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Geography of Small Business Contracts: Where Federal Procurement Dollars are Awarded to Small Businesses

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Geography of Small Business Contracts: Where Federal Procurement Dollars are Awarded to Small Businesses

SUMMARY

R48900

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This report reviews state-level data on the volume of federal contract dollars awarded to businesses, particularly to small businesses, for fiscal years 1997-2023. Overall, the geographic distribution of small business contract dollars has been fairly consistent for the past 30 years, with certain states perennially amongst the top recipients of small business contract dollars. With some exceptions, states with relatively more people, businesses, and economic activity—and relatively higher levels of state GDP—are states that have received the most federal contract dollars, and/or small business contract dollars. These states include large states (by population) such as California, Florida, New York, and Texas. The per capita contract award values for the largest population states indicate that their awards were not disproportionately high relative to their populations.

Certain states have relatively smaller economies and received a comparatively large share of dollars relative to their economic size. These states include those with proximity to federal government headquarters in the District of Columbia as well as those with proximity to major defense facilities. For example, Virginia received almost twice as many federal contract dollars as California in FY2023. Also, because defense-related contract spending typically constitutes around 60% of overall federal contract spending, places that receive more defense contracts—such as the locations with permanent military installations—are generally top contract recipients.

States that have historically had neither the nation's highest levels of population nor state GDP activity but nevertheless received top shares of federal contract dollars include Alabama, Arizona, Connecticut, DC, Maryland, Missouri, and Virginia. The shares of federal contract dollars in these states account from around five to nearly 15 percent of annual state GDP. States that have consistently had the highest ratios of federal contract spending to state economic output, although they were not among the top recipients of contract dollars, include Alaska, Alabama, Kentucky, Mississippi, and New Mexico.

Historical data show that all states generally saw surges in contract dollars (in real terms) following the September 11th attacks of 2001. Post-9/11 policies yielded substantial procurement policy changes, which are reflected in contract award data from FY2001 onward. Contract award dollars increased in real terms across states, with certain states experiencing growth of over 200% in small business award dollars between FY2001-FY2010. With some exceptions, decreases in real contract dollars occurred in the years 2010-2013—potentially reflecting enactment of the Budget Control Act of 2011 (P.L. 112-25) and reduced appropriations—before they generally increased again.

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Introduction

One way in which Congress has exercised authority over the federal procurement process is by adopting measures to promote contracts with *small businesses*.[1] The U.S. government is one of the largest buyers of goods and services in the world and spends hundreds of billions of dollars on contracts with private firms each fiscal year.[2] The existing policies and programs for small business contractors respond to the congressional directive to award a "fair proportion" of federal contract and subcontract dollars to small businesses (per P.L. 83-163, the Small Business Act of 1953 (as amended)).[3] When Congress passed the Small Business Act, it articulated the intention of promoting the interests of small businesses to enhance competition in the private marketplace, "in order to preserve free competitive enterprise."[4]

Small business contractors may receive certain preferences from agency procurement officials in the form of contract set-asides and sole-source awards; while set-asides limit the competition for an award to only small firms, a sole-source award is made directly to a firm without competition.[5] Firms that wish to compete only with similar firms for government contracts (through contract set-asides), or receive sole-source awards, may participate in a designated small business contracting program (e.g., programs for HUBZone small businesses, women-owned small businesses, service-disabled veteran-owned small businesses, and firms in SBA's 8(a) Business Development Program).[6] According to a General Services Administration report on FY2024 procurement, the contract dollars awarded to small businesses through set-asides as a share of contract expenditures was more than 15%.[7] Overall, the share of contract spending awarded to small businesses has ranged from 26% to 28% in recent fiscal years, according to the Small Business Administration.[8]

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[1] To be considered "small" businesses, firms must meet the Small Business Administration's (SBA's) small business size standards, which are organized by industry and expressed in terms of their revenue (average annual receipts) or number of employees. SBA relies on an analysis of various economic factors in its size standards methodology, such as each industry's overall competitiveness and the competitiveness of firms within each industry, to ensure that a business that qualifies as small is not "dominant in its field of operation" on a national basis (15 U.S.C. §632(a)). For additional information and analysis of the SBA's size standards, see, *Small Business Size Standards: A Historical Analysis of Contemporary Issues*. See also the SBA table of size standards at https://www.sba.gov/document/support-table-size-standards.

[2] In recent fiscal years, the government has spent roughly $600-$700 billion dollars on contracts. In FY2024, federal agencies obligated about $755 billion on contracts, including over $183 billion in contract awards to small businesses. See U.S. Government Accountability Office, *A Snapshot of Government-Wide Contracting for FY 2024*, accessed August 1, 2025, at https://www.gao.gov/blog/snapshot-government-wide-contracting-fy-2024-interactive-dashboard; and the Small Business Administration (SBA), "Small Business Procurement Scorecard Details," accessed August 1, 2025, at https://www.sba.gov/federal-contracting/contracting-data/small-business-procurement-scorecard/scorecard-details?agency=GW&year=2024.

[3] See, *An Overview of Small Business Contracting*, for more information about small business contracting policies and programs.

[4] P.L. 83-163, the Small Business Act of 1953 (as amended).

[5] For information on these preferences, see, *Federal Contract Set-Asides for Small Businesses* and CRS In Focus IF12853, *Sole-Source Contracts for Small Businesses*, by R. Corinne Blackford.

[6] For general information about each of these programs, see CRS Report R45576, *An Overview of Small Business Contracting*, by R. Corinne Blackford.

[7] General Services Administration (GSA), "Final Data Report: FY2024 Federal Procurement Data System GSA Report," at https://www.gsa.gov/policy-regulations/policy/acquisition-policy/small-business-reports.

[8] SBA, "Government-wide FY2019-2024 Small Business Procurement Scorecard."

This report reviews state-level data on the volume of federal contract dollars awarded to businesses, particularly to small businesses, for fiscal years 1997-2023. The geographic distribution of small business contract dollars has been fairly consistent for the past 30 years. Certain states have perennially been among the top recipients of small business contract dollars in the past three decades, including both larger states with more people and businesses (e.g., California, Texas) and smaller states with industry networks serving permanent federal and military and aerospace installations (e.g., Virginia, Connecticut, Alabama). Policymakers may be interested in using this information to inform their understanding of the role that federal contracting has played in their states, especially among "small" businesses.

Contract Dollars by Place of Contract Performance

This report presents and analyzes contract awards to small businesses by "primary place of performance," a term used by the federal procurement data system (FPDS) to denote the "principal place of business, where the majority of the work is performed. For example, in a manufacturing contract, this would be the main plant where items are produced." The "recipient location" is the legal business address for the recipient of an award. In many instances, the primary place of performance will not be the same as the recipient location.[9]

With some exceptions, states with relatively more people, businesses, and relatively higher levels of state GDP are states that have received the most federal contract dollars, and/or small business contract dollars.[10] These states include large states (by population) such as California, Florida, New York, and Texas.[11] This trend has held constant for the nearly 30 years of data examined in this report.[12]

Because defense-related contract spending constitutes around 60% of federal contract spending overall,[13] places that receive more defense contracts are generally top contract recipients. These places are typically the locations of military installations, for which the Department of Defense (DOD)[14] procures supplies, equipment, and various services. Some top DOD contract recipients are instead the sites of research institutions that receive large research and development (R&D) contracts but may not necessarily have the largest facilities or numbers of defense personnel. Whether near the Pentagon or further afield, small firms in the defense industrial base have propelled certain states to the top contract recipients list (see the report section "Top Contract Recipient States" below).

