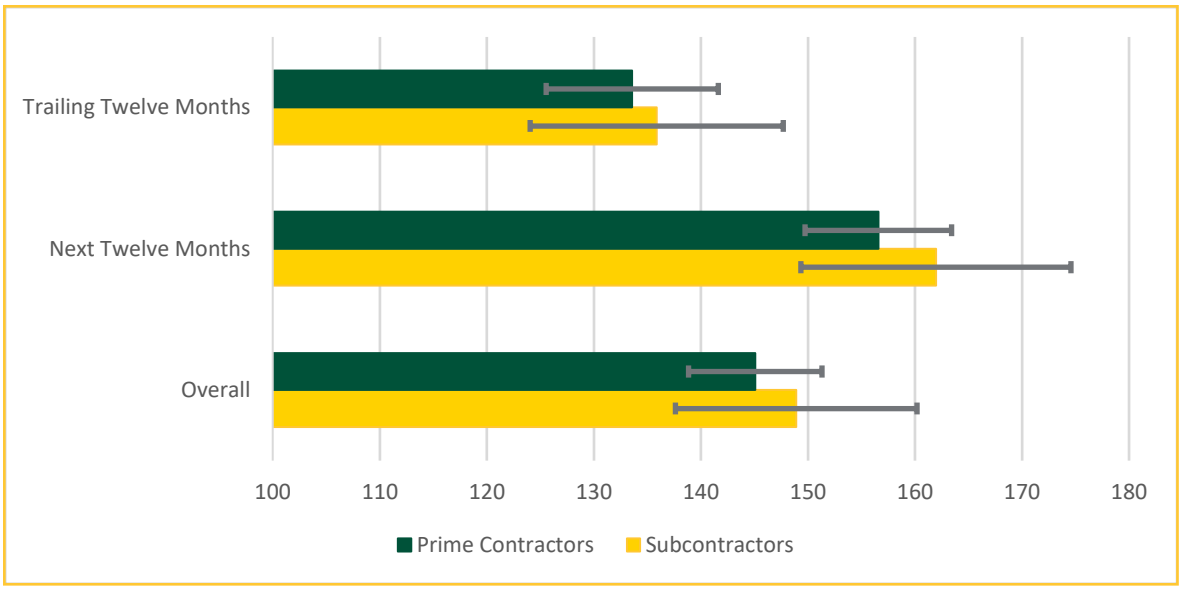
Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 43. Performance Index for DoD Companies vs Other Federal Companies



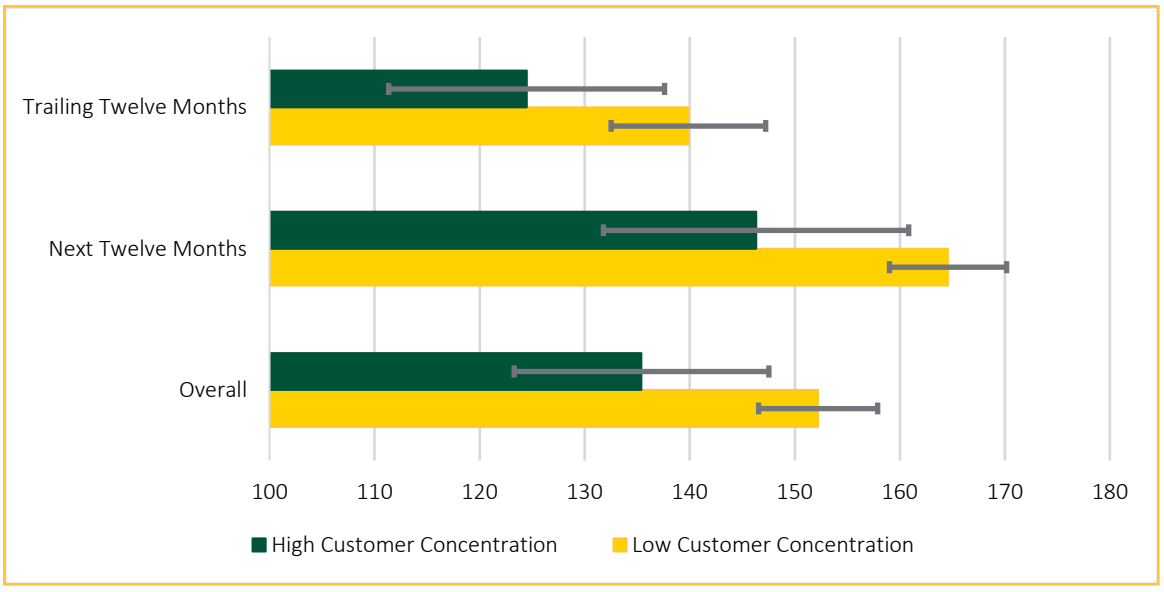
Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 44. Performance Index for Prime Contractors vs Subcontractors



