

Impact of A-76 Competitive Sourcing on Small Government Vendors, FY 2001 – FY 2006

by

**Eagle Eye Publishers, Inc. &
Jack Faucett Associates, Inc.**

for



Under contract SBAHQ-04-M-0535

Release Date: May 2007

This report was developed under a contract with the Small Business Administration, Office of Advocacy, and contains information and analysis that was reviewed and edited by officials of the Office of Advocacy. However, the final conclusions of the report do not necessarily reflect the views of the Office of Advocacy.

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Overall Findings

The data show that since fiscal year (FY) 2001 through the third quarter of FY 2006, \$5.5 billion was spent on 3,735 A-76 contracts (see table). Of the 795 companies that received these procurements, 567 companies, or 71 percent, were small. Small businesses won 65 percent of the total *number* of A-76 contracts.

Highlights

- As noted, A-76 contracts were awarded by both civilian and defense agencies. Small business shares are shown in both number of contracts and dollars. Multiple contracts may be awarded to one recipient.

- Civilian agencies awarded contracts to a total of 678 recipients, of which 488, or 72 percent, were small businesses. The civilian agencies awarded these 488 small businesses a total of 2,355 contracts over the FY 2001-FY 2006 period, or about two-thirds of the total *number* of civilian agency A-76 contracts. These contracts were valued at \$615 million, or about 19.5 percent of the total *dollar value* of A-76 contracts awarded by civilian agencies. The average value of these civilian

agency A-76 contracts was \$261,532 per recipient small firm.

- Defense agencies awarded a total of \$2.3 billion in A-76 contracts over the FY 2002-FY 2006 period. Of the *number* of defense agency A-76 contracts, small firms won 64 percent; small firms won 31 percent of the *dollar value*.

Scope and Methodology

The General Services Administration's Federal Procurement Data System—Next Generation (FPDS-NG) database provided the primary source data used in this study. It provides the most systematic overview of A-76 prime contract statistics for civilian agencies. The FPDS-NG database is a three-year-old information collection and dissemination system that replaces the old procurement reporting process using DD-30 and SF-279 forms.

Starting in 1979, the Department of Defense's database for tracking A-76 initiatives has been the Commercial Activities Management Information System or CAMIS. The CAMIS database thus is the primary source for A-76 contract statistics for defense agencies.

Summary of Federal Civilian and Defense Agency A-76 Procurements Since FY 2001*

	Number of award recipients			Number of contracts			Contract dollars (billions)		
	Total	Small firms ¹	Percent small	Total	Small firms ¹	Percent small	Total	Small firms ¹	Percent small
Total	795	567	71.3	3,735	2,438	65.3	5.5	1.3	24.2
Civilian agencies ²	678	488	71.9	3,606	2,355	65.3	3.2	.6	19.5
Defense component agencies ³	117	79	67.5	129	83	64.3	2.3	.7	30.7

* See notes below for time periods covered.

¹ The A-76 recipients that are not small constitute an "Other" category that includes nonprofits, etc., but is primarily large businesses.

² Civilian agency data are from the Federal Procurement Data System and cover the FY 2001 to FY 2006 year to date (YTD) period.

³ Defense Department (DoD) data are from the DoD's Commercial Activities Management Information System (CAMIS) and cover the FY 2002 to FY 2006 YTD period.

To perform this analysis, the researcher extracted and analyzed all A-76 contract transaction records reported in the FPDS-NG and the CAMIS covering the period FY2001–FY2006. The data were summarized and discussed.

This report was peer-reviewed consistent with Advocacy's data quality guidelines. More information on this process can be obtained by contacting the Director of Economic Research at advocacy@sba.gov or (202) 205-6533.

Note

Previous research titled, "Small Business Participation in A-76 Privatization Initiatives," was published by the U.S. Small Business Administration's Office of Advocacy in 1989 and is available at <http://www.sba.gov/advo/research/PB90-195595.pdf>.

Ordering Information

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Summary of Key Findings

Available evidence suggests that outsourced federal contracts have a minimal impact on small business participation in the federal marketplace.

Outsourcing has been standard federal policy since 1966 when the first A-76 memo outlined the government's intention to utilize commercial firms to do the government's work whenever it appeared these firms could perform work more efficiently than government organizations. The outsourcing movement received substantial impetus and focus in the first term of the George W. Bush administration when competitive sourcing emerged as one of five key initiatives in the President's Management Agenda (PMA). How well agencies fulfill the goals of the PMA determines their PMA score, which in turn influences program funding and the implementation of additional management reforms.

The following key findings emerged from the statistical analysis of civilian and defense A-76 contract activity over the FY 2001 – FY 2006 year to date (YTD) period:

- The Department of Defense (DoD) and civilian agencies reported spending a combined \$5.483 billion on 3,735 A-76 procurements between FY 2001 and FY 2006 YTD.
- In FY 2005, the most recent complete fiscal year for which outsourced contract data are available, DoD and civilian agencies reported spending a combined \$1.6 billion on A-76 procurements, four-tenths of one percent of the \$383 billion overall FY 2005 procurement total.
- DoD accounted for 42.4 percent of the A-76 procurement dollars spent between FY 2001 and FY 2006 YTD.
- Civilian agencies reported spending 4.6 times more money on outsourced procurements in FY 2005 than the Department of Defense.
- Combined defense and civilian A-76 spending dropped 22 percent between FY 2004 and FY 2005. The total number of A-76 contract awards grew by 10 percent.
- Between FY 2001 and FY 2006 YTD, 71 percent of the 795 commercial A-76 contract recipients were reported to be small businesses. These small businesses received 65 percent of the A-76 contracts, which amounted to 24 percent of A-76 contract dollars.
- Civilian agencies awarded 65 percent of their A-76 contracts to small firms between FY 2001 and FY 2005. These contracts accounted for 20 percent of civilian A-76 spending.
- Between FY 2001 and FY 2005, the National Aeronautics and Space Administration accounted for 90 percent of all reported civilian A-76 contracts and dollars.
- Five consolidated markets including professional services, manufacturing, information and cultural industries, administrative support, and construction accounted for 96 percent of all civilian agency A-76 dollars between FY 2001 and FY 2006 YTD.

1. Introduction and A-76 Background

In Circular A-76, the Office of Management and Budget (OMB) defines competitive sourcing as the process by which government agencies identify public sector tasks that are commercial in nature and then compete these tasks between government organizations and private sector vendors.¹ The literature review conducted for this analysis includes an in-depth examination of all available A-76-related reports, studies, news articles, public and industry comments, and press releases. Key documents analyzed include:

- Office of Management and Budget (OMB) May 2004 *Competitive Sourcing* report.
- Previous versions of OMB Circular A-76.
- OMB annual reports on competitive sourcing results.
- OMB guidance memoranda on A-76.
- Federal Acquisition Council, *Manager's Guide to Competitive Sourcing*, February 2004.
- General Accounting Office report, *DoD Competitive Sourcing: Results of A-76 Studies over the Past 5 Years*, December 2000.
- Industry and small business association reports, press releases, and materials.
- U.S. Army Materiel Command report, *A-76 Lessons Learned*.
- Competitive sourcing guidebook publications of federal agencies.

The remainder of this document is organized into five sections. Section 1 provides an overview of the evolution and inter-workings of competitive sourcing. Section 2 reviews data sources. Section 3 highlights key issues and concerns of public and private stakeholders. Section 4 analyzes some of the available data, and Section 5 concludes the report.

1.1. The Origins of Competitive Sourcing

The competitive sourcing movement emerged during the mid-1950s under the Eisenhower Administration. In an effort to streamline government operations and promote efficiency, the executive branch began to strongly encourage federal agencies to start obtaining commercially available goods and services from the private sector. In 1966, the Office of Management and Budget (OMB) formalized this policy by publishing Circular A-76, titled *Performance of Commercial Activities*. As a result of this circular, competitive sourcing programs are often referred to as “A-76” programs.

According to OMB Circular A-76, the federal government seeks to ensure that the American people receive maximum value for their tax dollars by requiring agencies to compete with private sector firms for the opportunity to perform public sector jobs deemed by the agencies themselves to be substantially commercial in nature.² OMB believes that adding an element of

¹ Executive Office of the President, Office of Management and Budget, *Circular No. A-76 (Revised)* (Washington, DC: OMB, 2003), 1-11.

² *Ibid.*, 1.

competition to the performance of government work ultimately lowers costs as well as improves the delivery of services.

In 1979, OMB published a supplement to the A-76 circular. This handbook outlined procedures for conducting competitions between the public and private sectors for commercially available services. The result of these competitions determines whether the private or government work force is more efficient and cost-effective for performing the task. OMB revised the guidance documents several times over the years to refine program guidelines, procedures, and competition requirements. Revisions occurred in August 1983, March 1996, June 1999, and most recently in May 2003.

1.2. Conversion to Contracts

The actual process of transferring activities from the public to the private sector is called a “conversion to contract.” The basic A-76 program includes the following two basic components:

- 1) A FAIR inventory
- 2) A public-private cost comparison.

The following sections provide a brief overview of how typical A-76 programs operate.

FAIR Act Inventories

The Federal Activities Inventory Reform Act of 1998 (FAIR Act) requires agencies to develop and submit to OMB an inventory of all agency positions that were commercially available or inherently governmental.³ These are referred to as FAIR inventories.

According to the A-76 circular, “A commercial activity is a recurring service that could be performed by the private sector and is resourced, performed, and controlled by the agency through performance by government personnel, a contract, or a fee-for-service agreement. A commercial activity is not so intimately related to the public interest as to mandate performance by government personnel.”

Common commercial activities include:

³ The Federal Activities Inventory Reform Act of 1998, Public Law 105-270

- Audiovisual products and services
- Automatic data processing
- Food services
- Health services
- Industrial shops and services (e.g., carpentry)
- Maintenance, overhaul, and repair
- Management support services
- Manufacturing and fabrication
- Office and administrative services
- Printing and reproduction
- Special research and analysis services
- Property management services
- Security
- Systems engineering
- Transportation

An example of an agency inventory form is provided in Figure 1.

Figure 1: Example of an Agency Activity Inventory

Fiscal Year XXXX Annual Inventory Summary									
AGENCY:	COMMERCIAL ACTIVITY INVENTORY					INHERENTLY GOVERNMENTAL INVENTORY			
	FAIR Act	Uniformed Services	Foreign Nationals	Other	<u>TOTAL</u>	Inherently Governmental *	Uniformed Services	Foreign Nationals	<u>TOTAL</u>
Agency Component A									
Agency Component B									
AGENCY TOTAL									
*Minus uniformed services personnel and foreign nationals									

Source: OMB Circular A-76

After the inventory and categorization of activities, federal agencies submit the FAIR inventory to OMB and the OMB administrator reviews it and consults with the head of the agency. After the review, the inventory is released to the public. Then, only “interested” parties are allowed for a limited appeals process to challenge the determinations. (See Section 3.1 for discussion on appeals). FAIR inventory determinations do not necessarily guarantee that the commercially available activities will be outsourced.