For FY2023, **Figure 1** shows how much in each has state has attracted in small business contract dollars, with top recipients appearing darker on the map. The link between state populations and contract dollars received is discussed in the report section "Per Capita Contract Dollars" below.

[9] USAspending.gov FAQs and USAspending.gov Data Dictionary, accessed May 8, 2025.

[10] Recipient locations are based on "place of performance" reporting, which refers to where work on a contract was performed (this may not be the same place as a company's headquarters).

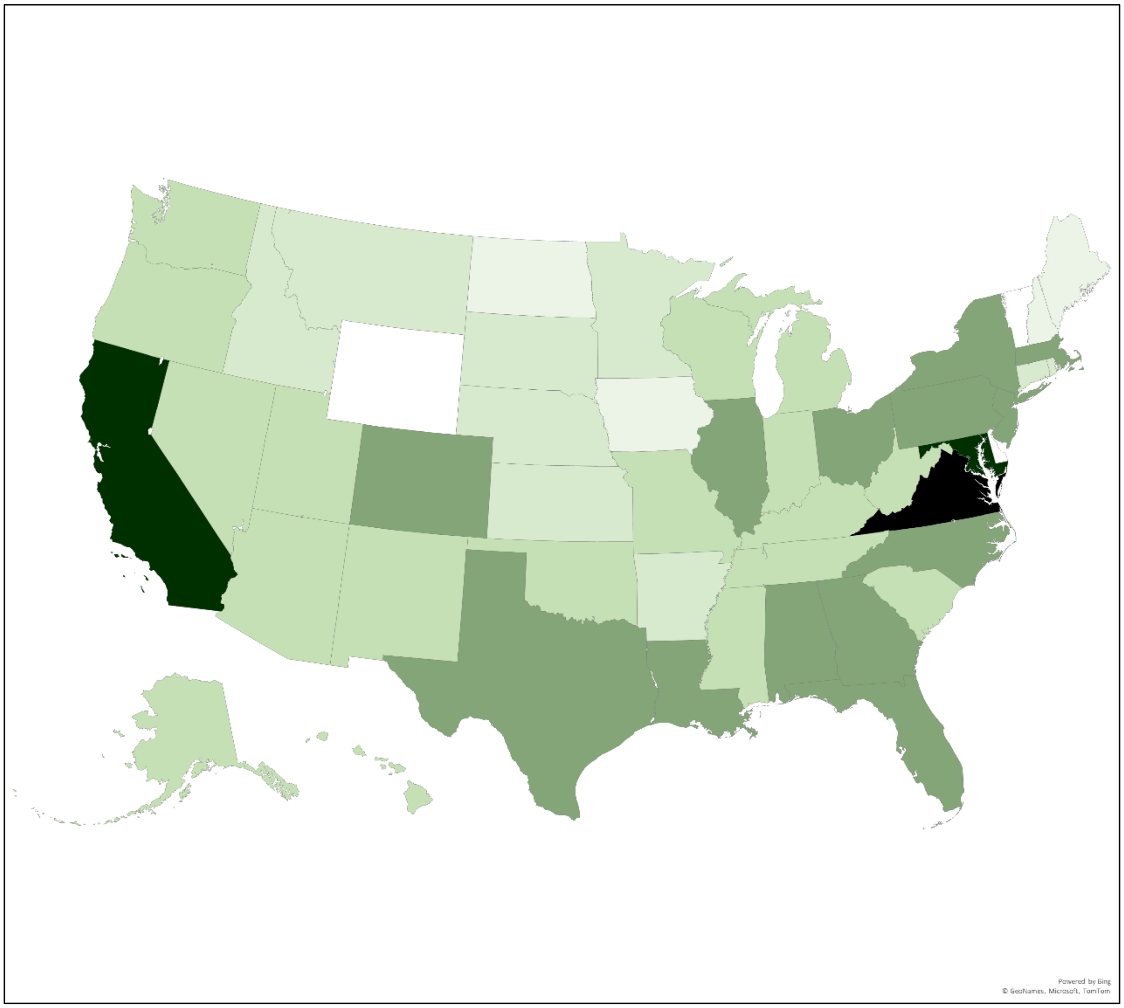
[11] There are also states with relatively large economies, as measured by state GDP, that are not typically among the top federal contract recipients, such as Illinois, Ohio, and Pennsylvania.

[12] Data covers 1997-2023.

[13] Around 60% of federal contract obligations have been made by defense agencies in recent years. In FY2024, nearly 59% of contract obligations were made by the Air Force, Army, Navy, and other defense agencies; in FY2023, this figure was 60%; in FY2022, it was nearly 60% and in FY2021, it was nearly 61%. U.S. Government Accountability Office, "A Snapshot: Government-Wide Contracting" [FY2021-2024].

[14] DOD is using a secondary "Department of War" designation under Executive Order 14347, dated September 5, 2025.

Figure 1. Map of FY2023 Small Business Contract Obligation Dollars by State



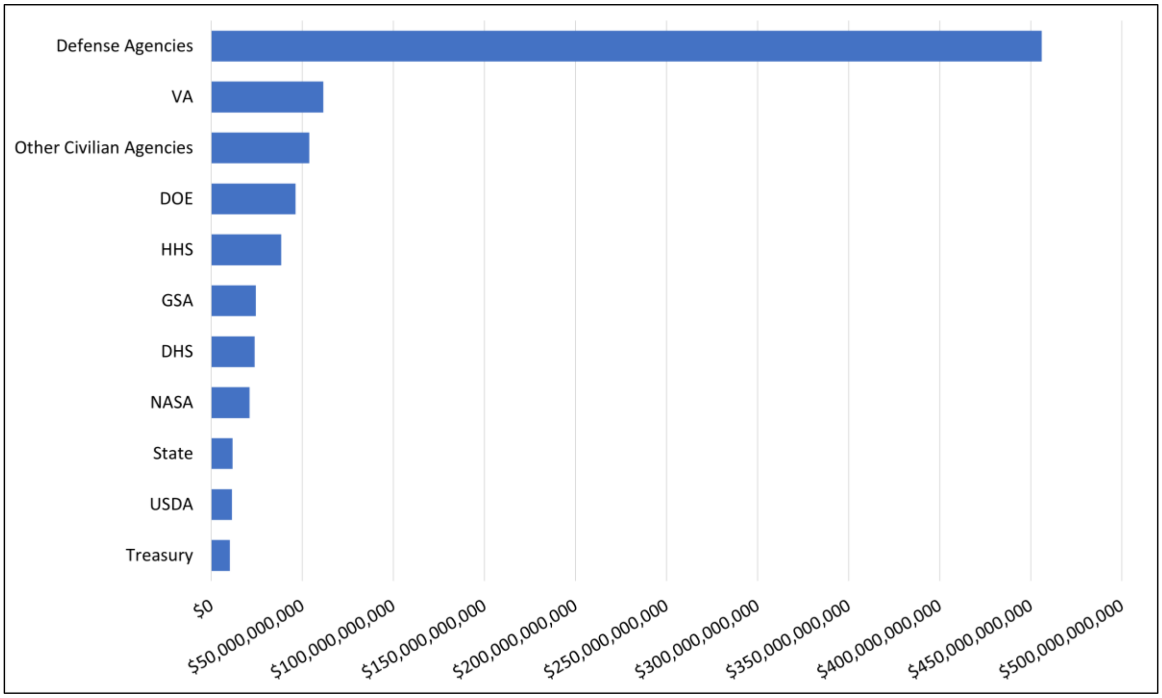
Source: CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY2023], accessed 5/6/25, at https://sam.gov/reports/awards/standard.