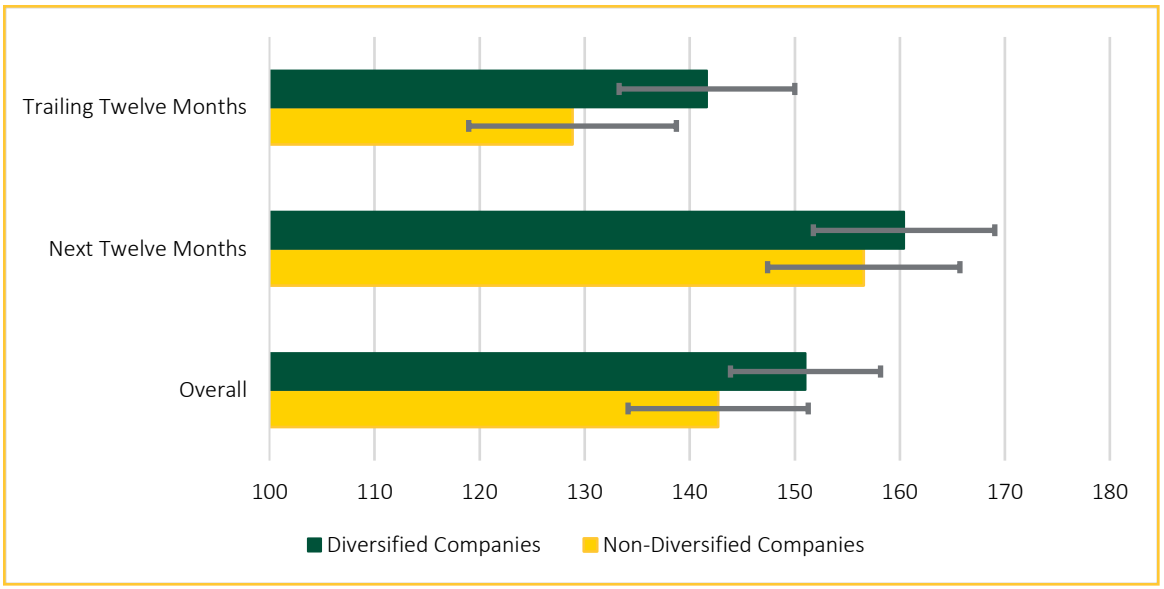
Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 45. Performance Index for High Customer Concentration vs Low Customer Concentration



Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

Figure 46. Performance Index for Diversified Companies vs Non-Diversified Companies



Source: 2024 Baroni Center Financial Performance Survey, Baroni Center analysis

4
Conclusions

This *2025 Government Contracting Trends and Performance Index* provides a holistic view of the composition of today's industrial base, key contracting trends, and a self-assessment of the government contracting industry's financial performance. Our findings reveal significant strengths in the overall government contracting community. While there has been an overall decline in companies pursuing business with Federal agencies, tens of thousands of companies continue to serve the government as prime contractors and there are healthy levels of competition across the marketplace. There has also been a significant increased focus on innovation and companies surveyed are optimistic about their business future. Our analysis, however, also identified weaknesses in measuring the success of efforts focused on innovation and in getting small business investment focused to support innovation priorities. Our recommendations focus on addressing these weaknesses and creating better incentive structures to achieve the desired outcomes of both government and industry.

The report was principally completed in 2024, but its independent analytical visualization of the government contracting landscape supports the objectives outlined by DOGE and the emerging acquisition reform agenda of the Trump Administration. Moreover, there is broad consensus that the Federal agencies and the companies that make up the government contracting community need to serve the national interest more effectively and efficiently. Accordingly, this report is designed to inform public understanding through a visualization of the contracting industry, contracting trends, and firms' self-assessment of their financial performance.