Cost Comparisons

Circular A-76 provides a set of procedures for how and when a federal agency competes with private contractors for a commercially available activity. After the inventory process, agencies have the option of conducting a direct conversion of an activity. A direct conversion allows commercial activities to be moved from government to contract staff without a cost comparison under specific conditions. For example, activities involving 10 or fewer full-time equivalent employees (FTEs) are eligible for direct conversions.

Under a second option, agencies compare the costs of continuing to complete an activity in-house to the costs of obtaining the same activity through a private contractor. This public-private competition determines whether a specific function will continue to be completed by federal employees or whether a contractor may be better suited. Figure 2 below, taken from the A-76 circular, is an example of an agency cost comparison form.

Figure 2: Summary of the Standard Competition Form (SCF)	
COST OF AGENCY PERFORMANCE	
SCF Line 1: Personnel Costs.	Agency labor costs for direct and indirect labor necessary to meet the requirements in the solicitation.
SCF Line 2: Material and Supply Costs.	Agency cost of materials and supplies such as office supplies, including handling and inflation.
SCF Line 3: Other Specifically Attributable Costs.	Other agency costs such as the cost of capital, depreciation capital assets, rent, utilities, insurance, and MEO subcontracts.
SCF Line 4: Overhead Costs.	Twelve percent of agency personnel costs reflected on SCF Line 1.
SCF Line 5: Additional Costs.	Agency costs not otherwise accounted for on SCF Lines 1-4, such as phase-in costs and one-time conversion costs for an expansion, new requirement, or conversion from a private sector or public reimbursable provider to agency performance.
SCF Line 6: Total Cost of Agency Performance.	The sum of SCF Lines 1-5.
COST OF PUBLIC REIMBURSABLE PERFORMANCE	
The guidance for a public reimbursable source to complete SCF Lines 1a-6a is the same as the guidance to complete SCF Lines 1-6.	
ADJUSTED COST OF PRIVATE SECTOR OR PUBLIC REIMBURSABLE PERFORMANCE	
SCF Line 7: Contract Price or Public Reimbursable Cost Estimate.	The contract price (based on the type of acquisition, source selection process, and contract type required by the solicitation), or the public reimbursable cost on SCF Line 6a.
SCF Line 8: Contact Administration Costs.	Costs for administering the contract.
SCF Line 9: Additional Costs.	Costs incurred by the agency that are added to the private sector or public reimbursable provider's price/cost.
SCF Line 10: One-time Conversion Costs.	Costs based on 5% of Line 1, incurred by the agency as a result of awarding a contract.
SCF Line 11: Gain on Assets.	Revenue generated from the sale/transfer of agency assets when converting from agency performance.
SCF Line 12: Federal Income Tax Adjustment.	Revenue for the government when a private sector provider pays federal income tax.
SCF Line 13: Total Adjusted Cost of Private Sector or Public Reimbursable Performance.	The sum of Lines 7-12.
COST OF PERFORMANCE DECISION CALCULATIONS	
SCF Line 14: Conversion Differential.	The lesser of 10% of agency labor costs or \$10 M is added to the non-incumbent provider.
SCF Line 15: Adjusted Total Cost of Agency Performance.	If a private sector or public reimbursable source is the incumbent provider, the conversion differential is added to the cost of agency performance (SCF Line 6) and the sum is the "adjusted total cost of agency performance" on SCF Line 15.
SCF Line 16: Adjusted Total Cost of Private Sector or Public Reimbursable Performance.	If the agency is the incumbent provider, the conversion differential is added to SCF Line 13 and the sum is the "adjusted total cost of private sector or public reimbursable performance" on SCF Line 16.
SCF Line 17: Cost Difference.	SCF Line 15 is subtracted from SCF Line 16 to reflect the "cost difference" on SCF Line 17. A positive number indicates performance decision for agency performance and a negative number indicates a performance decision for a private sector or public reimbursable provider.
SCF Line 18: Low-Cost Provider.	The low-cost provider based on the calculations on the SCF.

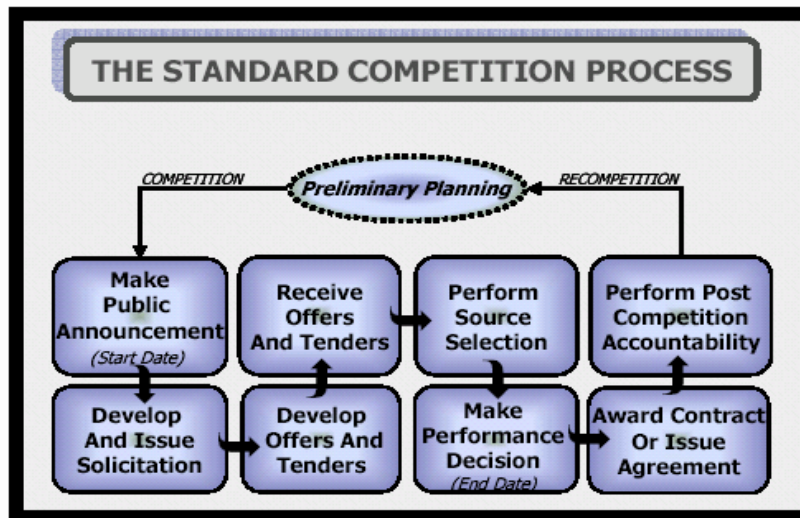
Source: OMB Circular A-76

The standard competitive sourcing process of the A-76 program, diagrammed in Figure 3 below, includes the following six steps:

1. The agency develops a Performance Work Statement (PWS) that describes the activity and need.
2. A Government Management Plan is produced to determine the government’s “most efficient organization.”
3. An in-house cost estimate of completing the activity is developed.
4. A solicitation for private-sector proposals is released.
5. The best private-sector offer is compared with the in-house cost estimate and the lower cost alternative is tentatively chosen,
6. Before the final decision, the agency resolves any administrative appeals concerning the fairness or accuracy of the costs.

According to the A-76 guidance, activities should not be converted to contract unless it is estimated that \$10 million or 10 percent of the in-house personnel costs would be saved.

Figure 3: A-76 Standard Competition Process



Source: OMB Circular A-76

To facilitate this competition process, OMB requires each executive agency, with the exception of the Government Accountability Office (GAO) and depot-level maintenance and repair of the Department of Defense (DoD), to establish a central office and to designate an official at the assistant secretary level. This office has the sole responsibility for implementing the A-76 program and its reporting requirements.

1.3. The President’s Management Agenda

Since the start of his presidency, President George W. Bush has made competitive sourcing a high priority for federal agencies. In 2001, President Bush proposed the President’s Management Agenda (PMA), a broad management reform initiative designed to make the management and execution of government programs more efficient. The original PMA contained five government-wide goals and nine agency-specific goals. One of the five government-wide goals

is competitive sourcing. President Bush explicitly directed agencies to use competition more aggressively as a management tool to determine the most efficient and cost-effective source for activities currently performed by their personnel.

The Office of Management and Budget (OMB) was designated as the implementing organization for the PMA. The OMB set aggressive goals for public-private competition under OMB Circular A-76. Civilian departments and agencies (as well DoD) were directed to compete 15 percent of commercial activities listed on agency FAIR Act inventories over a 2-year period, with competition of 50 percent of the aggregate total inventory over a longer term of years.⁴

In April 2006, OMB published its annual *Report on Competitive Sourcing Results*, covering detailed analysis of competitive sourcing activities in Fiscal Year 2005, along with summary data for the two previous fiscal years. Agencies are required to report annually on their competitive sourcing activities pursuant to Section 647(b) of the Transportation, Treasury, and Independent Agencies Appropriations. The results of the report, summarized in Figure 4 below, found that 1,060 competitive assessments were completed in the last three years for an estimated net savings of \$5.6 billion. The results of these assessments determined that 83 percent of the competed tasks could be completed more efficiently and cost-effectively by government employees.

⁴ Executive Office of the President, Office of Management and Budget, *Competitive Sourcing: Conducting Public-Private Competition in a Reasoned and Responsible Manner* (Washington, DC: Office of Management and Budget, July 2003), 5. *Statement of Angela B. Styles, Administrator for Federal Procurement Policy, Before the Subcommittee on Technology and Procurement Policy, Committee on Government Reform, U.S. House of Representatives, September 27, 2002*, at <http://www.whitehouse.gov/omb/legislative/testimony/styles092702.html>.

Figure 4 – FY 2003-2005 Federal Agency Competitive Sourcing Results

Competitive Sourcing at a Glance Investments and Results: FYs 2003-2005	
Cumulative results	
Factor	Three-Year Total*
FTE competed	40,147
Number of competitions conducted	1,060
FTE competed under standard competitions	32,176
Incremental cost	\$210 million
Estimated net savings	\$5.6 billion
Estimated annualized savings	\$900 million

*Dollar figures are rounded to nearest \$10 million

Three-year average	
Factor	Three-Year Average*
FTE per competition	38
Work competed through standard competitions (as a percentage of total FTEs competed)	80%**
Incremental cost of a competition per FTE competed	\$5,000
Net annual savings per FTE competed	\$23,000
Competitions where federal agency selected to perform work (as a percentage of total FTEs competed)	83%

*Dollar figures are rounded to nearest thousand.
**Standard competitions require head-to-head competition between the public and private sectors and the development of an MEO staffing plan by the federal incumbent provider.

Source: OMB, *Report on Competitive Sourcing Results FY 2005* (April 2006), 5.

Two notable trends emerge from an analysis of OMB initiatives. First, government agencies win the overwhelming majority of A-76 competitions. Outsourced government work is still a very small component of federal contracting activity. Second, competitions declined steeply almost across the board between FY 2004 and FY 2005, particularly in property management, information technology, and personnel management, except in logistics and administrative support, which grew. Logistics is currently the largest government market for outsourcing competitions.⁵

⁵Executive Office of the President, Office of Management and Budget, *Competitive Sourcing: Report on Competitive Sourcing Results, FY 2005* (Washington, DC: Office of Management and Budget, April 2006), 8. Available at: http://www.whitehouse.gov/omb/procurement/comp_src/cs_annual_report_fy2005_results.pdf.

Table 1: Popular Activities for A-76 Competition, FY 2004 vs. FY 2005

Activity	FY 2004 FTE	FY 2005 FTE	Total : FY 04 & 05	
			FTE	%
Maintenance/property management	4,138	1,321	5,459	29
Logistics	1,448	2,987	4,435	23
Information technology	2,207	1,055	3,262	17
HR / personnel management & education	1,209	169	1,378	7
Finance & accounting	968	210	1,178	6
Administrative support	315	763	1,078	6
Other ^b	1,609	708	2,316	12

^a Data does not reflect NASA science competitions, which were conducted pursuant to a deviation, or competitions with no savings data at the time of the compilation of this report.