Notes: Values range from less than $250 million (in Delaware, Vermont, and Wyoming) to between $10 billion and $16 billion (in California, DC, and Maryland). The highest value, and outlier, is $29 billion in Virginia.

Figure 2 shows FY2023 contract dollars obligated by agency/department to all (small and not small) firms. Defense dollars overshadow nondefense dollars, with contract obligations totaling $456 billion. Certain civilian agencies stand out with contract award totals around $50 billion (e.g., Department of Veterans Affairs, Department of Energy, Department of Health and Human Services), though most agencies may be collectively grouped into one category ("other civilian agencies") without surpassing $55 billion. Places where defense contract dollars are obligated are therefore persistently the top recipients of contract dollars overall (among small and not small firms).

Figure 2. Total Contract Obligations (dollars) by Department

FY2023



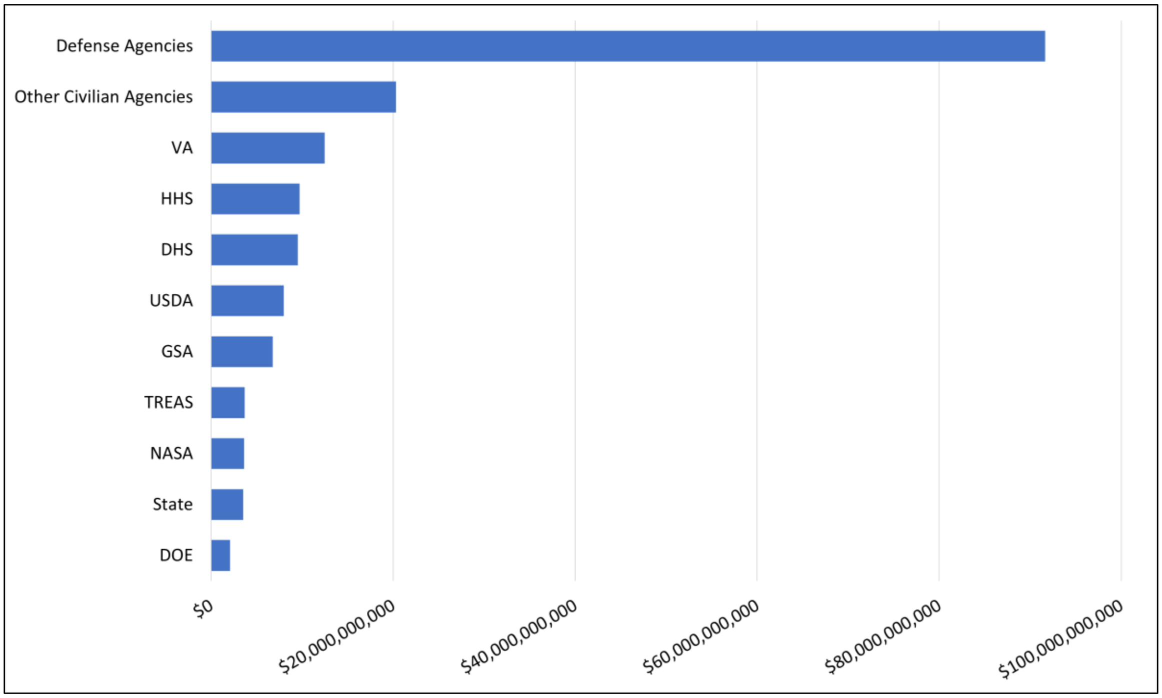
Source: U.S. Government Accountability Office, "A Snapshot: Government-Wide Contracting," for FY2023.

Notes: Agencies abbreviations are as follows: Veterans Affairs (VA), Department of Energy (DOE), Health and Human Services (HHS), General Services Administration (GSA), Department of Homeland Security (DHS), Department of State (State), Department of Agriculture (USDA).

For a discussion of the firms and organizations comprising the U.S. defense industrial base, see CRS In Focus IF10548, *Defense Primer: U.S. Defense Industrial Base*, and CRS Report R47751, *The U.S. Defense Industrial Base: Background and Issues for Congress*. As the report mentions, "the commercial sector [of the defense industrial base] is dominated by five large, publicly traded U.S. firms" in terms of DOD contract dollars, "although a majority of defense contractors are small businesses, they collectively receive a minority of DOD contract obligations." For information about DOD contractors, including the largest firms, see CRS In Focus IF10600, *Defense Primer: Department of Defense Contractors*. **Figure 3** shows FY2023 contract obligations by agency/department to small businesses. The difference between defense and nondefense dollars is smaller for small business contractors, with about $92 billion in defense obligations and $20 billion for the "other civilian agencies" category.

Figure 3. Small Business Contract Obligations (dollars) by Department

FY2023



Source: U.S. Government Accountability Office, "A Snapshot: Government-Wide Contracting," for FY2023.

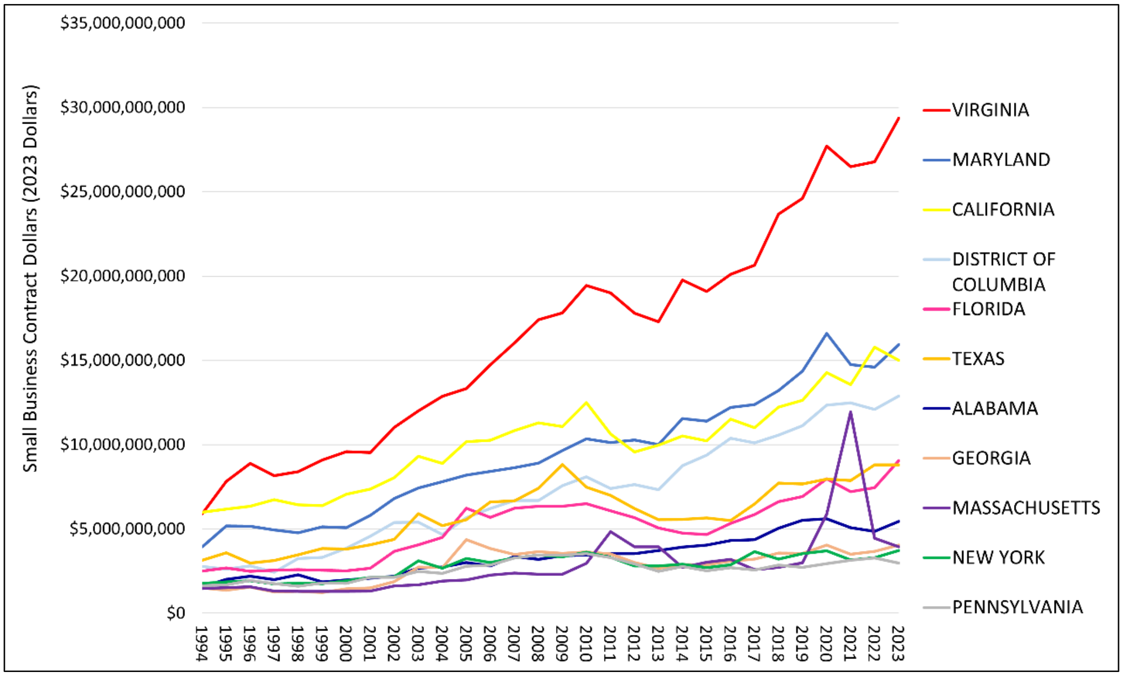
Top Contract Recipient States

The graph in **Figure 4**, below, shows data for the states that have most frequently been on the annual top-ten recipient list for small business contract dollars in the past three decades (expressed in 2023 dollars). Every state shown, except Massachusetts and Pennsylvania, has been among the top ten recipients for at least 20 of the past 30 years.[15] As discussed below, these states' high levels of small business contracting may be attributed to either their overall economic size or some other factor, such as a relationship with defense-related acquisition needs.