The Baroni Center will publish this *Government Contracting Trends and Performance Index* annually as an aid to elected and appointed government officials as well as businesses, investors, and academic researchers. We welcome comments, questions, and suggestions for improving this publication for the future. Please send comments to govcon@gmu.edu.

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Appendix A
Baroni Center Financial Performance Survey Questions

Q1. What is the name of your employer?

Q2. What was total revenue over the trailing 12 months?

Q3. What was total employee count (full-time equivalent) over the trailing 12 months?

Q4. What percentage of total revenue was from prime contracts over the trailing 12 months? Prime contract is defined as a mutually binding, legal relationship with the federal government to furnish supplies, materials, equipment, or services of any kind.

Q5. What percentage of total revenue was from subcontracts (including as a supplier/vendor) over the trailing 12 months? Subcontract is defined as a mutually binding, legal relationship to furnish supplies, materials, equipment, or services of any kind for performance of a prime contract or a subcontract supporting the federal government.

Q6. What is your primary industry classification (six-digit NAICS code) for federal revenue? Federal revenue is defined as sales from prime contracts plus sales from subcontracts.

Q7. What percentage of federal revenue was attributable to [*NAICS code designated in Q6*] over the trailing 12 months? Federal revenue is defined as sales from prime contracts plus sales from subcontracts.

Q8. What federal government agency was your largest customer based upon federal revenue over the trailing 12 months? Federal revenue is defined as sales from prime contracts plus sales from subcontracts.

Q9. What percentage of federal revenue was attributable to work supporting [*federal government agency designated in Q8*] over the trailing 12 months? Federal revenue is defined as sales from prime contracts plus sales from subcontracts.

Q10. What are your top 5 key performance indicators (KPIs)?

	#1	#2	#3	#4	#5
Revenue	o	o	o	o	o
Gross Margin	o	o	o	o	o
Operating Margin	o	o	o	o	o
Net Income Margin	o	o	o	o	o
Free Cash Flow	o	o	o	o	o
Book-to-Bill Ratio	o	o	o	o	o
Total Backlog	o	o	o	o	o
Funded Backlog Percentage	o	o	o	o	o
Leverage	o	o	o	o	o
Interest Coverage	o	o	o	o	o
Free Cash Flow Conversion	o	o	o	o	o
Days Sales Outstanding	o	o	o	o	o
New Win Rate	o	o	o	o	o
Re-Compete Win Rate	o	o	o	o	o
Qualified Pipeline ($)	o	o	o	o	o
Proposals In Process ($)	o	o	o	o	o
Proposals Submitted ($)	o	o	o	o	o
Labor Utilization	o	o	o	o	o
Return on Capital	o	o	o	o	o
Other (please specify)	o	o	o	o	o

Q11. How did your top KPIs change over the trailing 12 months compared to the preceding 12 months?

	Worsening			Improvement	
	Significant	Slight	No Change	Slight	Significant
[#1 KPI Selected]	o	o	o	o	o
[#2 KPI Selected]	o	o	o	o	o
[#3 KPI Selected]	o	o	o	o	o
[#4 KPI Selected]	o	o	o	o	o
[#5 KPI Selected]	o	o	o	o	o

Q12. How do you expect your top KPIs will change over the next 12 months compared to the trailing 12 months?

	Worsening			Improvement	
	Significant	Slight	No Change	Slight	Significant
[#1 KPI Selected]	o	o	o	o	o
[#2 KPI Selected]	o	o	o	o	o
[#3 KPI Selected]	o	o	o	o	o
[#4 KPI Selected]	o	o	o	o	o
[#5 KPI Selected]	o	o	o	o	o

Appendix B
Detailed Methodologies

INDUSTRIAL BASE COMPOSITION AND CONTRACT TRENDS

These sections rely on publicly available information contained at a variety of federal websites, including USASpending.gov, SAM.gov, and SBIR.gov. USASpending.gov data were downloaded from the Award Data Archive in two waves: FY2020-FY2023 files were downloaded on April 15, 2024 and FY2009-FY2019 were downloaded on March 1, 2023. SBIR.gov data were downloaded from the SBIR legacy system on July 8, 2024. SAM.gov data were obtained from the website portal that is now the legacy system site. Any necessary computations were run using IBM SPSS Statistics (Version: 29.0.0.0). All figures and tables were created using Microsoft Excel 360. All dollar figures are presented in 2023 dollars. Different fields in USASpending.gov data were relied on to create individual graphs.