^b Activities in this category include: regulatory and program management support services (1.8%); research, development, test & evaluation (1.2%); depot activities (1.0%); and procurement (3.0%).

Source: OMB, *Report on Competitive Sourcing Results FY 2005* (April 2006), 13.

2. Data Sources

2.1. FPDS-NG Procurement Data

The GSA's FPDS-NG database provides the most systematic overview of A-76 prime contract statistics for civilian agencies. The FPDS-NG database is a three-year-old information collection and dissemination system that replaces the old procurement reporting process using DD-350 and SF-279 forms. With the adoption of the new reporting system in 2003, most agencies submit their contract reports to the GSA's FPDS-NG vendor directly using automated contract writing systems. Some less automated agencies continue to submit contract reports to the GSA's vendor periodically, using batch files.

These automated contract writing systems typically prompt acquisition officers to automatically submit online reports of individual contract transactions to the GSA's FPDS-NG system using much of the data the contract official has already entered into the contract writing system. This spending report contains a broad selection of descriptors detailing agency, company, contract, and competitive and socioeconomic information. Each transaction in the FPDS-NG database represents information about one unique contract obligation on an unclassified prime contract. The FPDS-NG system includes reports about GSA Schedule contracts, as well as credit card and other small purchases.

Prior to FY 2004 the FPDS database reported contract transactions \$25,000 and up, but the new FPDS-NG system collects and reports contract transactions of all sizes. This has caused a significant increase in the amount of reported information. Between FY 2000 and FY 2005, the

number of reported transactions grew from 539,000 to 2.8 million, and the government's overall dollar total grew from \$208 billion to approximately \$383 billion. Reported small business spending rose from \$39 billion to \$83 billion.

This sudden increase in the volume of contract data makes certain kinds of long-term trend analysis problematic. For example, it is meaningless to compare absolute levels of contract spending in FY 2003 and earlier years to spending in FY 2004 and FY 2005. The new, comprehensive FPDS-NG reporting system renders data collected under the old system incomplete and unreliable. The analysis of trends in various market shares over time remains relevant, though, because selected and overall data have changed by comparable percentages.

Further complicating the analysis of A-76 data is the fact that the A-76 flag in the FPDS-NG database only came into full use in FY 2004 with the changeover to the new data collection system. Currently two years of civilian A-76 contracts can be analyzed using the FPDS-NG database.

Contained in each transaction record is information describing the financial, competitive, statutory, and other characteristics of a contract obligation. The most important fields used to select data for this analysis include:

- **Contract Officer Determination of Small Business Size:** The official code used to distinguish small business awards from awards to other types of firms. Starting with FY 2004 data, the word "Small" in the field called "Contract Officer Determination of Small Business Size" was used to select small business awards.
- **Agency Code, Name:** Defines the agency administering an acquisition. In all tables and charts used in this study, agency codes are translated into commonly recognized acronyms.
- **NAICS Code, Definition:** The North American Industrial Classification System code describes the type of work performed on a contract, task, or delivery order. Though similar in nature to a product/service code, NAICS codes are now widely used for market analysis by other government agencies (especially the Census Bureau) and throughout the economy. For this study Eagle Eye enhanced the market definitions by linking each NAICS code to a manufacturing/services identifier as well as to an aggregated NAICS market name.
- **Extent of Competition:** This code describes the nature of the competitive process applied to the awarding of a contract. It is an indicator of which special competition preferences, if any, were given to bidders.
- **Parent Company Name:** Assigned by Eagle Eye, the Parent Company Name field consolidates all of a company's variously spelled subsidiaries and divisions under one name to enable accurate comparisons between companies.

Particularly on large, complex contracts, an acquisition officer might add dozens and even hundreds of transactions to a single contract over its active life. In these situations, the dollar amount of a single obligation does not represent the total value of a contract. Some small contracts, however, consist of only one obligation which represents the contract's entire value.

Each individual contract obligation forms the basis of a separate record in the master procurement file maintained by Eagle Eye. Each record shows a unique combination of several fields, called a record “key.” These include: reporting agency, contract number, contract modification number, contracting office order number, contracting office code, and action or effective date.⁶

2.2. DoD CAMIS Database

Since 1979 the Department of Defense has maintained its own database for tracking A-76 initiatives called the Commercial Activities Management Information System, or CAMIS. The CAMIS file helps the DoD track, manage, and evaluate its outsourcing initiatives. CAMIS data also help the DoD comply with the PMA directive to intensify the use of competitive sourcing as a tool for improving agency program performance. When CAMIS became web-based in 2000, it was re-named DCAMIS and all data began to be recorded and forwarded in real time.

According to DoD’s 2002 CAMIS Implementation Plan, each CAMIS record contains 155 unique fields of information describing the key characteristics of each initiative, from the sponsoring agency, the type of competitive sourcing process used, start and end dates, expected savings, and more. CAMIS data are recorded, reviewed and validated by officials in each defense component before the information is forwarded to the Office of the Secretary of Defense (OSD), which compiles A-76 information for a range of management and reporting purposes.

Data included in CAMIS are not as systematically collected and processed as data for the FPDS-NG system. For example, CAMIS does not use standard codes to track key fields like contract number, company name, market descriptors, and places of performance. This fact dictated the largely separate analysis of the FPDS-NG and CAMIS databases. It also made consolidating certain DoD performance measures somewhat problematic. Combined civilian and defense analysis of A-76 data was possible only with a limited number of data fields.

In May 2006, Eagle Eye obtained a CAMIS data file containing dates, dollar totals, large and small business indicators, and other important descriptors. For this analysis, Eagle Eye drew on several key fields of CAMIS data to measure DoD A-76 contracting performance, including:

- **Initiative Number:** A unique identifier for each A-76 initiative. The initiative number is not a contract number, which prevents the more extensive integration of CAMIS data with FPDS-NG data.
- **Contractor Size:** Identifies large and small vendors.
- **Organization Acronym:** Identifies the defense component administering the A-76 contract.
- **Initiative Type:** Distinguishes between the two main types of A-76 award procedures: cost comparison and direct conversion.

⁶ Records in the FPDS-NG database are subject to change. Eagle Eye performs “transaction processing” on a regular basis to incorporate record corrections and changes to the original data. For FY 2005 alone, Eagle Eye updated hundreds of thousands of records and in the process increased the reported procurement total from \$377 billion to approximately \$383 billion.

- **Solicitation Kind:** Describes the general competitive nature of the award, including legislative mandates like Javits-Wagner-O'Day and small business set-aside contracts.
- **Contract Type:** Distinguishes between firm fixed price and cost reimbursement-type contracts.
- **Contractor Name:** Identifies the name of the award recipient.
- **Function:** A brief description of the nature of the work performed on the contract.

3. Key A-76 Issues

The goal of A-76 programs is to help the federal government provide high-quality services efficiently and cost-effectively. Despite these laudable intentions, both government and industry representatives have raised concerns regarding the impact and fairness of public-private competitions. For example, in February 2004, the General Accounting Office (GAO) published a report that described the progress of A-76 programs at six civilian agencies.⁷ The report recommended that OMB provide agencies greater direction for:

1. Ensuring consistency in classifying inherently governmental or commercial activities,
2. Identifying functional areas for competition, and
3. Emphasizing that competition plans focus on results and performance of staff and contractors rather than focusing on the process.

The following sections highlight several key issues surrounding A-76 programs from the perspective of federal employees, industry representatives, and small businesses.⁸

3.1. Federal Employees' Concerns - Job Security and Protests

Competitive sourcing is often perceived as a direct threat to the job security of federal employees. Table 2 below provides a snapshot of recent agency A-76 competition results. Since FY 2003 federal agencies have won A-76 competitions amounting to 82 percent of the competed full-time equivalent job positions. Only in FY 2005 do we see a significant drop, mainly the result of the large award by the Federal Aviation Administration.

⁷ U.S. General Accounting Office, *Competitive Sourcing: Greater Emphasis Needed On Increasing Efficiency And Improving Performance* (Washington, DC: U.S. GAO, February 2004), 23-24 . Note: the name of the General Accounting Office was changed to the Government Accountability Office in July 2004.

⁸ *Op cit, passim.*

Table 2: Federal Agency A-76 Activity FY 2003 – FY 2005 at a Glance

Element	FY03	FY04	FY05
Total Completed Competitions	662	217	181
Streamlined	570	116	124
Standard	92	101	57
Percent Of Competed Jobs That Remained In-House	89%	91%	61%

Source: OMB Administrator Letter to Vice President Cheney, January 25, 2005 and U.S. Office of Management and Budget, *Competitive Sourcing: Report on Competitive Sourcing Results 2005*, April 2005

According to a January 2003 article published by *The Government Contractor*, federal employees continue to face obstacles in obtaining judicial and GAO review of their A-76 complaints. In 2002, the U.S. Supreme Court rejected a petition by the American Federation of Government Employees, 534 U.S. 1113, 122 S.Ct. 9200 (2002). The petition was to review a decision of a U.S. Court of Appeals for the Federal Circuit. The U.S. Court of Appeals held that federal employees and employee associations are not “interested parties” and consequently cannot challenge an agency’s A-76 cost comparison. (*American Federation of Government Employees v. United States*, 258 F.3d 1294 (Fed. Cir. 2001)); 46 Fed. Cl. 586 (2000).

Some industry and government representatives agree that the competition and protest process should be standardized for both the private and public participants. In June 2002, the Commercial Activities Panel, convened by the U.S. Comptroller General to study A-76 policies and procedures, published a report titled *Commercial Activities Panel: Improving the Sourcing Decisions of the Government*. The panel of industry and government stakeholders recommended that measures be taken to ensure that both the public and private sectors receive comparable treatment during competitions. This would include legal standing to challenge the competition results at both the GAO and the U.S. Court of Federal Claims.⁹

3.2. Industry Concerns – Cost Comparisons and Protests

Industry stakeholders are also concerned about the process. Two common private sector complaints are: 1) there is a disparity between the government and industry sector cost assessments; and 2) industry stakeholders are unable to protest the FAIR determinations. As described above, the FAIR process categorizes what services are eligible for competition.

According to a September 30, 2004, article titled, “6 Outlooks for Competitive Sourcing” published by FCW Media Group, many IT firms argue that bidding on competitive sourcing solicitations is expensive. Bids are reported to cost 50 to 70 percent more than traditional bids due to paperwork requirements.¹⁰

⁹ Testimony of David M. Walker, Comptroller General of the United States and Chair of the Commercial Activities Panel, *Commercial Activities Panel: Improving the Sourcing Decisions of the Federal Government* (Washington, DC: U.S. GAO, June 26, 2002), 23.

