



# FEDERAL ACQUISITION MARKET REPORT

*(September 2025 – Comprehensive Industry Analysis)*

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## Executive Overview

The federal acquisition system is at an inflection point. The FAR overhaul, Category Management mandates, and CMMC enforcement are changing how agencies acquire services, software, and support. The market is consolidating under Best-in-Class (BIC) vehicles and shifting competition from open-market awards to task orders within multi-award IDIQs and GWACs.

For large contractors, these reforms favor incumbents on BIC vehicles with deep proposal infrastructure, strong compliance postures, and the scale to manage increased acquisition workload. For small businesses, the environment reduces reliance on open-market set-asides but increases opportunities for teaming, niche Assisted Acquisition Services (AAS) offerings, and task-order set-asides within BIC contracts.

The outcome for both tiers is clear: more competition, more task-order activity, and more AAS bids across DoD, FedCiv, and national security markets.

## FAR Overhaul: Structural Industry Implications

The FAR overhaul introduces structural changes with system-wide implications:

- ❖ **Rule of Two discretionary.** Small businesses will see fewer automatic set-asides, but they still benefit from task-order set-asides inside vehicles like MAS, CIO-SP, and OASIS. Large contractors gain by facing fewer artificial restrictions but must still integrate small business teammates for evaluation credit and compliance.
- ❖ **J&As required for all sole-source actions.** This reduces sole-source contracting to both large and small firms, moving work into competitive acquisition environments. Large firms benefit from their ability to scale proposal response capacity, while small firms gain teaming opportunities on expanded competitions.
- ❖ **Category Management mandates.** With BIC vehicles required for common goods and services, large contractors already positioned on SEWP, Alliant, or CIO-SP are advantaged. Small contractors must gain access through teaming, mentor-protégé, or on-ramp strategies.

These changes favor contractors with broad vehicle access and the ability to compete repeatedly at the task-order level.

## CMMC: Compliance as Market Separator

CMMC implementation on November 10, 2025, will divide the industry into eligible vs. ineligible competitors. Large contractors with mature cyber programs will certify early, while many small firms risk being sidelined from DoD and national security procurements if not certified by FY26.

- ❖ **Large contractor impact:** Certification becomes a baseline expectation, not a differentiator. The real differentiators will be proprietary tools, automation, and compliance integration into capture.
- ❖ **Small contractor impact:** Certification is a barrier to entry but also a differentiator; small firms that achieve CMMC Level 2 early will be highly attractive as subs on cyber-sensitive work.

## Continuing Resolutions: Market-Wide Effects

CRs delay program starts and compress obligation spikes into Q2–Q4. Both large and small contractors must adapt to backloaded competitions, task-order surges on BIC vehicles, and increased competition density. Incumbents with vehicle access are positioned to benefit most.

- ❖ **Backloaded competitions.** Agencies release large volumes of solicitations once appropriations are passed.
- ❖ **Task-order surges.** Vehicles like MAS, Alliant, SEWP, and OASIS see sharp increases in task-order releases.
- ❖ **Increased competition density.** Multiple vendors chase compressed timelines, favoring firms with fast-turn capture and proposal engines.

## Spending Trends and Category Allocations

FY2024 obligations totaled ~\$755B with small businesses receiving \$183.5B. While most agencies achieved A/A+ SBA scorecard grades, HHS, NASA, and USAID fell short. Agencies missing goals are under pressure to increase small-business participation, but with the Rule of Two now discretionary, these opportunities will appear primarily as task-order set-asides within BIC vehicles.