All definitions and values of the fields are provided by the USASpending.gov data dictionary located at https://www.usaspending.gov/data-dictionary. These include the following:

1. Recipient Unique Entity Identifier (*recipient_uei*) used to identify contractors: "The Unique Entity Identifier (UEI) for an awardee or recipient. A UEI is a unique alphanumeric code used to identify a specific commercial, nonprofit, or business entity."

2. Federal Action Obligation (*federal_action_obligation*) used to denote monies spent on contract: "Amount of Federal government's obligation, de-obligation, or liability, in dollars, for an award transaction."

3. Contract pricing (*type_of_contract_pricing*) used to identify the type of contract as defined in FAR Part 16 that applies to a procurement, specifically whether an incentive was utilized.

Values (involving "Incentive" only)

COST PLUS INCENTIVE
COST PLUS INCENTIVE FEE
COST PLUS AWARD FEE
FIXED PRICE INCENTIVE
FIXED PRICE AWARD FEE

4. Awarding agency (*awarding_agency_code*) used to identify DoD and other Federal agencies responsible for awarding the contract: "A department or establishment of the Government as used in the Treasury Account Fund Symbol (TAFS)."

Values
097 = Department of Defense
All other numbers = Other Federal

5. Cost Accounting Standards clause (*cost_accounting_standards_clause*) used to identify(non)traditional contractor status.

Values
Y = CAS CLAUSE INCLUDED
X = NOT APPLICABLE EXEMPT FROM CAS
N = NO - CAS WAIVER APPROVED

6. Small business designation (*contracting_officers_determination_of_business_size*) used to identify whether a contractor is Small or Other-Than-Small.

Values
S = SMALL BUSINESS
O = OTHER THAN SMALL BUSINESS

7. Product or Service Code (*Product_or_Service_Code*): used to identify the product or service procured. Codes are defined in the Product and Service Codes Manual.

Values
Start with a number = Products
Start with the letter 'A' = R&D
Start with a letter other than 'A' = Services

FINANCIAL PERFORMANCE INDEX

To assess federal contractors' financial and operating performance, the research team utilized a survey instrument to collect novel data from a sample of companies in the government contracting industrial base. The research team utilized Qualtrics to create and distribute the survey. The survey comprised three general sections: demographic questions, identification of top KPI, and performance of top KPI.

Demographic questions were aimed at collecting data necessary to check the representativeness of the sample against the population. These questions also allowed the research team to categorize the sample to conduct segment analysis. The demographic questions were related to company sizes (revenue and employee counts), revenue attributable to prime contracts and sub-contracts (including as a supplier), primary industries (6-digit NAICS codes), and primary federal customer. The identification of top KPI questions allowed the research team to establish what performance metrics were primarily being utilized by the government contracting industrial base. Survey respondents were asked to identify their companies' top five KPIs. The performance of top KPI questions allowed the research team to gauge the level of improvement or deterioration experienced by companies as measured by their top KPI over two distinct periods of time - trailing twelve months (TTM) and the next twelve months (NTM). The questions related to performance utilized a Likert-type scale with the following levels: Significant Worsening, Slight Worsening, No Change, Slight Improvement, and Significant Improvement. The survey questions are provided in full as Appendix B.

The research team used a hybrid approach to recruit participants. First, a randomized set of 400 US-based, for-profit companies registered in SAM.gov were contacted with an offer to complete the survey. Second, the research team distributed the survey through several trade associations, the Baroni Center's internal distribution list, and the Baroni's Center's board of advisors. Third, Qualtrics research services were contracted to collect responses.

The Financial Performance Index was calculated from the performance of top KPI questions. The responses were converted into the following numeric scores.

Significant Worsening = 0
Slight Worsening = 50
No Change = 100
Slight Improvement = 150
Significant Improvement = 200

The numeric scoring system was then utilized to calculate three index scores for each participating company – (1) for the trailing twelve months; (2) for the next twelve months; and (3) an overall scoring combining the trailing twelve months and the next twelve months.