¹⁰ David Perera, “6 Outlooks for Competitive Sourcing” (*Federal Computer Week*, 09/20/04), available at <http://www.fcw.com/article84120-09-20-04-Print>.

In addition, some industry representatives believe that the A-76 competitions lack creditability, citing that 89 percent of competitions were won by the public sector in 2003.

3.3. The Small Business Perspective

In general, small businesses and their associations applaud the government's A-76 programs because competitive sourcing means more bidding opportunities. Over the past ten years, available data indicate that small businesses have fared reasonably well in public-private competitions at DoD. In March 2001, a presentation given by Paul Solomon, deputy director of DoD's OSD Competitive Sourcing and Privatization Office, at the 18th Annual DoD Logistics Conference and Exhibition, stated that approximately 66 percent of cost-comparison competitions contracts and 67 percent of direct conversions contracts were awarded to small businesses.¹¹

In 1989, the SBA's Office of Advocacy (Advocacy) published a study completed by Research Dimensions Inc., titled *Small Business Participation in A-76 Privatization Initiatives*. The study examined A-76 data from the Department of Defense and nine civilian agencies. The study determined that small firms received a large share of both the dollars and the number of contracts awarded under the A-76 program for fiscal years 1985 through 1987.

Despite this history, more recent trends suggest a declining role for small firms in A-76 competitions. One key reason appears to be that civilian agencies and OMB have been consolidating requirements and creating large A-76 competitions that are too big for small businesses to pursue. In January 2005, OMB submitted a letter updating the vice president on the progress federal agencies have made using private-public competitions. According to OMB, "The average size of a competition has increased from 27 FTEs in FY 2003 to 58 FTEs in FY 2004. Larger competitions allow agencies to package activities across regions or by business line."¹²

In the same letter, OMB notes that small businesses may be disadvantaged by certain requirements for A-76 program participation:

"Despite the growing success of competitive sourcing, a number of legislative barriers continue to limit its application. Barriers included in the FY 2005 agency appropriations...place small businesses at a competitive disadvantage in DoD competitions by restricting the type of health benefits plans they provide to their own employees when performing work for the Department, potentially skew competitions in favor of in-house performance...."¹³

¹¹ See OSD presentation at <http://www.dtic.mil/ndia/2002logistics/solomon.pdf> (last accessed 2/25/05).

¹² David Safavian, Letter to Vice President Richard Cheney (Washington, DC:Office of Management and Budget, January 25, 2005), 2. See http://www.whitehouse.gov/results/agenda/cs_2004_report_rev5a2_doc.pdf.

¹³ *Ibid*, 2.

In addition, the cost of participating in A-76 competitions poses a significant barrier to entry for small businesses.¹⁴ Small businesses often struggle with limited capital and cash flow and may not have adequate resources available to compete effectively against larger businesses or incumbent agencies in complicated and protracted A-76 bidding processes, or when businesses are required to match agency benefits programs.

4. Data Analysis

The most current available data from the FPDS-NG system show that systematic reporting of A-76 contract data starts to appear for civilian agencies in FY 2004, the same year CAMIS data show DoD beginning a rapid decline in A-76 awards and spending. Scattered data exist for prior years and probably include only correction and change records to earlier contracts. The Department of Defense has yet to report any A-76 data through the FPDS-NG system; the DoD A-76 analysis is based on data retrieved from DoD's CAMIS system. DoD data are more fully reported in the FY 2001 – FY 2003 period, but drop significantly in the last three fiscal years.

It is important to note that in FY 2005 the Federal Aviation Administration (FAA) completed a best value tradeoff competition for the operation of its automated flight service stations. The 10-year award involves approximately 2,300 jobs and a potential savings to the government of \$2.2 billion. However, because the FAA is not required to report its contract information through the FPDS-NG system, this study cannot confirm further details about this program other than the recipient of the award.

4.1. Civilian Agencies

Overview

Civilian agency data show that small firms win two out of every three A-76 contracts, but only one out of every five A-76 dollars (Table 3). Between FY 2001 and FY 2006 YTD, A-76 spending totaled \$3.2 billion. Prior to FY 2004, the FPDS-NG system reports only correction records and FY 2006 is complete for civilian agencies through Quarter 3. Full-year data are reported for FY 2004 and FY 2005.

Between FY 2004 and FY 2005, the number of reported civilian agency A-76 contracts grew 11 percent, from 1,421 to 1,584. Their cumulative annual value rose only slightly, from \$1.23 billion to \$1.27 billion. With overall civilian agency procurement amounting to \$107 billion in FY 2005, annual A-76 contract spending represents approximately one percent of civilian agency procurement.

¹⁴ *Ibid*, 4.

Table 3: Civilian A-76 Contract Counts, Overall Spending, Large and Small Business Breakouts, FY 2001 – FY 2006 YTD

Data Type	Bus Size	FY01	FY02	FY03	FY04	FY05	FY06 YTD	Grand Total	Group %
Civilian A-76 Contract Count	Other	6	5	65	454	550	171	1,251	34.7%
	Small		1	85	967	1,034	268	2,355	65.3%
	<blank>				11	1		12	0.3%
Total		6	6	150	1,421	1,584	439	3,606	0.1%
Civilian A-76 Contract Dollars	Other	\$322,070	\$13,463,150	\$20,589,154	\$930,042,628	\$1,054,339,059	\$525,392,405	\$2,544,148,466	80.5%
	Small		\$31,836	\$24,899,356	\$295,836,824	\$218,170,153	\$76,969,246	\$615,907,415	19.5%
	<blank>				\$4,528,297	\$0		\$4,528,297	0.1%
Total		\$322,070	\$13,494,986	\$45,488,510	\$1,225,879,452	\$1,272,509,212	\$602,361,651	\$3,160,055,881	
Average A-76 Contract Size		\$53,678	\$2,249,164	\$303,257	\$862,688	\$803,352	\$1,372,122	\$876,333	
Average SB A-76 Contract Size			\$31,836	\$292,934	\$305,933	\$210,996	\$287,199	\$261,532	
SB Average vs. Overall Average			1.4%	96.6%	35.5%	26.3%	20.9%	29.8%	

Civilian agencies awarded 65 percent of their contracts to small firms between FY 2001 and FY 2006 YTD, for a total of 20 percent of the corresponding A-76 dollars. Average small business contract size was one-third to one-fourth the size of contracts awarded to “Other” firms. “Other” is one of two business size designations in the Contract Office Determination of Business Size field. “Other” consists mainly of large companies, along with a small percentage of government and nonprofit entities.

The average civilian agency A-76 contract size declined slightly, from \$862,688 to \$803,352, between FY 2004 and FY 2005. Given the incompleteness of reporting prior to FY 2004, the large increase in average value in FY 2002 is probably a data anomaly.

Among civilian agencies, the National Aeronautics and Space Administration (NASA) is by far the dominant A-76 awarding and reporting agency, accounting for 90 percent of all reported civilian A-76 contracts between FY 2001 and FY 2006 (Table 4).

Civilian A-76 awards show moderating or declining trends among the most active agencies and intensifying trends among the smaller agencies. NASA’s 1,399 contracts awarded in FY 2005 represent a modest 7 percent growth from FY 2004. Over the same two-year span, the State Department’s A-76 contract total fell 35 percent, the Department of Health and Human Services (HHS) contract total grew 275 percent and that of the Department of Homeland Security (DHS) grew 320 percent. Cumulatively, NASA, State, HHS, and DHS accounted for 99 percent of all reported civilian A-76 procurements between FY 2001 and FY 2005.

No agency reported less than a cumulative 50 percent small firm share of contract counts. NASA’s 69 percent share translated into 2,235 small business contracts awarded since FY 2001, HHS reported a 63 percent small business share, and DHS 55 percent.

NASA’s 90 percent contract count share translates to an identical 90 percent A-76 dollar share. Between FY 2001 and FY 2006, NASA awarded \$2.9 billion through A-76 procurements, with virtually identical dollar totals in FY 2004 and FY 2005. DHS ranked next with \$162 million (5 percent) followed by State and HHS, each with just under a 2 percent share.

How did small firms fare given these award percentages? Small firms received 21 percent of NASA's A-76 dollars and 7.1 percent of DHS's spending. HHS awarded 21 percent of its A-76 dollars to small vendors.

According to official indicators, contract bundling does not appear to be a significant cause of A-76 awards going to large firms. Official records show that only one FY 2005 NASA contract, worth a total of \$28 million in FY 2005, was classified as being both an A-76 contract and bundled. This accounts for just 2.3 percent of A-76 contracting in FY 2005.¹⁵

Table 4: Civilian A-76 Contract Count by Agency, FY 2001 – FY 2006 YTD

Agency	Bus Size	FY01	FY02	FY03	FY04	FY05	FY06	Grand Total	Bureau Share	Total Share
NASA					11	1		12	0.4%	
	Other		2	55	355	441	148	1,001	30.8%	
	Small		1	84	938	957	255	2,235	68.8%	
Total			3	139	1,304	1,399	403	3,248		89.8%
STATE	Other	6	3	9	82	53	12	165	100.0%	
	Total	6	3	9	82	53	12	165		4.6%
HHS	Other				10	20	3	33	37.5%	
	Small				6	40	9	55	62.5%	
	Total				16	60	12	88		2.4%
DHS	Other				1	31	5	37	45.1%	
	Small				13	28	4	45	54.9%	
	Total				14	59	9	82		2.3%
DOL	Other				1	4	3	8	47.1%	
	Small				4	5		9	52.9%	
	Total				5	9	3	17		0.5%
DOI	Small			1	5	4		10	100.0%	
Total				1	5	4		10		0.3%
DVA	Other			1	4			5	100.0%	
	Total			1	4			5		0.1%
TREAS	Other					1		1	50.0%	
	Small				1			1	50.0%	
	Total				1	1		2		0.1%
USDA	Other				1			1	100.0%	
Total				1				1		0.0%
Grand Total		6	6	150	1,432	1,585	439	3,618		

¹⁵ Eagle Eye Publishers, FPC Advanced Prime Contracts Database, FY 2005 (Fairfax, VA, 2006).