[15] Both Massachusetts and Pennsylvania are included because they are among the most frequent recipients of total contracting dollars (to small and non-small businesses) over the 30-year time period, and have periodically been top small business dollar recipients. CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY1994-FY2023], accessed 5/6/25, at https://sam.gov/reports/awards/standard.

Figure 4. Most Frequent Top-Ten States for Small Business Contract Award Dollars

FY1994-FY2023 (2023 Dollars)

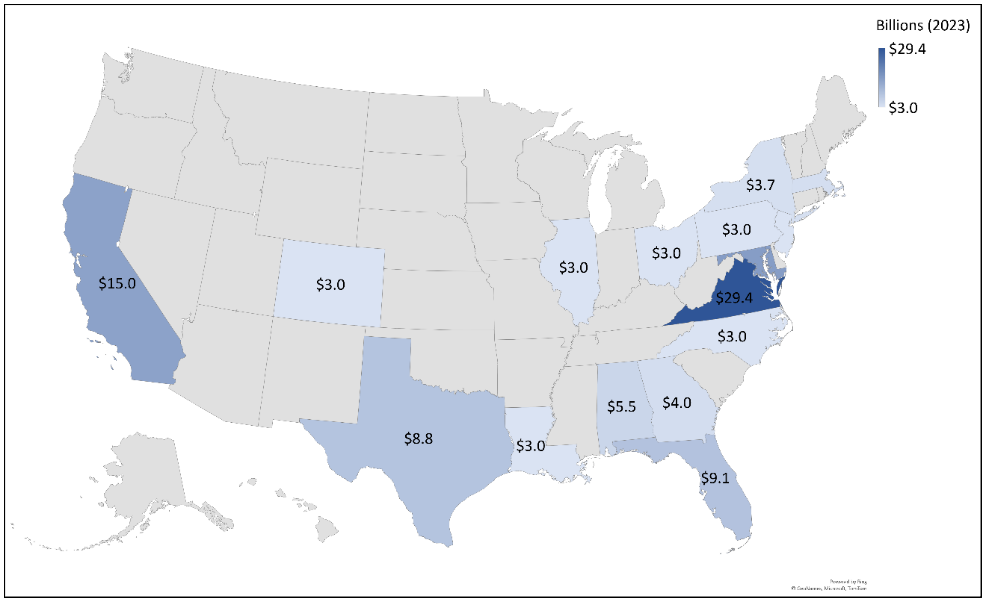


Source: CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY1994-FY2023], accessed 5/6/25, at https://sam.gov/reports/awards/standard; U.S. Bureau of Economic Analysis (BEA) Implicit Price Deflator for federal government consumption expenditures and gross investment (revised on June 27, 2024).

Notes: Contract dollar data is adjusted for inflation using the U.S. Bureau of Economic Analysis (BEA) Implicit Price Deflator for federal government consumption expenditures and gross investment (revised on June 27, 2024). Applying the deflator allows for comparisons of the real value over time.

The amounts obligated to small businesses in the top recipient states for FY2023 are shown on the map in **Figure 5**. The value of the small business dollars received in FY2023 by firms in each state ranges from just under $3 billion (e.g., Illinois, Louisiana, and Pennsylvania) to over $29 billion (Virginia). As mentioned, some of these states are the states with relatively more people, businesses, and economic activity (e.g., California, Florida, New York, Texas). Others have relatively smaller economies and received a comparatively large share of dollars relative to their economic size. For example, Virginia received almost twice as much as California in FY2023.

Figure 5. FY2023 Small Business Dollars Obligated to the Most Frequent Top-Ten States for Small Business Contract Award Dollars



Source: CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY1994-FY2023], accessed 5/6/25, at https://sam.gov/reports/awards/standard.

Notes: Values range from $3 billion to over $29 billion in Virginia. Florida and Texas values are near $9 billion.

The states that have most frequently (nearly always) been among the top five recipients of federal small business contract award dollars since 1994 may be categorized as either capital-region states (DC, Maryland, Virginia) or large-population states, and are shown in **Table 1**.

Table 1. Most Frequent Top-Five States for Small Business Contract Award Dollars

State	Number of Years a Top-Five Recipient
California	30/30
District of Columbia	28/30
Maryland	30/30
Texas	26/30
Virginia	30/30

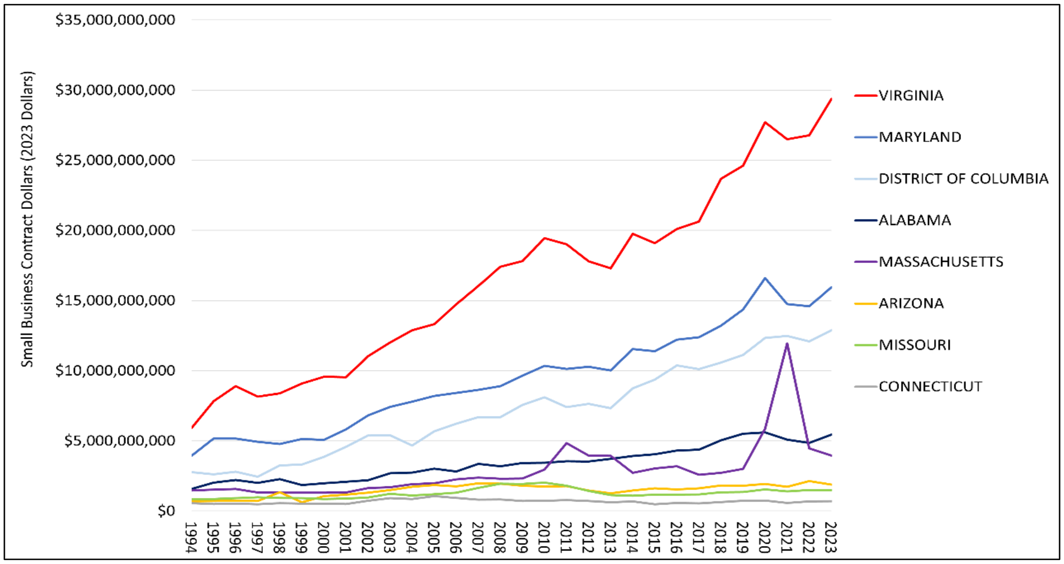
Source: CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance, accessed 5/6/25, at https://sam.gov/reports/awards/standard.