The responses for the trailing twelve months were averaged so that each company had a single numeric performance score for this time frame. The same procedure was conducted for the responses for the next twelve months.

TTM Firm Level Financial Performance Index

$$= \frac{1}{5} \sum_{j=1}^{5} x_{ij}$$

where *x* is the TTM numeric performance score, *i* is an individual company and *j* is a KPI

NTM Firm Level Financial Performance Index

$$= \frac{1}{5} \sum_{j=1}^{5} x_{ij}$$

where *x* is the NTM numeric performance score, *i* is an individual company and *j* is a KPI

Overall Firm Level Financial Performance Index

$$= \frac{1}{2} \sum_{t=1}^{2} x_{it}$$

where *x* is the firm level financial performance index, *i* is an individual company and *t* is the time [1 = TTM and 2 = NTM]

TTM Sample Financial Performance Index

$$= \frac{1}{n} \sum_{i=1}^{n} x_{i}$$

where *x* is the TTM firm level financial performance index and *i* is an individual company

NTM Sample Financial Performance Index

$$= \frac{1}{n} \sum_{i=1}^{n} x_i$$

where x is the NTM firm level financial performance index and i is an individual company

Overall Sample Financial Performance Index

$$= \frac{1}{n} \sum_{i=1}^{n} x_i$$

where *x* is the Overall firm level financial performance index and *i* is an individual company

TTM Segment Financial Performance Index

$$= \frac{1}{n_k} \sum_{i=1}^{n_k} x_{ik}$$

where *x* is the TTM firm level financial performance index, *i* is an individual company, and *k* is a segment

NTM Segment Financial Performance Index

$$= \frac{1}{n_k} \sum_{i=1}^{n_k} x_{ik}$$

where x is the NTM firm level financial performance index, i is an individual company, and k is a segment

Overall Segment Financial Performance Index

$$= \frac{1}{n_k} \sum_{i=1}^{n_k} x_{ik}$$

where *x* is the Overall firm level financial performance index, *i* is an individual company, and *k* is a segment

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About the Authors

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Dr. Jerry McGinn is the Executive Director of the Greg and Camille Baroni Center for Government Contracting in the School of Business at George Mason University (GMU). In this role, he has established and is leading the first-of-its-kind university center for research, education and training, and collaboration on issues facing the $800B+ government contracting industry. Prior to joining GMU,

Jerry served as the senior career official in the Office of Manufacturing and Industrial Base Policy in the Department of Defense. Previous to DoD, Dr. McGinn spent a decade in senior defense industry roles at Deloitte Consulting LLP, QinetiQ North America, and Northrop Grumman. Before industry, Dr. McGinn served in DoD as Special Assistant to the Principal Deputy Undersecretary (Policy) and as a political scientist at RAND. Dr. McGinn has published influential George Mason reports, RAND monographs, and articles in *The Hill*, *Business Insider*, *Defense News*, *Defense One*, and other outlets. Dr. McGinn was commissioned into the U.S. Army and served with distinction as an infantry officer and is a graduate of Ranger and Airborne Schools. He has received numerous civilian and military awards and has earned a Ph.D., M.S., and M.A. from Georgetown University as well as a B.S. from the United States Military Academy.

JEFF KOJAC

Jeff Kojac is the Director of Studies & Senior Research Scientist at the George Mason University Costello College of Business Baroni Center for Government Contracting. He has extensive, varied, and long-term experience analyzing political, strategic, budgetary, requirements, acquisition, organizational, and campaign planning matters for senior executives in government and industry.

Previously he was a principal at the Lockheed Martin corporate strategy studies & analysis office as well as a Booz Allen Hamilton Government Relations director. As a thirty-year career Marine Corps officer, he served on the White House National Security Council staff; on the Secretary of Defense's National Defense Strategy writing team; as senior military assistant to the Defense Department's Director of Cost Assessment and Program Evaluation; as special assistant to the Chairman of the Joint Chiefs of Staff; as speechwriter for the Commandant of the Marine Corps; as a Headquarters Marine Corps Deputy Commandant chief of staff; as the senior officer responsible for Marine Corps aviation command & control, ground based air defense, and uncrewed aerial vehicles; as the Department of the Navy lead coordinator at the Joint Artificial Intelligence Center; as a director for research & analysis at the National Commission on Artificial Intelligence; and as an international affairs fellow at the Center for Strategic & International Studies.