Table 5: Civilian A-76 Agency Dollar Breakout, FY 2001 – FY 2006 YTD

Agency	Bus Size	FY01	FY02	FY03	FY04	FY05	FY06	Grand Total	Bureau Share	Total Share
NASA					\$4,528,297	\$0		\$4,528,297	0.2%	
	Other		\$13,000,000	\$10,458,053	\$862,822,277	\$946,008,229	\$431,062,175	\$2,263,350,734	79.2%	
	Small		\$31,836	\$24,899,356	\$284,401,401	\$206,456,310	\$74,802,899	\$590,591,803	20.7%	
NASA Total			\$13,031,836	\$35,357,409	\$1,151,751,975	\$1,152,464,540	\$505,865,074	\$2,858,470,834		90.3%
DHS					\$53,439	\$62,530,233	\$88,123,951	\$150,707,623	92.9%	
	Small				\$7,645,346	\$3,201,624	\$612,230	\$11,459,200	7.1%	
DHS Total					\$7,698,785	\$65,731,857	\$88,736,181	\$162,166,823		5.1%
STATE	Other	\$322,070	\$463,150	\$4,278,107	\$28,490,203	\$20,698,728	\$1,507,111	\$55,759,368	100.0%	
STATE Total		\$322,070	\$463,150	\$4,278,107	\$28,490,203	\$20,698,728	\$1,507,111	\$55,759,368		1.8%
HHS					\$17,040,631	\$23,831,032	\$0	\$40,871,663	78.9%	
	Small				\$2,718,833	\$6,631,749	\$1,554,117	\$10,904,699	21.1%	
HHS Total					\$19,759,464	\$30,462,781	\$1,554,117	\$51,776,362		1.6%
DVA	Other			\$5,852,994	\$11,334,636			\$17,187,630	100.0%	
DVA Total				\$5,852,994	\$11,334,636			\$17,187,630		0.5%
DOL					\$4,206,999	\$979,562	\$4,699,167	\$9,885,728	89.7%	
	Small				\$617,905	\$514,458		\$1,132,363	10.3%	
DOL Total					\$4,824,904	\$1,494,020	\$4,699,167	\$11,018,091		0.3%
USDA	Other				\$6,094,444			\$6,094,444	100.0%	
USDA Total					\$6,094,444			\$6,094,444		0.2%
DOI	Small			\$0	\$291,007	\$1,366,011		\$1,657,018	100.0%	
DOI Total				\$0	\$291,007	\$1,366,011		\$1,657,018		0.1%
TREAS						\$291,276		\$291,276	64.2%	
	Small				\$162,332			\$162,332	35.8%	
TREAS Total					\$162,332	\$291,276		\$453,608		0.0%
Grand Total		\$322,070	\$13,494,986	\$45,488,510	\$1,230,407,749	\$1,272,509,212	\$602,361,651	\$3,164,584,178		

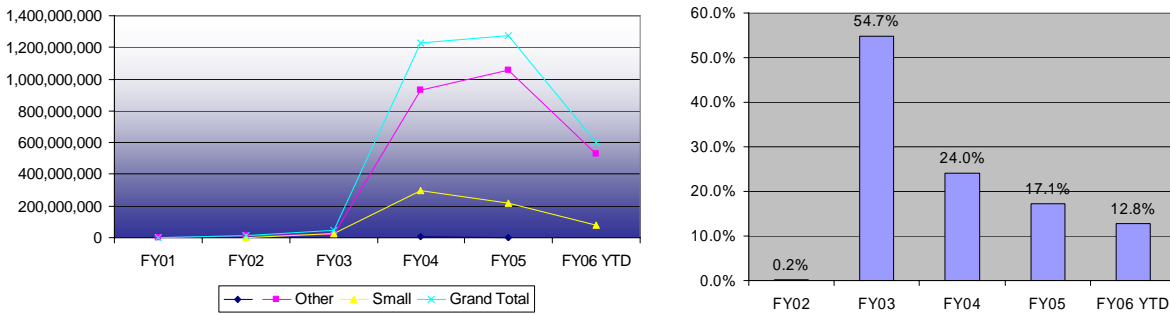
Small Business Share

The cumulative small business share of reported civilian A-76 procurements is 19.5 percent (Table 6). In FY 2005, the small business share fell 6.9 percentage points, from 24 percent to 17.1 percent, a 29 percent drop. Between FY 2004 and FY 2005, small business A-76 awarded dollars fell 26 percent, from \$295 million to \$218 million, while overall A-76 dollars increased.

Table 6: Civilian A-76 Small Business Procurement Receipts, Share, FY 2001 – FY 2006 YTD

Business Size	FY01	FY02	FY03	FY04	FY05	FY06 YTD	Grand Total
Other	\$322,070	\$13,463,150	\$20,589,154	\$930,042,628	\$1,054,339,059	\$525,392,405	\$2,544,148,466
Small		\$31,836	\$24,899,356	\$295,836,824	\$218,170,153	\$76,969,246	\$615,907,415
<blank>				\$4,528,297	\$0		\$4,528,297
Grand Total	\$322,070	\$13,494,986	\$45,488,510	\$1,230,407,749	\$1,272,509,212	\$602,361,651	\$3,164,584,178
SB Share	N/A	0.2%	54.7%	24.0%	17.1%	12.8%	19.5%

**Figure 5: Civilian A-76 Procurement Trends, Small Business Share
FY 2002 – FY 2006 YTD**



Companies

Overall, 678 companies received civilian A-76 contracts between FY 2001 and FY 2006; however, the distribution of awards among vendors is highly stratified. The top 25 companies received 83.4 percent of the cumulative dollars.

Of the 678 civilian A-76 contract recipients, 488, or 72 percent, are listed as small firms. These 488 small vendors held a total of 2,355 contracts over the FY 2001 – FY 2006 period. With small vendor A-76 spending totaling \$615 million, the average civilian A-76 contract awarded to a small firm was \$261,532. Most contracts are worth less than this average; a handful of multi-million-dollar contracts drives up the average contract value to a significant degree.

Small business A-76 contracting is also highly stratified. The top 25 small firms account for 59 percent of the \$615 million civilian small business A-76 total.

Competition

It is unusual for civilian agency A-76 contracts to be awarded without some form of competition. Table 7 shows that 92 percent of civilian dollars were awarded under full and open competition. Seven percent were not competed and 1 percent were not available for competition. This information is validated with the set-aside data in Table 8, which shows only 1.6 percent of civilian A-76 dollars were set aside through the 8(a) and HUBZone preference programs. A total of 5.7 percent of civilian A-76 dollars were designated as small business set-asides.

Table 7: Civilian A-76 Extent of Competition Breakout FY 2001 – FY 2006 YTD

Extent of Competition	FY01	FY02	FY03	FY04	FY05	FY06 YTD	Grand Total	Share
Full And Open Competition	\$322,070	\$13,463,150	\$40,377,261	\$898,320,915	\$954,006,663	\$477,658,717	\$2,384,148,776	75.3%
Full And Open Competition After Exclusions		\$31,836	\$3,352,173	\$271,900,378	\$182,705,339	\$64,630,357	\$522,620,083	16.5%
Not Competed			\$539,552	\$31,368,342	\$121,074,056	\$54,346,634	\$207,328,583	6.6%
Not Available For Competition			\$813,828	\$22,912,285	\$11,378,338	\$3,877,421	\$38,981,873	1.2%
<blank>				\$4,349,149		\$1,481,421	\$5,830,570	0.2%
Competed Under Simplified Acquisition Threshold				\$78,878	\$3,200,000	\$367,100	\$3,645,978	0.1%
Follow-on To Competed Action				\$908,549	-\$15,000		\$893,549	0.0%
Not Competed Under Simplified Acquisition Threshold				\$465,088	\$142,312		\$607,400	0.0%
Non-competitive Delivery Order			\$405,696	\$104,166	\$17,504		\$527,366	0.0%
Grand Total	\$322,070	\$13,494,986	\$45,488,510	\$1,230,407,749	\$1,272,509,212	\$602,361,651	\$3,164,584,178	100.0%

Table 8: Civilian A-76 Type of Set-Aside Breakout FY 2001 – FY 2006 YTD

Set-Aside Type	FY01	FY02	FY03	FY04	FY05	FY06	Grand Total	Share
NONE		\$13,031,836	\$33,165,997	\$1,063,962,048	\$1,142,376,765	\$566,705,224	\$2,819,241,870	89.1%
Small Business Set-Aside -- Total			\$846,268	\$69,068,123	\$79,033,969	\$30,324,983	\$179,273,344	5.7%
<blank>	\$322,070	\$463,150	\$10,171,601	\$63,165,731	\$36,506,967	\$1,465,387	\$112,094,907	3.5%
8(a) Sole Source			\$972,944	\$17,271,965	\$5,070,779	\$2,089,039	\$25,404,727	0.8%
8(a) Competed				\$13,695,480	\$8,084,320	\$1,433,194	\$23,212,994	0.7%
HubZone Set-Aside			\$331,700	\$1,285,262	\$981,811		\$2,598,773	0.1%
HubZone Sole Source				\$838,908	\$0		\$838,908	0.0%
SDB/8(a) With Hub Zone				\$393,281	\$100,800	\$343,824	\$837,905	0.0%
8(a) SDB Set-Aside				\$726,950			\$726,950	0.0%
Buy Indian					\$353,800		\$353,800	0.0%
Grand Total	\$322,070	\$13,494,986	\$45,488,510	\$1,230,407,749	\$1,272,509,212	\$602,361,651	\$3,164,584,178	100.0%

Table 9: Civilian A-76 Manufacturing vs. Services Breakout, FY 2001 – FY 2006

NAICS Mfg/Svcs	FY01	FY02	FY03	FY04	FY05	FY06	Grand Total	Share
MFG	\$56,000	\$10,000,000	\$3,248,808	\$223,106,698	\$149,130,661	\$114,972,348	\$500,514,514	15.8%
SVC	\$266,070	\$3,494,986	\$42,239,702	\$1,008,793,957	\$1,124,378,551	\$487,389,303	\$2,666,562,569	84.3%
(blank)				-\$1,492,905	-\$1,000,000		-\$2,492,905	-0.1%
Grand Total	\$322,070	\$13,494,986	\$45,488,510	\$1,230,407,749	\$1,272,509,212	\$602,361,651	\$3,164,584,178	100.0%

Markets

Over one-half of all civilian A-76 contracts are concentrated in professional services, which, together with the manufacturing, information, administrative, and waste management industrial categories, have accounted for 93.6 percent of all A-76 dollars since FY 2001 (Table 11). The five largest six-digit NAICS categories accounted for over two-thirds of all civilian A-76 spending. Table 10 ranks the top 25 six-digit NAICS markets over the last five years.

Given the dominance of the professional services sector in A-76 contracting, the 22 percent professional services small firm share looks relatively strong (Table 11), particularly with so much spending originated by NASA. Small businesses also held strong positions in administrative support (40 percent), construction (81 percent), and health care (44 percent). However these market categories were relatively small overall. Small firms held weak shares in the second and third largest civilian A-76 markets—only 3 percent in manufacturing and .4 percent in information and cultural services.