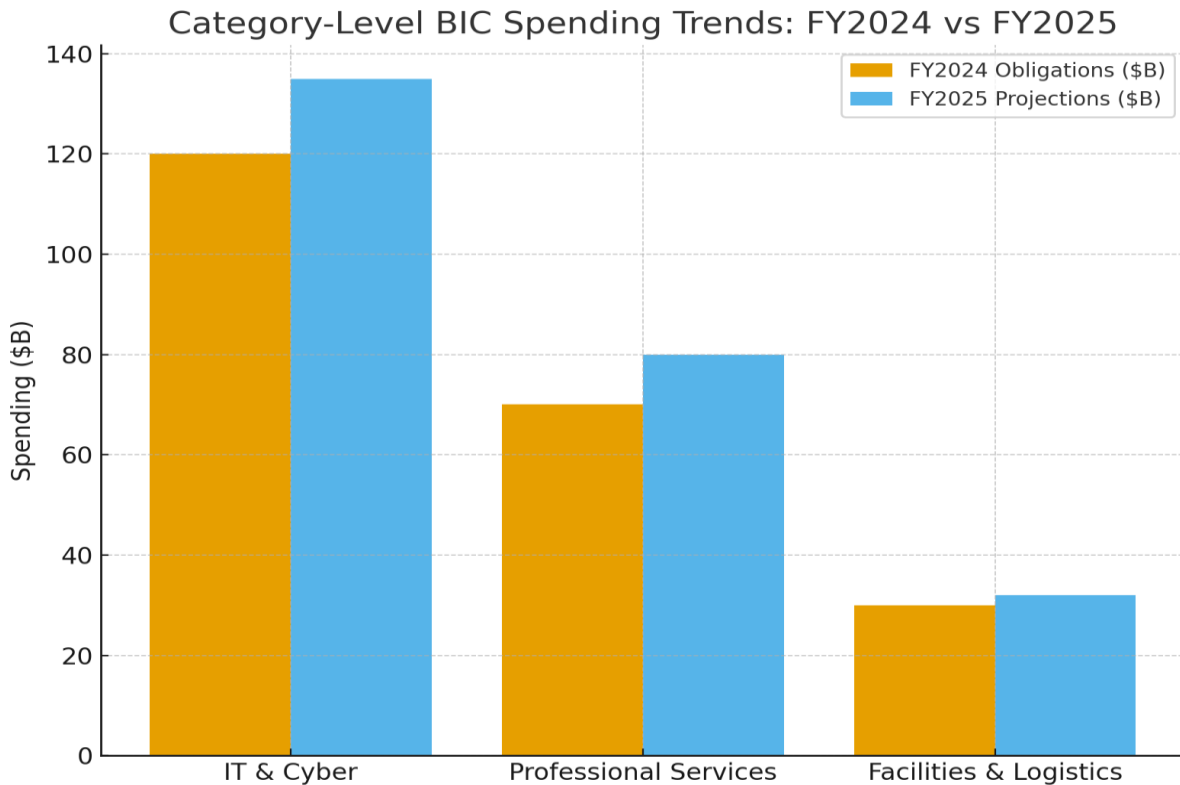
In FY2024, federal contract obligations reached approximately \$755 billion, with a growing share consolidated under Best-in-Class (BIC) vehicles as agencies complied with OMB Category Management directives. Roughly \$220 billion in obligations, nearly one-third of all contract spend, was funneled through BIC-designated vehicles such as SEWP V, Alliant 2, CIO-SP3, and OASIS. This marks a steady upward trend in BIC reliance over the past three fiscal years.

### Category Spending Highlights:

- ❖ **IT & Cyber (SEWP, Alliant, CIO-SP):** Over \$120 billion obligated, reflecting agency priorities around cloud modernization, cybersecurity hardening, and data platforming.
- ❖ **Professional Services (OASIS, MAS 541611, 54151S):** Approximately \$70 billion, driven by demand for program management, financial services, and acquisition support.
- ❖ **Facilities & Logistics (LOGWORLD, transportation-related BICs):** Roughly \$30 billion, showing continued use of structured BICs for logistics and sustainment.

While small business obligations held steady at \$183.5 billion, set-aside spending reached \$69.6 billion, largely concentrated in MAS and OASIS+ pools. Notably, as the Rule of Two becomes discretionary, agencies are shifting small business participation away from open-market set-asides toward task-order competitions within BIC vehicles, where they can meet socio-economic targets while maintaining alignment with Category Management goals.