In the operating forces he deployed three times to the Middle East and was stationed three times in the Far East; and served successively as a company, squadron, and group commander as well as a wing chief of staff.

His undergraduate degree is from St John's College where he read the classics and philosophy. His graduate degree is from the University of Pennsylvania where he studied the history of U.S. foreign affairs in Asia. He is a graduate of resident executive programs at Stanford University, M.I.T., George Washington University, the U.S. State Department Foreign Service Institute, the Germany Army Higher Command & Staff College, and the Joint Forces Staff College. He is a member of the Council on

Foreign Relations.

EDWARD HYATT

Edward Hyatt is a Senior Fellow in the School of Business at George Mason University. His appointment is with the Center for Government Contracting.

Hyatt has a decade of research experience and more than seven years of managerial experience in the public procurement profession. During this dual career he has earned several advanced degrees, has served as a contracts and purchasing agent in multiple settings (municipal, county, and university), and has participated in the research and publication process on over a dozen projects. Hyatt earned a Ph.D. in Management and a Master of Commerce from the University of Melbourne, an MBA & an MPA from the University of Texas at El Paso, and he received a B.A. in Sociology from UC Irvine.

LLOYD EVERHART

Lloyd E. Everhart is a Research Manager in the Costello College of Business at George Mason University. His appointment is with the Center for Government Contracting.

Everhart is an enterprising professional with experience as a federal contractor supporting the Environmental Protection Agency, the National Institutes of Health, and the Military Health System/Defense Health Agency. He also has experience working in the finance office of a small government contractor. In addition to the government contracting space, Everhart has experience in the investment management industry. Outside of his professional experience, he is a trained financial analyst and has conducted novel research related to investment performance.

Everhart earned a BA in History, with a Minor in Legal Studies, from George Mason University.

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Olivia Letts is a Research Manager in the Costello College of Business at George Mason University. Her appointment is with the Baroni Center for Government Contracting.

Letts' research interests include defense spending and management, emergent technology, U.S. military policy, and foreign policy. She is especially interested in the industrial supply chain's link to national security, and in researching ways to improve efficacy and cost-effectiveness in the Department of Defense. Prior to working for the Center, Letts worked as an associate analyst for One Defense, a company that specializes in creating business strategies for innovative companies entering the defense market and government contracting spaces.

Letts received a BA from the University of Florida, and an MA from Georgetown University. Her writing has been featured in *Defense News*, *Army Magazine*, *The Cipher Brief*, *Sarasota Magazine*, and the *Georgetown Security Studies Review*.

JOHN DAVIS

John Davis is a Captain in the U.S. Army currently serving as an Acquisition Officer, bringing a diverse background that blends operational experience with strategic acquisition leadership. He began his military career in 2014 as an Explosive Ordnance Disposal (EOD) Technician before joining the Army Acquisition Corps, where he led key modernization efforts, including the Army's bomb suit program. Most recently, John completed his Master of Business Administration at George Mason University, where he also served as a Graduate Research Assistant at the Greg and Camille Baroni Center, contributing to research at the intersection of government, innovation, and defense acquisition.

John brings to the acquisition community a unique ability to translate complex operational requirements into effective, mission-ready solutions. His work spans program management, defense procurement, and rapid capability delivery, with a focus on enabling soldier survivability and supporting emerging technologies.

John holds an MBA from George Mason University, a Master's in Criminal Justice from Boston University, and a Bachelor's in Sociology from the University of Mount Union.

2025
Government Contracting Trends and Performance Index

The Baroni Center's *2025 Government Contracting Trends and Performance Index* fills the gaps in the public understanding of the private sector industrial base contracted to support the functioning of the U.S. federal government.

Focused on industrial base composition, contracting trends, and financial Performance, topline findings include:

- *Measuring innovation outcomes is imperative*
- *Incentives are the true drivers of innovation*
- *A need to put the "non" back in nontraditional defense contractors*
- *Small businesses innovate, but the preponderance of small business work is not in innovation*
- *Across the spectrum of companies in 2024, industrial base sentiment was strong*