Table 10: Civilian A-76 NAICS Market Ranking, FY 2001 – FY 2006 YTD

NAICS	NAICS Definition	FY01	FY02	FY03	FY04	FY05	FY06 YTD	Grand Total	Share
1 541710	Research and Development in the Physical, Engineering & Soc Sci			\$2,866,962	\$285,955,484	\$230,010,845	\$82,447,083	\$601,280,375	19.0%
2 541513	Computer Facilities Management Services			\$71,935	\$135,978,287	\$211,617,480	\$79,488,063	\$427,155,765	13.5%
3 336414	Guided Missile and Space Vehicle Manufacturing		\$10,000,000		\$124,654,935	\$135,480,000	\$114,400,000	\$384,534,935	12.2%
4 541330	Engineering Services			\$779,351	\$140,890,673	\$166,460,076	\$59,229,908	\$367,360,009	11.6%
5 517910	Other Telecommunications				\$102,545,889	\$171,632,559	\$74,448,795	\$348,627,243	11.0%
6 541690	Other Scientific and Technical Consulting Services				\$28,435,219	\$104,817,245	\$53,061,240	\$186,313,704	5.9%
7 561210	Facilities Support Services			\$682,738	\$90,367,811	\$63,169,348	\$14,588,046	\$168,807,943	5.3%
8 541614	Process, Physical Distribution, and Logistics Cons					\$59,261,453	\$87,705,101	\$146,966,555	4.6%
9 333314	Optical Instrument and Lens Manufacturing				\$71,083,990	\$2,092,511	\$0	\$73,176,501	2.3%
10 488190	Other Support Activities for Air Transportation				\$24,609,938	\$30,324,896	\$8,782,706	\$63,717,540	2.0%
11 561612	Security Guards and Patrol Services			\$11,633,571	\$20,238,865	\$21,519,778	\$1,712,442	\$55,104,657	1.7%
12 541512	Computer Systems Design Services		\$3,000,000	\$306,518	\$23,127,031	\$7,297,136	\$3,015,795	\$36,746,480	1.2%
13 541611	Administrative Management and General Management C			\$56,375	\$19,304,501	\$3,359,148	\$5,202,991	\$27,923,015	0.9%
14 236220	Commercial & Institutional Building Construction			\$65,000	\$19,039,870	\$3,557,427	\$1,161,783	\$23,824,080	0.8%
15 238220	Plumbing, Heating, and Air-Conditioning Contractors				\$13,663,558	\$3,430,326	\$321,336	\$17,415,220	0.6%
16 541870	Advertising Material Distribution Services			\$5,852,994	\$11,334,636			\$17,187,630	0.5%
17 561110	Office Administrative Services				\$3,428,046	\$5,204,012	\$5,435,865	\$14,067,923	0.4%
18 238160	Roofing Contractors				\$13,690,548	\$6,896	\$53,171	\$13,750,615	0.4%
19 927110	Space Research and Technology			\$2,855,011	\$4,484,994	\$4,280,146	\$1,366,730	\$12,986,881	0.4%
20 541519	Other Computer Related Services			\$524,182	\$3,248,130	\$5,926,188	\$2,533,695	\$12,232,195	0.4%
21 336411	Aircraft Manufacturing				\$11,550,217			\$11,550,217	0.4%
22 336419	Other Guided Missile and Space Vehicle Parts and A			\$150,000	\$4,138,592	\$5,721,366	\$219,748	\$10,229,706	0.3%
23 561720	Janitorial Services	\$266,070	\$135,070	\$1,075,998	\$7,217,265	\$727,018	\$41,724	\$9,463,145	0.3%
24 236210	Industrial Building Construction			\$5,942,133	\$2,101,070	\$404,630	\$29,784	\$8,477,617	0.3%
25 561510	Travel Agencies				\$5,000,000	\$2,500,000		\$7,500,000	0.2%
	All Other	\$56,000	\$359,916	\$12,625,742	\$64,318,200	\$33,708,728	\$7,115,643	\$118,184,230	3.7%
	Total	\$322,070	\$13,494,986	\$45,488,510	\$1,230,407,749	\$1,272,509,212	\$602,361,651	\$3,164,584,178	

Table 11: Civilian A-76 Broad NAICS Markets with Business Size Breakout, FY 2001 – FY 2006

NAICS General Market Category	Bus Size	FY01-FY06 Total	Catetgory Share	Overall Share
Professional, Scientific & Technical Services		\$16,000	0.0%	
	Other	\$1,432,026,676	77.7%	
	Small	\$411,789,497	22.3%	
	Total	\$1,843,832,173		58.3%
Manufacturing	Other	\$483,811,433	96.7%	
	Small	\$16,703,082	3.3%	
	Total	\$500,514,514		15.8%
Information & Cultural Industries	Other	\$348,799,104	99.6%	
	Small	\$1,294,410	0.4%	
	Total	\$350,093,514		11.1%
Administrative & Support, Waste Management & Remediation Services	Other	\$158,922,025	60.0%	
	Small	\$106,157,539	40.0%	
	Total	\$265,079,564		8.4%
Construction	Other	\$16,206,208	19.1%	
	Small	\$68,448,785	80.9%	
	Total	\$84,654,993		2.7%
Transportation & Warehousing		\$4,512,297	6.3%	
	Other	\$66,981,364	93.2%	
	Small	\$410,161	0.6%	
	Total	\$71,903,822		2.3%
Public Administration	Other	\$9,083,284	64.7%	
	Small	\$4,947,146	35.3%	
	Total	\$14,030,430		0.4%
Health Care & Social Assistance	Other	\$4,901,143	56.5%	
	Small	\$3,773,261	43.5%	
	Total	\$8,674,404		0.3%
Other Services	Other	\$6,192,796	79.8%	
	Small	\$1,567,246	20.2%	
	Total	\$7,760,042		0.2%
Wholesale Trade	Other	\$6,251,712	93.4%	
	Small	\$442,605	6.6%	
	Total	\$6,694,317		0.2%
Finance & Insurance	Other	\$4,259,009	100.0%	
	Total	\$4,259,009		0.1%
Utilities	Other	\$3,770,164	100.0%	
	Total	\$3,770,164		0.1%
Educational Services	Other	\$2,448,365	97.2%	
	Small	\$70,000	2.8%	
	Total	\$2,518,365		0.1%
Accomodation & Food Services	Other	\$1,336,308	100.0%	
	Total	\$1,336,308		0.0%
Real Estate, Rental & Leasing	Other	\$967,056	100.0%	
	Total	\$967,056		0.0%
Retail Trade	Other	\$455,558	89.1%	
	Small	\$55,451	10.9%	
	Total	\$511,009		0.0%
Arts, Entertainment & Recreation	Other	\$261,000	54.7%	
	Small	\$216,400	45.3%	
	Total	\$477,400		
(blank)	Other	-\$2,524,737	101.3%	
	Small	\$31,832	-1.3%	
	Total	-\$2,492,905		-0.1%
Grand Total		\$3,164,584,178		

Geography

Given the dominance of NASA in A-76 civilian agency spending, it is not surprising to find that Maryland, the state hosting NASA headquarters, received the largest amount of civilian A-76 procurement dollars. California, Alabama, and Texas also host large NASA facilities and rank second, third, and fourth on the ranked place of performance list below. Together these four states account for 77 percent of civilian A-76 spending.

Table 12: Civilian A-76 Top 10 Place of Performance State Ranking, FY 2001 – FY 2006

State	FY01	FY02	FY03	FY04	FY05	FY06	Grand Total	Share
MD		\$3,000,000	\$11,762,315	\$315,960,649	\$322,263,256	\$141,486,741	\$794,472,961	25.1%
CA		\$10,000,000	\$3,255,090	\$229,659,933	\$252,864,984	\$145,858,194	\$641,638,201	20.3%
AL			\$8,768,443	\$176,263,227	\$240,046,562	\$93,256,714	\$518,334,946	16.4%
TX			\$351,000	\$118,917,241	\$220,091,184	\$166,318,532	\$505,677,956	16.0%
CT			\$36,427	\$6,372,550	\$80,395,461	\$37,838,240	\$124,642,678	3.9%
CO			\$2,123,609	\$87,403,368	\$18,884,993	\$1,745,000	\$110,156,970	3.5%
LA			\$50,000	\$58,930,102	\$0		\$58,980,102	1.9%
<blank>	\$322,070	\$463,150	\$4,318,107	\$29,359,098	\$21,009,131	\$1,519,861	\$56,991,416	1.8%
MA			\$113,007	\$28,036,617	\$21,678,578	\$225,000	\$50,053,202	1.6%
VA			\$5,386,453	\$24,129,450	\$13,114,885	\$1,671,382	\$44,302,171	1.4%
All Other	\$322,070	\$13,526,822	\$54,812,569	\$1,385,783,265	\$1,354,669,391	\$614,803,636	\$259,333,575	8.2%
Total	\$644,139	\$26,989,973	\$90,977,021	\$2,460,815,499	\$2,545,018,424	\$1,204,723,301	\$3,164,584,178	100.0%

4.2. Defense Agencies

Overview

The DoD's May 2006 CAMIS file details that between FY 2002 and FY 2006, Defense components spent a total of \$2.3 billion on 129 A-76 contracts, an average of \$18 million per contract (Table 13). However, the data show a 72 percent drop in the number of A-76 awards between FY 2004 and FY 2005, and a corresponding 64 percent drop in reported dollars.¹⁶ Even at its peak of \$775 million in FY 2004, DoD A-76 spending represented two-tenths of one percent of DoD's \$329 billion spending total.

Overall, between FY 2002 and FY 2006, small vendors received 64 percent of the DoD A-76 contracts and 31 percent of the contract dollars; 11 percentage points higher than the civilian agency small vendor dollar share.

¹⁶ Without more information about DoD's CAMIS data collection procedures, it is difficult to say whether the drop in reported DoD A-76 contracts is related to changes in data processing procedures or to changes in policy. It is interesting to note, however, that the decline in reported A-76 contract spending follows the July 2003 announcement by Federal Procurement Policy Administrator Angela Styles that the OMB had abandoned its original 15-50 percent government-wide goals for the share of positions listed on agency FAIR Act inventories that were to be competed.