Although the top five recipient states have been consistent across time, the value of the awards grew more rapidly for some states than others across the analysis period. As shown in **Figure 4**, the value of awards to Virginia firms in particular outpaced the value of awards to other states after FY2001. Obligations to Maryland and District of Columbia (DC) firms also grew at faster rates from FY2001 onward. Historic events that have affected levels of contracting are discussed in the section "Contract Recipient Locations Across Time," below.

States that have historically had neither the nation's highest levels of population nor state GDP and nevertheless are top recipients of federal contract dollars include Alabama, Arizona, Connecticut, DC, Maryland, Missouri, and Virginia.[16] These states' small business dollar award amounts are shown in **Figure 6**.[17] The shares of federal contract dollars in these states account from around 5% to nearly 15% of annual state GDP. Ratios of contract dollars to state GDP for all states are discussed in a later section, "Ratios of Contract Dollars to State Economic Output." State populations relative to contract dollars received is covered in the section "Per Capita Contract Dollars."

Figure 6. Top Smaller State Contract Award Recipients

FY1994-FY2023



Source: CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY1994-FY2023], accessed 5/6/25, at https://sam.gov/reports/awards/standard; U.S. Bureau of Economic Analysis (BEA) Implicit Price Deflator for federal government consumption expenditures and gross investment (revised on June 27, 2024).

Notes: Contract dollar data is adjusted for inflation using the U.S. Bureau of Economic Analysis (BEA) Implicit Price Deflator for federal government consumption expenditures and gross investment (revised on June 27, 2024). Applying the deflator allows for comparisons of the real value over time.

Firms in DC, Maryland, and Virginia have deep ties to many federal agencies due to their proximity to federal entities, while defense and aerospace hubs in Alabama, Arizona, Connecticut, and Missouri have attracted federal contracts to those states. The circumstances around where contracts are performed each year might vary depending on federal needs but the above states have established firms and industry networks serving permanent federal installations. Brief descriptions of each state's contract awardees are outlined in **Table 2**.

[16] U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," *Geographical Report by Place of Performance*, accessed May 6, 2025, at https://sam.gov/reports/awards/standard; and Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, "Gross Domestic Product: All Industry Total in [state], Millions of Dollars, Annual, Not Seasonally Adjusted," updated March 28, 2025, at https://fred.stlouisfed.org. Data analyzed were converted to 2023 dollars using the Bureau of Economic Analysis's (BEA) Implicit Price Deflator for Federal Government Consumption Expenditures and Gross Investment, revised on June 27, 2024. Although Connecticut and Missouri are not top recipients for small business dollars, they are consistently among the top ten states for contract award dollars in general.

[17] Apart from Connecticut and Missouri, each of these states were perennial top small *and* non-small business awardee locations FAQs and USAspending.gov Data Dictionary Connecticut and Missouri were perennially ranked as top awardee locations for non-small business contracts.

Table 2. Top Smaller State Contract Award Recipients

FY1994-FY2023

State	Contract Awardee Summary
Alabama	Alabama contractors have supported permanent installations in the state, including NASA's Marshall Space Flight Center in Huntsville, and Maxwell Air Force Base in Montgomery. In FY2023, NASA obligations to small firms in Alabama totaled over $265 million and Air Force obligations totaled over $900 million (of an estimated $5.4 billion obligated to small businesses in the state overall that year).[a]
Arizona	Arizona contractors have provided weapons systems support to the Army and Air Force,[b] as well as support to the VA ($188 million in small business awards in FY2023) and other services to the Department of the Interior (primarily the Bureau of Indian Affairs, which obligated nearly $119 million to small businesses in FY2023).[c] Small business obligations were approximately $1.9 billion in FY2023, and between roughly $1.5 billion and $2 billion for past several fiscal years.[d]
Connecticut	In Connecticut, DOD, and the Navy in particular, has obligated hundreds of millions of dollars to small business contractors each fiscal year. New London is home to many marine industry businesses such as navigational and engineering services firms while Stratford is home to Lockheed Martin's Sikorsky Aircraft Corporation. In FY2023, Navy contract obligations to small firms totaled about $173 million.[e] In addition, contracts for the construction of troop housing facilities contributed to the amount obligated to small firms in FY2023.[f]
Missouri	In Missouri, the Kansas City National Security Campus is supported by national security contractors (for the non-nuclear components of nuclear weapons). In addition, a St. Louis Boeing plant has attracted Air Force contracts to the state. Outside of defense contracting, VA requirements have fueled small business contracts (including hospital construction contracts in FY2023). Certain large contracts for Internal Revenue Service clerical and Department of Homeland Security (DHS) administrative support services have also contributed substantially to the total amount obligated in FY2023.[g]
Capital-Area States (DC, Maryland, VA)	
District of Columbia	Contract obligations to small businesses in DC vary more by agency than those to Virginia or Maryland firms. While DOD is yet the top awarding agency, it does not far outpace the DHS, General Services Administration (GSA), and other agencies. DC-based contractors generally provide services in support of facilities and executive branch operations. In FY2023, contract obligations to small firms for professional and technical services were most of DHS and around half of DOD small business obligations.[h]
Maryland	In Maryland, Navy contracts are the largest source of small business obligations. Permanent installations include the Naval Support Activity Bethesda, Naval Support Activity Annapolis, and a U.S. Naval Research Laboratory as well as the Navy-sponsored Applied Physics Laboratory at Johns Hopkins University. Navy obligations to small businesses totaled over $2 billion in FY2023. Army installations in the state include Fort Detrick and Fort Meade. Army contracts were the second largest source of small business obligations in FY2023, at $1.26 billion.[i]
Virginia	In Virginia, DOD awards tens of billions of dollars in contracts to small and large firms.[j] Defense Logistics Agency (DLA) contracts were the largest sources of small business obligations in FY2023.[k] Virginia is the home state of the Pentagon and headquarters for several major defense contractors at the center of defense industry business networks.[l]

Source: U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance, awarding agency, and fiscal year [FY2023], accessed 2/3/2026; USAspending.gov search of prime awards and transactions by place of performance, awarding agency, and fiscal year [FY2023].

Notes: States listed in the table consistently ranked as top-ten state recipients for contract awards from FY1994-FY2023 but not in the top-ten list for state GDP. Expanding the selection to top-twenty states (that are not top-twenty economies in terms of state GDP) would include such states as Alaska, Colorado, New Mexico, and South Carolina.

a. U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [Alabama], awarding agency [NASA; Department of the Air Force], and fiscal year [FY2023], accessed 2/3/2026.

b. For example, one small business contractor was awarded a contract for "logistics support of a fleet of aircraft for the Afghanistan air force" of close to $300 million. USAspending.gov search of prime awards and transactions by place of performance [Arizona], awarding agency, and fiscal year [FY2023].

c. U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [Arizona], awarding agency [Department of Veterans Affairs; Bureau of Indian Affairs], and fiscal year [FY2023], accessed 2/3/2026; USAspending.gov search of prime awards and transactions by place of performance [Arizona], awarding agency, and fiscal year [FY2023].

d. CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY1994-FY2023], accessed 5/6/25, at https://sam.gov/reports/awards/standard.

e. U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [Connecticut], awarding agency [Department of the Navy], and fiscal year [FY2023], accessed 2/3/2026.

f. USAspending.gov search of prime awards and transactions by place of performance [Connecticut], awarding agency, and fiscal year [FY2023].