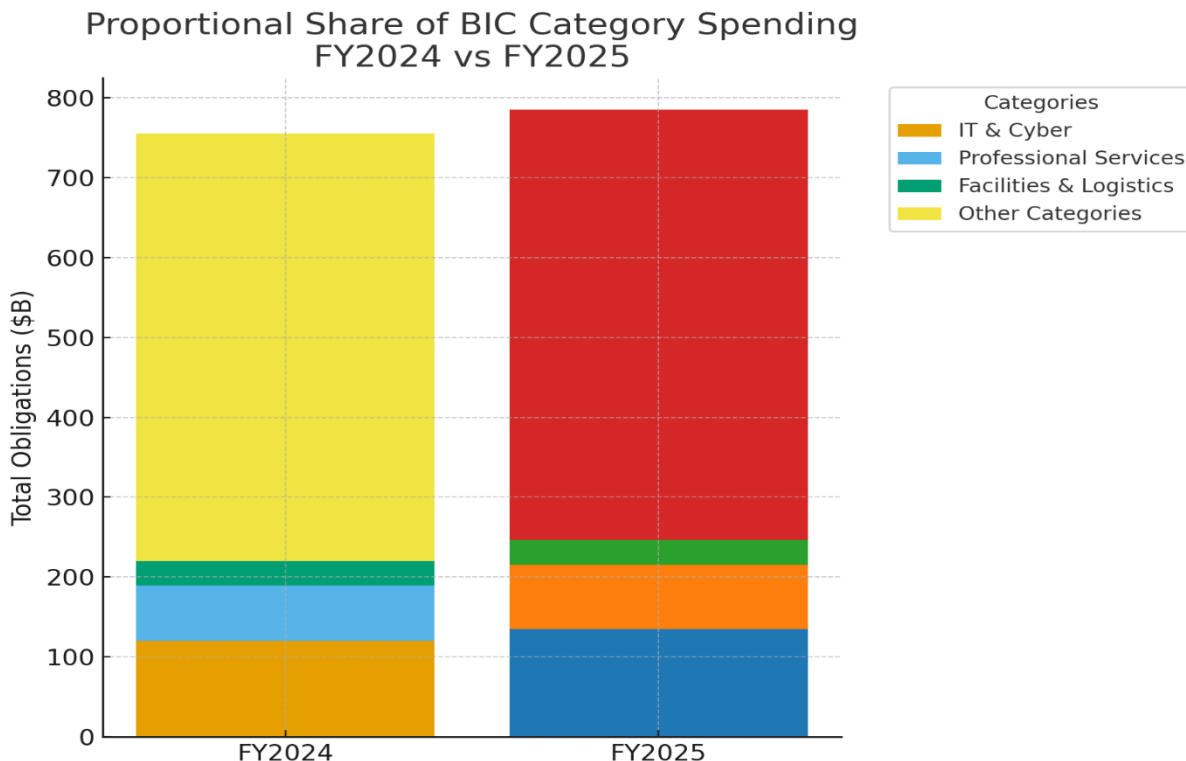
**Figure 1: Category-Level BIC Spending Trends (FY2024 vs FY2025)**



Future budget allocations signal deeper integration of BIC usage, with IT, cyber, and professional services categories accounting for the bulk of growth.

| Category                                               | FY2024 Obligations (\$B) | Projected FY2025 Allocation (\$B) |
|--------------------------------------------------------|--------------------------|-----------------------------------|
| IT & Cyber (SEWP, Alliant, CIO-SP)                     | 120                      | 135                               |
| Professional Services (OASIS, MAS 541611, 54151S)      | 70                       | 80                                |
| Facilities & Logistics (LOGWORLD, Transportation BICs) | 30                       | 32                                |
| Other Categories (Medical, Security, etc.)             | 220                      | 225                               |
| <b>Total BIC Vehicle Spend</b>                         | <b>220</b>               | <b>240</b>                        |

**Figure 2: Proportional Share of BIC Category Spending (FY2024 vs FY2025)**



**Industry implication:** Contractors positioned on BIC vehicles, or those able to team effectively with incumbents, are best placed to capture this consolidated demand.