Table 13: DoD A-76 Contract Counts, Spending, Average Value, FY 2002 – FY 2006 YTD

	Bus Size	FY02	FY03	FY04	FY05	FY06 YTD	<blank>	Grand Total	Share
Number of Initiatives	Large	13	16	13	3		1	46	35.7%
	Small	30	33	12	4	2	2	83	64.3%
Total Initiatives		43	49	25	7	2	3	129	100.0%
A-76 Procurement Dollars	Large	\$321,765,000	\$498,045,000	\$648,889,000	\$135,381,000		\$6,356,000	\$1,610,436,000	69.3%
	Small	\$169,593,000	\$271,436,000	\$125,655,000	\$143,085,000	\$1,415,000	\$1,767,000	\$712,951,000	30.7%
Total Procurement		\$491,358,000	\$769,481,000	\$774,544,000	\$278,466,000	\$1,415,000	\$8,123,000	\$2,323,387,000	100.0%
Average Value		\$11,426,930	\$15,703,694	\$30,981,760	\$39,780,857	\$707,500	\$2,707,667	\$18,010,752	

Table 14: DoD A-76 Initiative Type Count Summary with Large and Small Business Breakout, FY 2002 – FY 2006 YTD

Initiative Type	Bus Size	FY02	FY03	FY04	FY05	FY06	<blank>	Grand Total
Direct Conversion	Large	7	8	5			1	21
	Small	23	21	11				55
Direct Conversion Total		30	29	16			1	76
Standard Cost Comparison	Large	6	7	8	2			23
	Small	7	12	1	4		1	25
Standard Cost Comparison Total		13	19	9	6		1	48
Streamlined Cost Comparison	Large		1		1			2
	Small						2	3
Streamlined Cost Comparison Total			1		1	2	1	5
Grand Total		43	49	25	7	2	3	129

DoD A-76 contract average values grew between FY 2003 and FY 2005, climbing 248 percent over four years to \$39.7 million (Table 13). Small business contract averages also rose from \$8.2 million to \$36 million, or 339 percent.¹⁷

Type of Initiative

Small firms hold a significant 55-21 advantage over large firms in the number of direct conversions received from DoD agencies since FY 2002. When initiatives go to bid, small firms still beat large firms 25 to 23, indicating that small businesses are capable of generating competitive proposals for outsourcing initiatives. Large firms receive 2.5 times more cost comparison dollars than small firms do and nearly twice as many direct conversion dollars. This suggests that DoD relies on small firms for small outsourcing jobs and large firms for large jobs.

In FY 2005 and FY 2006 YTD, DoD bureaus awarded no direct conversions and instead relied entirely on standard and streamlined cost comparisons to fulfill DoD's A-76 initiatives. Direct conversions had accounted for 81 percent of all DoD A-76 dollars in FY 2004. Before data stopped being reported in FY 2005, small firms won a cumulative 72 percent share of direct conversions. Small firms held the advantage in the number of awards resulting from standard and streamlined cost comparisons, winning a combined 53 percent of these initiatives.

¹⁷ The rapid increase in value appears to be a result of both increased scope of work and fewer contract awards.

Table 15: DoD A-76 Initiative Type Spending Summary with Large and Small Business Breakout, FY 2002 – FY 2006 YTD \$

Initiative Type	Bus Size	FY02	FY03	FY04	FY05	FY06	<blank>	Grand Total
Standard Cost Comparison	Large	\$231,503,000	\$475,231,000	\$126,046,000	\$132,496,000			\$965,276,000
	Small	\$30,633,000	\$184,907,000	\$19,715,000	\$143,085,000		\$0	\$378,340,000
Standard Cost Comparison Total		\$262,136,000	\$660,138,000	\$145,761,000	\$275,581,000		\$0	\$1,343,616,000
Direct Conversion	Large	\$90,262,000	\$22,014,000	\$522,843,000			\$6,356,000	\$641,475,000
	Small	\$138,960,000	\$86,529,000	\$105,940,000				\$331,429,000
Direct Conversion Total		\$229,222,000	\$108,543,000	\$628,783,000			\$6,356,000	\$972,904,000
Streamlined Cost Comparison	Large		\$800,000		\$2,885,000			\$3,685,000
	Small					\$1,415,000	\$1,767,000	\$3,182,000
Streamlined Cost Comparison Total			\$800,000		\$2,885,000	\$1,415,000	\$1,767,000	\$6,867,000
Grand Total		\$491,358,000	\$769,481,000	\$774,544,000	\$278,466,000	\$1,415,000	\$8,123,000	\$2,323,387,000

DoD Bureau Analysis

Most DoD A-76 awards are made by the Air Force. Over the FY 2002 – FY 2006 period, the Air Force accounted for 46 of the DoD’s 129 A-76 initiatives, or 36 percent (Table 16). The Air Force is followed by the Navy (29 percent), the Army (18 percent) and the Defense Commissary Agency (13 percent).

The Air Force accounted for a larger share of A-76 dollars, 45 percent, over the FY 2002 – FY 2006 period (Table 17). Air Force outsourcing jobs are higher value than other agencies’ procurements. The Navy’s dollar share is 19 percent compared to its 29 percent contract share, and Army holds a 28 percent cumulative dollar share.

Table 16: DoD A-76 Contract Count, Bureau, Business Size Breakout FY 2002 – FY 2006 YTD

Bureau	Bus Size	FY02	FY03	FY04	FY05	FY06 YTD	(blank)	Grand Total	Bureau Share	Total Share
Air Force	Large	8	3	2	1			14	30.4%	
	Small	10	11	7	1	2	1	32	69.6%	
	Total	18	14	9	2	2	1	46		35.7%
Navy	Large	2	8	8	1	0	0	19	51.4%	
	Small	6	7	3	2	0	0	18	48.6%	
	Total	8	15	11	3	0	0	37		28.7%
Army	Large	2	4	3	0	0	0	9	39.1%	
	Small	5	8		0	0	1	14	60.9%	
	Total	7	12	3	0	0	1	23		17.8%
Defense Commissary Agency	Small	9	7	1	0	0	0	17	100.0%	
	Total	9	7	1	0	0	0	17		13.2%
Marine Corps	Large				1		1	2	50.0%	
	Small	0	0	1	1	0	0	2	50.0%	
	Total	0	0	1	2	0	1	4		3.1%
Defense Logistics Agency	Large	1	1		0	0	0	2	100.0%	
	Total	1	1	0	0	0	0	2		1.6%
Grand Total		43	49	25	7	2	3	129		100.0%

**Table 17: DoD A-76 Bureau, Business Size Spending Breakout,
FY 2002 – FY 2006 YTD**

Bureau	Bus Size	FY02	FY03	FY04	FY05	FY06 YTD	(blank)	Grand Total	Bureau Share	Total Share
Air Force	Large	\$183,266,000	\$7,137,000	\$527,987,000	\$2,885,000			\$721,275,000	69.6%	
	Small	\$133,740,000	\$46,291,000	\$100,364,000	\$31,135,000	\$1,415,000	\$1,767,000	\$314,712,000	30.4%	
	Total	\$317,006,000	\$53,428,000	\$628,351,000	\$34,020,000	\$1,415,000	\$1,767,000	\$1,035,987,000		44.6%
Army	Large	\$74,068,000	\$339,384,000	\$80,524,000				\$493,976,000	75.4%	
	Small	\$13,531,000	\$148,065,000				\$0	\$161,596,000	24.6%	
	Total	\$87,599,000	\$487,449,000	\$80,524,000	\$0	\$0	\$0	\$655,572,000		28.2%
Navy	Large	\$9,097,000	\$115,802,000	\$40,378,000	\$67,351,000			\$232,628,000	52.3%	
	Small	\$10,810,000	\$70,965,000	\$23,956,000	\$106,040,000			\$211,771,000	47.7%	
	Total	\$19,907,000	\$186,767,000	\$64,334,000	\$173,391,000	\$0	\$0	\$444,399,000		19.1%
Defense Logistics Agency	Large	\$55,334,000	\$35,722,000					\$91,056,000	100.0%	
	Total	\$55,334,000	\$35,722,000					\$91,056,000		3.9%
Marine Corps	Large				\$65,145,000		\$6,356,000	\$71,501,000	91.5%	
	Small			\$765,000	\$5,910,000			\$6,675,000	8.5%	
	Total	\$0	\$0	\$765,000	\$71,055,000	\$0	\$6,356,000	\$78,176,000		3.4%
Defense Commissary Agency	Small	\$11,512,000	\$6,115,000	\$570,000				\$18,197,000	100.0%	
	Total	\$11,512,000	\$6,115,000	\$570,000				\$18,197,000		0.8%
Grand Total		\$491,358,000	\$769,481,000	\$774,544,000	\$278,466,000	\$1,415,000	\$8,123,000	\$2,323,387,000		100.0%

Key DoD A-76 Markets

Working with a unique set of CAMIS functional descriptions, Eagle Eye created a consolidated list of 48 market descriptors for analyzing DoD's A-76 contracts. The 10 largest markets are summarized in the DoD A-76 market ranking in Table 18, below. Like civilian agencies, DoD's outsourcing activities are highly concentrated in technology and management-related markets like computing services, architecture and engineering, and communication equipment. Administrative management is another key broad market for outsourced DoD jobs.

**Table 18: DoD A-76 Consolidated Market Descriptors,
FY 2002 – FY 2006 YTD**

Markets	Total	Share
1 Computing Services	\$553,671,000	23.8%
2 Architecture & Engineering	\$184,228,000	7.9%
3 Electronic and Communications Equipment	\$183,677,000	7.9%
4 Administrative Management & Correspondence Services	\$166,883,000	7.2%
5 Personnel Operations	\$144,978,000	6.2%
6 Environmental and Natural Resources Services	\$104,180,000	4.5%
7 Traffic/Transportation Management Services	\$99,097,000	4.3%
8 Air Conditioning and Refrigerator Plant Systems	\$90,691,000	3.9%
9 Test, Measurement & Diagnostic Equipment (TMDE)	\$77,522,000	3.3%
10 Program Management & Support	\$71,972,000	3.1%
All Other	\$646,488,000	27.8%
Total	\$2,323,387,000	100.0%

Kind of Solicitation

Approximately three-quarters of the DoD's A-76 procurement dollars were spent on unrestricted contracts, which means bids were open to all vendors (Table 19). Eleven percent of these procurements were won by small firms, which is slightly more than half the 20 percent share of DoD's A-76 procurement dollars that were restricted to small and Native American-owned firms. Another 2.5 percent of the A-76 dollars were mandated to Javits-Wagner-O'Day (JWOD) companies that employ physically and mentally challenged workers. Many of these JWOD firms are small, regional affiliates of the National Institute for the Severely Handicapped (NISH), National Industries for the Blind (NIB), Goodwill, and other JWOD-qualified firms.

Table 19: DoD A-76 Solicitation Kind, Business Size Spending Breakout, FY 2002 – FY 2006 YTD

Solicitation Kind	Bus Size	FY02- FY06 YTD Total	Kind Share	Total Share
Unrestricted	Large	\$1,579,251,000	88.9%	76.5%
	Small	\$197,105,000	11.1%	
Unrestricted Total		\$1,776,356,000		
Restrict to Small Business	Large	\$7,512,000	2.3%	14.2%
	Small	\$322,385,000	97.7%	
Restrict to Small Business Total		\$329,897,000		
SBA 8(a): Tribal Owned Business	Small	\$122,651,000	100.0%	5.3%
SBA 8(a): Tribal Owned Business Total		\$122,651,000		
Javits-Wagner-O'Day Act	Large	\$19,353,000	33.6%	2.5%
	Small	\$38,170,000	66.4%	
Javits-Wagner-O'Day Act Total		\$57,523,000		
SBA 8(a): Not Tribal Nor Hawaiian	Small	\$26,184,000	100.0%	1.1%
SBA 8(a): Not Tribal Nor Hawaiian Total		\$26,184,000		
(blank)	Large	\$4,320,000	40.1%	0.5%
	Small	\$6,456,000	59.9%	
(blank) Total		\$10,776,000		
Grand Total		\$2,323,387,000		100.0%

DoD Overall and Small Business Rankings

Between FY 2002 and FY 2006, 117 companies received DoD A-76 awards; 79 of these companies were small firms. The top 25 companies—21 percent of all active A-76 firms—received 83 percent of the cumulative awarded dollars, making A-76 contracting highly stratified.