g. USAspending.gov search of prime awards and transactions by place of performance [Missouri], awarding agency, and fiscal year [FY2023]. Kansas City has a regional campus that processes IRS paperwork and a U.S. Citizenship and Immigration Services office under DHS that has awarded contracts for its records operation center.

h. USAspending.gov search of prime awards and transactions by place of performance [District of Columbia], awarding agency, and fiscal year [FY2023]. Examples of professional services contracted include computer systems design services and advertising services.

i. USAspending.gov search of prime awards and transactions by place of performance [Maryland], awarding agency, and fiscal year [FY2023].

j. Defense contracts in FY2023 to firms in Virginia totaled nearly $45 billion, with $16.4 billion going to small businesses. U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [Virginia], awarding agency [Department of Defense], and fiscal year [FY2023], accessed 2/4/2026.

k. USAspending.gov search of prime awards and transactions by place of performance [Virginia], awarding agency, and fiscal year [FY2023].

l. The local government webpage for the city of Arlington, VA states that "six of the top 10 defense contractors maintain a large presence in Arlington." Arlington Economic Development, "Home of the Nation's Defense Infrastructure" at https://www.arlingtoneconomicdevelopment.com/Key-Industries/Aerospace-Defense.

Per Capita Contract Dollars

Among top small business award recipients, **Figure 6** shows the history of small business contract dollars awarded to the capital-area states of DC, Maryland, and Virginia, as well as Alabama, Arizona, Connecticut, and Missouri. **Table 3** shows per-capita contract spending (includes separate values for all contracts, defense contracts, and small business contracts) for these states and others, for FY2023.

Table 3. Per-Capita Contract Spending Among Top Contract Award Recipients

FY2023

State	All Contracts	Defense	Small Business
Alabama	$2,920	$2,040	$1,070
Arizona	$2,660	$1,950	$250
California	$1,580	$1,060	$390
Connecticut	$7,190	$6,720	$190
District of Columbia	$50,030	$11,050	$18,980
Florida	$1,290	$1,010	$400
Georgia	$1,000	$690	$370
Maryland	$6,740	$2,960	$2,580
Massachusetts	$2,610	$2,140	$560
Missouri	$2,510	$1,870	$240
New York	$840	$600	$190
Pennsylvania	$1,800	$1,400	$230
Texas	$2,690	$1,920	$290
Virginia	$12,200	$5,370	$3,370

Source: CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY2023], accessed 5/6/25, at https://sam.gov/reports/awards/standard; U.S. Department of Defense Office of Local Defense Community Cooperation, *Defense Spending by State* [FY2023]; U.S. Census Bureau American Community Survey (ACS) 1-Year Estimates Selected Population Profiles [2023].

Notes: Contract spending data is combined with ACS population estimates to produce per-capita spending estimates.

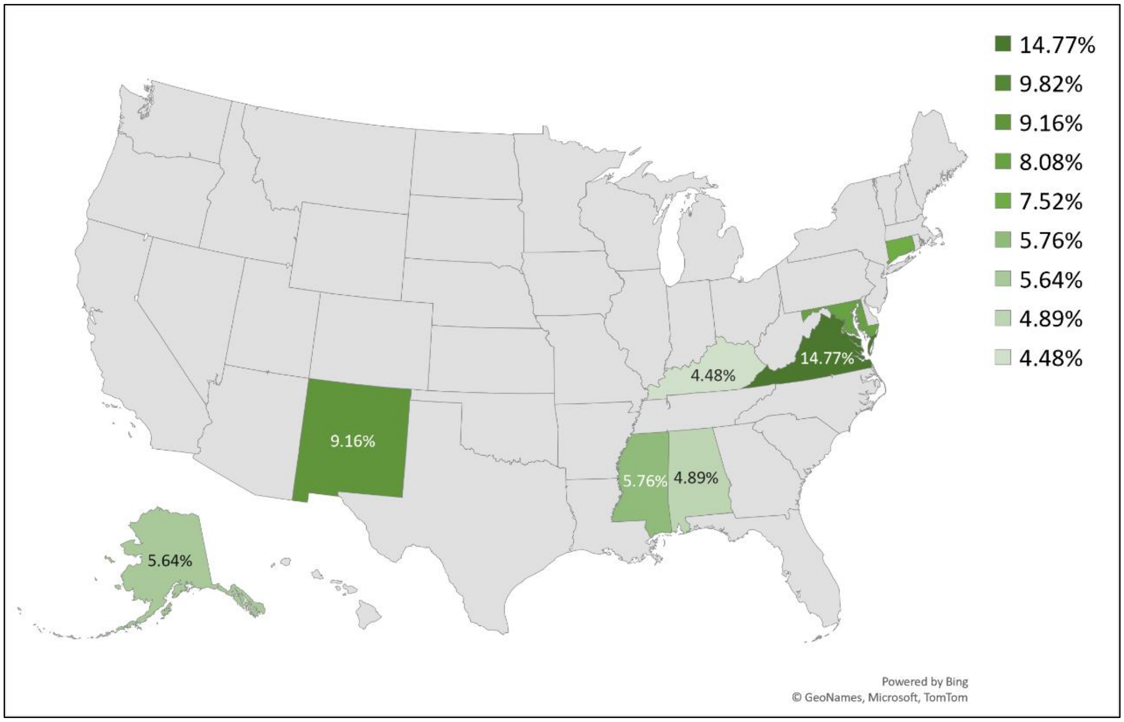
The states with the highest FY2023 per capita values for all contract awards include DC, Virginia, Connecticut, and Maryland. There is a gap between the states with the very highest per capita values (DC and Virginia with per capita total contract values of $50,000 and $12,000 respectively) and the next highest values (Connecticut and Maryland with per capita total contract values of around $7,000). The above four states were not necessarily those with the highest per capita *small business* contract award values. Connecticut, for example, had one of the highest per capita values for all contract dollars and defense contract dollars, but one of the lowest for small business dollars ($190). The per capita values for all contract awards for the largest population states (California, Florida, New York, Texas) indicate that their awards were not disproportionately high relative to their populations.

Ratios of Contract Dollars to State Economic Output

Another way to examine the flow of federal contract dollars to different locations and the relative importance of those dollars to state economies is to look at ratios of contract dollars to state GDP. States with the highest ratios are those where contracts constitute the highest share of state economic output. **Figure 7** shows the states with the highest ratios for FY2023. The states that consistently had the highest ratios include Alaska, Alabama, DC, Kentucky, Maryland, Mississippi, New Mexico, and Virginia.[18] Some of these states were frequently among the top recipients of contract dollars and small business dollars (i.e., Alabama, Connecticut, DC, Maryland, Virginia) and some were not (i.e., Alaska, Kentucky, Mississippi, New Mexico), but the federal dollars that they do receive represent a significant share of the state's economic output.

Figure 7. Map of States with Highest Ratios of Contract Dollars to Economic Output

FY2023



Source: U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY2023], accessed 5/6/25, at https://sam.gov/reports/awards/standard; Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, "Gross Domestic Product: All Industry Total in [state], Millions of Dollars, Annual, Not Seasonally Adjusted." Data Updated: 2025-03-28. Link: https://fred.stlouisfed.org.