#### Total Obligations by BIC Category

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| <b>Total Federal Contract Obligations</b>              | <b>755</b>               | <b>785</b>                        |

## Assisted Acquisition Services (AAS): Industry Outlook, Bid Structures, and Competitive Dynamics

### Why AAS Demand is Rising

Agencies increasingly seek Assisted Acquisition Services (AAS) as a way to manage compliance complexity, compressed timelines, and BIC-first mandates. AAS offices provide turnkey acquisition support, shifting the burden of strategy, execution, and competition management away from program offices. Demand is strongest in DoD, national security, DHS, HHS, Treasury, and VA portfolios.

| Portfolio                   | Probability of AAS Use | Rationale                                          |
|-----------------------------|------------------------|----------------------------------------------------|
| <b>DoD</b>                  | 70–80%                 | CMMC gating, complex scope, preference for BIC TOs |
| <b>National Security/IC</b> | 70–80%                 | Classified sourcing, FEDSIM-style rigor            |
| <b>DHS</b>                  | 60–70%                 | High-volume cyber/cloud TOs                        |
| <b>HHS/CMS</b>              | 55–65%                 | Program support & IT pipelines                     |
| <b>Treasury/IRS</b>         | 55–65%                 | Financial mgmt. modernization                      |
| <b>VA</b>                   | 45–55%                 | IT modernization; reliance on BIC + T4NG           |

### What AAS-Run Competitions Will Look Like

Competitions under AAS offices are adopting structures similar to legacy FEDSIM acquisitions, with advisory multi-phase down-selects, SOO-driven solicitations, orals and technical challenges, and rigorous best-value tradeoffs. Awards often combine CPFF, T&M, and FFP CLINs with performance incentives tied to mission outcomes.

These acquisitions focus less on what capabilities a contractor possesses and more on HOW contractors deliver solutions, their management innovation, and their ability to shrink technical gaps between bidders. This represents a shift from earlier acquisition models, where emphasis was on technical breadth, to a model where proprietary frameworks, automation, and mission impact differentiators set winners apart.

### Analysis of Competition Density and Pricing

AAS competitions are denser than legacy stand-alone procurements, with 8–15 large-business primes and 10–20 small-business competitors in Phase 1, narrowing to 3–6 finalists. Pricing pressure is intensified by price realism requirements, but contractors that differentiate with proprietary frameworks, automation toolkits, and mission-impact accelerators can defend higher pricing.

For large contractors, success will require scaling capture engines and embedding proprietary IP to outpace rivals. For small contractors, niche innovation and teaming with incumbents will provide access to opportunities and help offset pricing pressure. Across the industry, AAS is

forcing competitions to reward management innovation and delivery models rather than commodity services.

| Requirement                                  | Typical Vehicle                  | AAS Packaging Signals           | Competitive Twist          |
|----------------------------------------------|----------------------------------|---------------------------------|----------------------------|
| <b>Cyber modernization</b>                   | Alliant 3, CIO-SP, MAS 54151HACS | SOO + orals + tech challenge    | CMMC gating, demo-heavy    |
| <b>Financial mgmt. &amp; audit readiness</b> | OASIS+, MAS 541611               | Playbooks, milestone incentives | Outcome-based FFP CLINs    |
| <b>Enterprise PMO / program support</b>      | OASIS+, MAS 541611               | Backlog-driven PM artifacts     | Price realism scrutiny     |
| <b>Cloud/data platforming</b>                | Alliant 3, SEWP, CIO-SP          | Architecture-as-code exhibits   | Multi-tower hybrid pricing |

### Implications for Large and Small Contractors

Large contractors must scale capture and proposal infrastructure to respond to rising task-order volumes, leveraging proprietary accelerators and automation to offset pricing pressure. They must also emphasize mission impact differentiators in proposal narratives and orals to secure wins.

Small contractors, meanwhile, should pursue teaming strategies and bring niche innovations, such as compliance dashboards, automation scripts, and specialized financial or cyber frameworks, that give larger teams competitive edge. This dynamic ensures that AAS-led acquisitions shrink traditional technical gaps, focusing instead on HOW work is delivered and how effectively contractors innovate in management and mission support.

### Conclusion

The FAR overhaul, CMMC enforcement, and BIC-first policies are accelerating the shift toward AAS-led acquisitions. This means more competitive task orders, higher competition density, and an industry-wide focus on HOW contractors execute solutions. Large firms will thrive by investing in proprietary frameworks and automation to offset pricing pressure, while small firms can win by supplying niche innovations that strengthen teaming value. Both must demonstrate mission impact differentiators and management innovation to succeed in an environment that increasingly resembles legacy FEDSIM procurements on BIC vehicles.

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