The top 25 small firms account for 88 percent of all small business DoD A-76 procurement spending, making this group of companies highly stratified.

Geographic Distribution of DoD A-76 Spending

While DoD A-76 spending is widely dispersed geographically, it is concentrated at relatively few specific places. The top 10 locations of DoD outsourcing accounted for 58 percent of DoD's cumulative A-76 procurement spending between FY 2002 and FY 2005. Three of the top 10 A-76 contracting facilities are located in Washington, DC. Together they accounted for 30 percent of DoD's A-76 spending total.

Table 20: DoD A-76 Procurement Spending By Facility, FY 2002 – FY 2005

Location	Business		Total	Share
		Size		
1 Bolling AFB, Washington DC		L	\$519,466,000	
	Bolling AFB, Washington DC Total		\$519,466,000	22.4%
2 FT POLK, LA		L	\$176,936,000	
	FT POLK, LA Total		\$176,936,000	7.6%
3 FT MCCOY, WI		L	\$107,385,000	
	FT MCCOY, WI Total		\$107,385,000	4.6%
4 Naval District Washington Public Works Center (PWC)		S	\$103,255,000	
	PWC WASHINGTON DC Total		\$103,255,000	4.5%
5 MILITARY SEALIFT COMMAND HQ, Washington DC		L	\$48,139,000	
		S	\$33,869,000	
	MILITARY SEALIFT COMMAND HQ Total		\$82,008,000	3.5%
6 PACIFIC AIR FORCES		S	\$80,999,000	
	PACIFIC AIR FORCES Total		\$80,999,000	3.5%
7 Camp Lejeune, NC		L	\$65,145,000	
		S	\$10,207,000	
	Camp Lejeune, NC Total		\$75,352,000	3.3%
8 AIR COMBAT COMMAND		S	\$68,643,000	
	AIR COMBAT COMMAND Total		\$68,643,000	3.0%
9 PWC SAN DIEGO		L	\$67,351,000	
	PWC SAN DIEGO Total		\$67,351,000	2.9%
PICATINNY ARSENAL, NJ		L	\$61,543,000	
10	PICATINNY ARSENAL, NJ Total		\$61,543,000	2.7%
All Other			\$972,326,000	42.0%
	Total		\$2,315,264,000	

4.3. Combined DoD and Civilian Agency Analysis

Overview

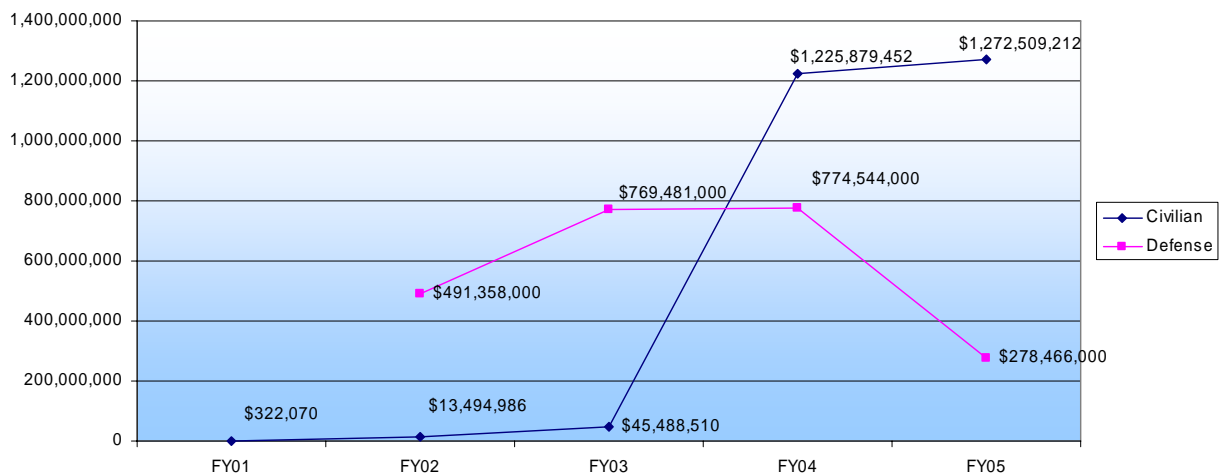
Between FY 2001 and FY 2006 YTD, DoD and civilian agencies awarded 3,735 A-76 procurements worth a combined \$5.5 billion. A total of 2,438, or 65 percent of the contracts were awarded to small firms. Cumulatively, \$1.3 billion, or 24 percent of the A-76 dollars, were received by small businesses.

Contract counts peaked in FY 2005, when a total of 1,591 A-76 contracts were awarded (Table 21). Counts of both large and small firm A-76 contracts peaked that year. Overall dollar awards peaked in FY 2004 at \$2 billion. The following year, total A-76 dollars dropped a dramatic 23 percent overall; large vendor dollars fell 25 percent, while small vendor dollars dropped 14 percent. In the same two-year period, the overall A-76 average contract size fell 30 percent; the small vendor average contract size dropped 19 percent. Because of the incompleteness of contract data in prior years, average sizes for FY 2001 – FY 2003 are not considered reliable measures of performance. The main reason for improved A-76 data coverage in the last three fiscal years appears to be better overall data collection methods by the GSA.

Table 21: DoD, Civilian Contract Counts and Sums with Large and Small Business Breakouts, FY 2001 – FY 2006

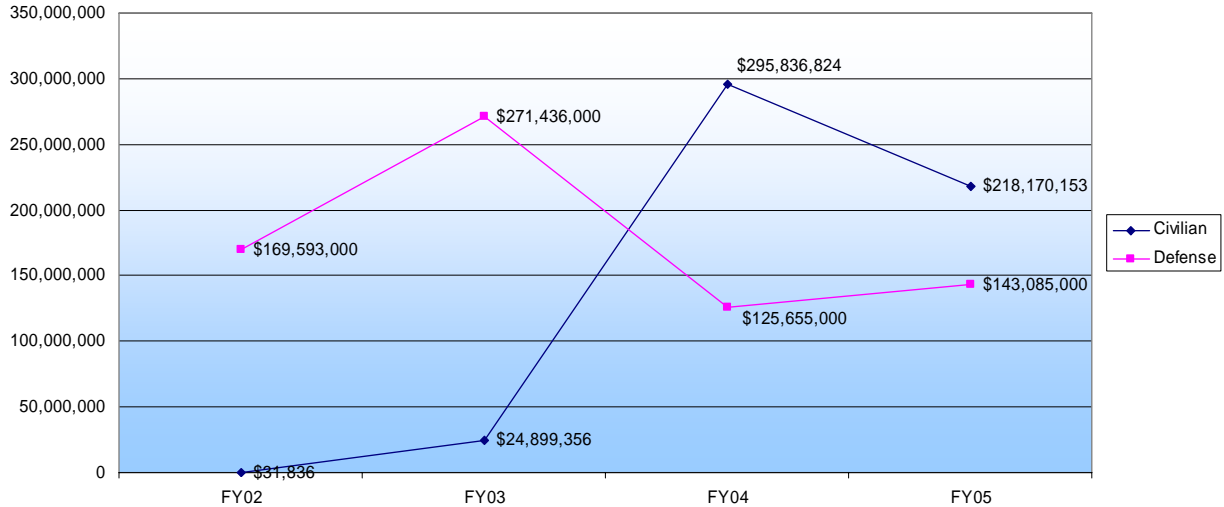
	FY01	FY02	FY03	FY04	FY05	FY06 YTD	<blank>	Grand Total
A-76 Contract Count								
Large and Other Business	6	18	81	467	553	171	1	1,297
Small Business	0	31	118	979	1,038	270	2	2,438
Combined Contract Count	6	49	199	1,446	1,591	441	3	3,735
A-76 Contract Sum								
Large and Other Business	\$322,070	\$335,228,150	\$518,634,154	\$1,578,931,628	\$1,189,720,059	\$525,392,405	\$6,356,000	\$4,154,584,466
Small Business	\$0	\$169,624,836	\$296,335,356	\$421,491,824	\$361,255,153	\$78,384,246	\$1,767,000	\$1,328,858,415
Combined Contract Sum	\$322,070	\$504,852,986	\$814,969,510	\$2,000,423,452	\$1,550,975,212	\$603,776,651	\$8,123,000	\$5,483,442,881
Overall A-76 Contract Average	\$53,678	\$10,303,122	\$4,095,324	\$1,383,419	\$974,843	\$1,369,108	\$2,707,667	\$1,468,124
Small Business Contract Average		\$5,471,769	\$2,511,317	\$430,533	\$348,030	\$290,312	\$883,500	\$545,061

Figure 6: Combined DoD, Civilian A-76 Spending FY 2001 – FY 2005



As Figure 6 shows, civilian A-76 procurement spending surpassed DoD A-76 spending in FY 2004 and continued to grow, while reported DoD spending fell dramatically. Figure 7 shows a similar trend for small business A-76 procurement spending; civilian small business spending in FY 2004 was 125 percent higher than DoD A-76 spending. This difference shrank to 52 percent in FY 2005, as DoD small business spending rose slightly and civilian spending fell. Still, the combined \$361 million in small business A-76 procurement represented a fraction of overall federal small business spending.

Figure 7: Combined DoD, Civilian Small Business A-76 Spending, FY 2001 – FY 2005



5. Conclusion

Spending on A-76 competitively sourced contracts with private sector firms represents a small fraction of total government procurement and small business contract spending.

The data show that \$5.5 billion has been spent on 3,735 defense and civilian A-76 procurements since FY 2001. Furthermore, recent data show a decline in agency spending on outsourcing. The FY 2005 small business A-76 contracts totaled \$361 million.

Since FY 2001, 567 companies, or 71 percent of the 795 active A-76 vendors, were reported as being small businesses. Overall, small businesses won 65 percent of all A-76 contracts and 24 percent of A-76 dollars.

NASA and the DoD are the heaviest users of outsourced contracts. Together they account for \$5.173 billion, or 94 percent of reported A-76 spending between FY 2001 and FY 2006. Not surprisingly, A-76 dollars are heavily concentrated in “white collar” professions: professional services; technology-dependent professions; and various types of administrative and program management assistance. NASA and DoD dominance of A-76 contracting also dictates the geographic concentration of A-76 spending at key NASA and DoD facilities nationwide, particularly in the Washington, DC, area. Both agencies strongly favor competitive awards and fixed-price terms, both of which minimize financial risk.