As discussed above, apart from Alaska, Kentucky, Mississippi, and New Mexico, these states are top recipients of federal contracts but not the largest state economies. Alabama in particular, is a top small business contract recipient, having been among the top ten states for small business awards all but one year going back to 1994.[19]

States like Mississippi and New Mexico are not top contract award recipients but federal dollars represent relatively high shares of their economic output because their economies are comparatively small.

[18] U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance, accessed May 6, 2025, at https://sam.gov/reports/awards/standard; and Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, "Gross Domestic Product: All Industry Total in [state], Millions of Dollars, Annual, Not Seasonally Adjusted," updated March 28, 2025, at https://fred.stlouisfed.org. These ratios fluctuate from year to year but have generally been between 5% and 15%. States with relatively lower ratios have a ratio of less than 1%. The median ratio for 2023 was 1.61%.

[19] U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," *Geographical Report by Place of Performance*, accessed May 6, 2025.

Other states, such as Massachusetts, have relatively smaller populations and high levels of GDP and have also been top federal contract dollar recipients, likely due to unique capabilities of importance to federal agencies. In Massachusetts, defense contractor RTX (formerly Raytheon) has its headquarters and the Lincoln Lab at the Massachusetts Institute of Technology is funded by government agencies, including DOD and NASA.[20]

Contract Recipient Locations Across Time

Historical data shows trends affecting all states, as well as periods where flows to some states have changed. For example, all states generally saw surges in contract dollars (in real terms) following the terrorist attacks of September 11, 2001, as reflected in data from FY2001 to FY2010. With some exceptions, decreases in real contract dollars occurred across states from FY2010 to FY2013, reflecting reduced appropriations and enactment of the Budget Control Act of 2011 (P.L. 112-25).[21] Contract award dollars generally increased again from 2016 onwards, while pandemic-era spending led to spikes in contract dollars in some states. These trends for selected states can be seen in **Figure 4**.

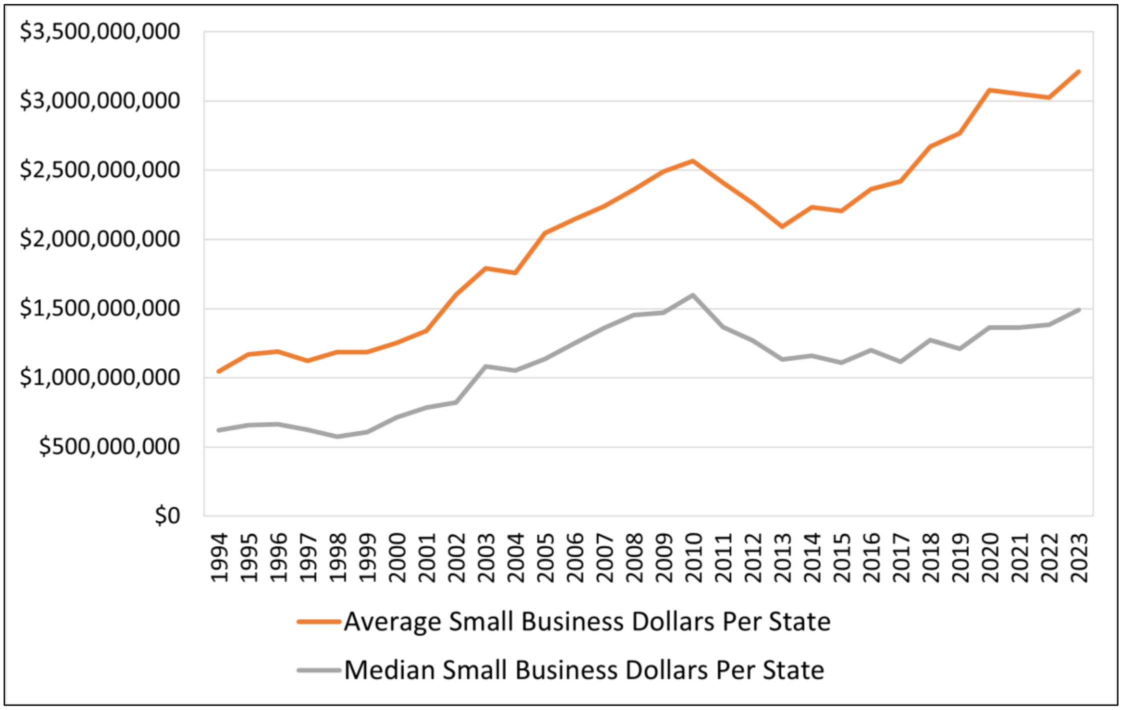
The average and median contract award dollars per state (in 2023 dollars) have increased over time, with upticks both following FY2001 and again following 2013, as seen in **Figure 8**. Both values peaked in FY2010 and decreased through 2013. The average outpaced the median from 2013 to 2023, as contractors in certain states receiving large amounts in awards pulled up the average value.

[20] Lincoln Laboratory at Massachusetts Institute of Technology, Report to the President, Year Ended June 30, 2024, at https://dspace.mit.edu/discover.

[21] The Budget Control Act of 2011 (BCA) revised sequestration requirements for enforcement of discretionary spending limits. Analysis published by Rice University's Baker Institute for Public Policy found that corresponding spending cuts "placed a distinct burden on defense spending" and that the reduction in discretionary defense spending was 9.8% in FY2014, although "BCA has not been a particularly effective budgetary tool in capping spending." John W. Diamond and Autumn Engebretson, *Reflecting on the Budget Control Act of 2011 and Its Relevance Now*, Baker Institute for Public Policy at Rice University, February 16, 2023, https://www.bakerinstitute.org/research/reflecting-budget-control-act-2011-and-its-relevance-now.

Figure 8. Average and Median Small Business Contract Dollars per State

FY1994-FY2023 (2023 Dollars)



Source: CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY1994-FY2023], accessed 5/6/25, at https://sam.gov/reports/awards/standard; U.S. Bureau of Economic Analysis (BEA) Implicit Price Deflator for federal government consumption expenditures and gross investment (revised on June 27, 2024).

Notes: District of Columbia and Puerto Rico are included in calculations.

Post-9/11 Contract Spending

Certain events have shifted the procurement policy environment and influenced the amounts and types of contracts made. Procurement related to military and related activity following the terrorist attacks of September 11, 2001, created one such shift. Post-9/11 policies yielded substantial changes reflected in contract award data for FY2001-onward.

According to some scholars, the September 11 attacks of 2001 "caused a massive restructuring of the federal government"[22] with implementation of the Homeland Security Act of 2002 (which created the Department of Homeland Security (DHS)) specifically causing "the most extensive reorganization of the federal government since the creation of the DoD more than 50 years earlier."[23] This restructuring, along with the military conflicts in Afghanistan and Iraq, led to surges in defense requirements being outsourced to private contractors. Although the military had used outsourcing during the Cold War period and defense spending increased in the 1980s,[24] the so-called War on Terror and military operations in Iraq and Afghanistan relied on civilian

[22] James F. Nagle, *A History of Government Contracting*, 3rd ed., vol. 2 (2012), p. 179.

[23] Nagle, p. 182.

[24] CRS In Focus IF10600, *Defense Primer: Department of Defense Contractors*, by Alexandra G. Neenan;Nagle, p. 147. Nagle writes that defense contact spending "soared" during the Reagan Administration.

contractors.[25] Use of contractors to support military personnel reached unprecedented levels in the Iraq and Afghanistan conflicts.[26]

The states that experienced the greatest post-9/11 growth in small business contract spending are shown in **Figure 9**. The percentage increase for states from FY2001 to FY2010 ranged from about 48% (for states including Arizona, Connecticut, and Utah) to over 240% in Idaho. The states that have perpetually received the most in small business contract awards did not have the highest FY2001-FY2010 growth rates but nevertheless experienced growth ranging from about 65% in Alabama to over 100% in Virginia.[27] Growth rates by state are displayed from largest to smallest in the **Appendix**.

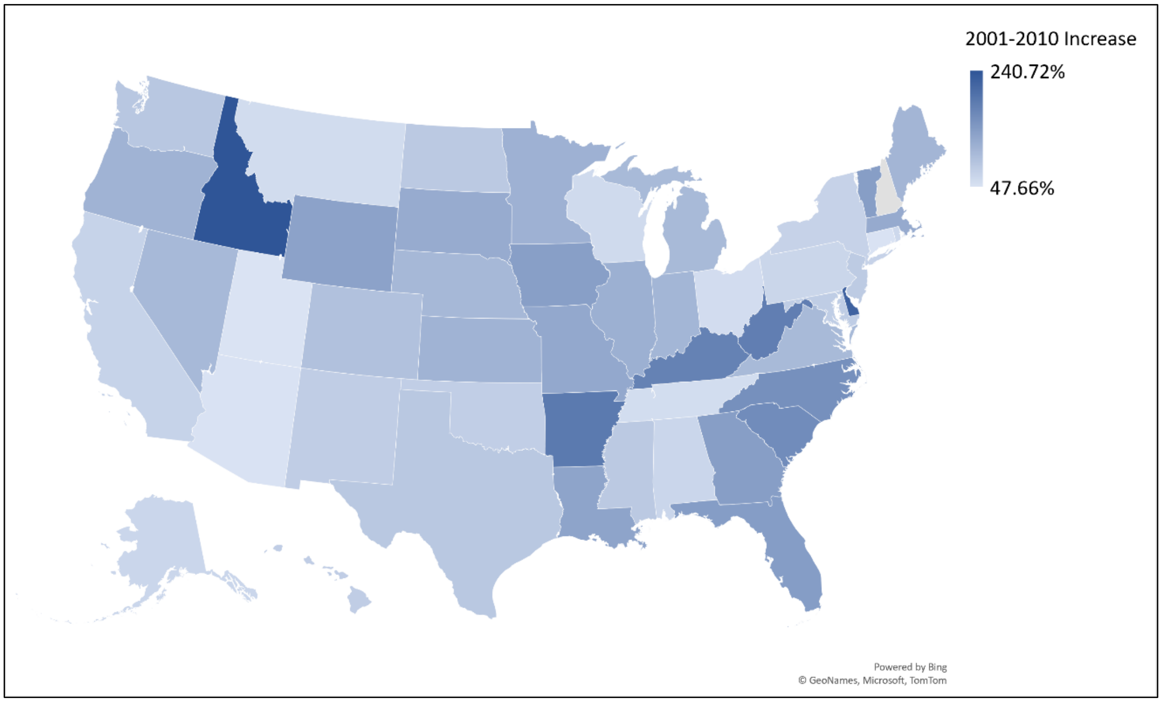
[25] Nagel, p. 186.

[26] There has also been a proliferation of "complex defense systems under contracts requiring ongoing contractor support throughout the systems' lifecycles." Nagel, pp. 185-186. For additional analysis discussing "unprecedented" growth in contract spending between 2001 and 2010, see Heidi Peltier, *The Growth of the "Camo Economy" and the Commercialization of the Post-9/11 Wars*, Watson Institute of International and Public Affairs at Brown University, June 30, 2020, https://costsofwar.watson.brown.edu/sites/default/files/papers/Peltier-Camo-Economy.pdf. For a more general discussion of the federal contractor workforce, see Elaine Kamarck, *Is Government Too Big? Reflections on the Size and Composition of Today's Federal Government*, The Brookings Institution, January 28, 2025, https://www.brookings.edu/articles/is-government-too-big-reflections-on-the-size-and-composition-of-todays-federal-government.

[27] CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY2001-FY2010], accessed May 6, 2025, at https://sam.gov/reports/awards/standard; U.S. Bureau of Economic Analysis (BEA) Implicit Price Deflator for federal government consumption expenditures and gross investment (revised on June 27, 2024). With states such as Virginia taking home disproportionately large amounts in contract awards, 100% growth nevertheless represents a substantial increase.

Figure 9. Post-9/11 Small Business Contract Award Growth by State

Percentage Dollar Increase FY2001-FY2010 (2023 Dollars)



Source: CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY2001-FY2010], accessed 5/6/25, at https://sam.gov/reports/awards/standard; U.S. Bureau of Economic Analysis (BEA) Implicit Price Deflator for federal government consumption expenditures and gross investment (revised on June 27, 2024).

Notes: Most states had increases of over 47%. New Hampshire was an outlier, with a 5% increase.

Conclusion

The geographic distribution of small business contract dollars has been fairly consistent for the past 30 years. Certain states have perennially been among the top recipients of small business contract dollars in the past three decades, including both larger states with more people and businesses and smaller states with industry networks serving permanent federal and military and aerospace installations.

Data show that all states generally saw surges in real contract dollars following the September 11th attacks of 2001. Post-9/11 policies yielded substantial procurement policy changes, which are reflected in contract award data from FY2001 onward. In recent fiscal years, agencies have collectively obligated roughly $600-$700 billion dollars on contracts. In FY2024, federal agencies obligated about $755 billion on contracts, including over $183 billion to small businesses.[28] The share of annual contract dollars obligated to small businesses is consistently around one quarter of total dollars, reflecting the statutory, annual small business procurement

[28] See U.S. Government Accountability Office, *A Snapshot of Government-Wide Contracting for FY 2024*, accessed August 1, 2025, at https://www.gao.gov/blog/snapshot-government-wide-contracting-fy-2024-interactive-dashboard; and SBA, "Small Business Procurement Scorecard Details," accessed August 1, 2025, at https://www.sba.gov/federal-contracting/contracting-data/small-business-procurement-scorecard/scorecard-details?agency=GW&year=2024. GSA estimates total contract expenditures at $774 billion for FY2024. GSA, "Federal Procurement Data System Report," FY2024, at https://www.gsa.gov/policy-regulations/policy/acquisition-policy/small-business-reports.

goal of 23%.[29] To the extent that events and policies change procurement levels, small and non-small contractors tend to maintain their overall shares of procurement dollars. Although large firms may subcontract some of the work performed on prime contracts to small businesses, they nevertheless receive most prime contract award dollars (more than 70%) each year.

[29] For more information on small business procurement goals and goal attainment, see CRS Report R45576, *An Overview of Small Business Contracting*, by R. Corinne Blackford, for more information about small business contracting policies and programs.

Appendix. Post-9/11 Small Business Contract Award Growth by State

Table A-1. Post-9/11 Small Business Contract Awards Growth Rates by State

Percentage Change in Small Business Contract Awards, FY2001-FY2010

State	FY2001-FY2010 Percentage Increase
IDAHO	240%
DELAWARE	220%
ARKANSAS	190%
WEST VIRGINIA	180%
KENTUCKY	180%
SOUTH CAROLINA	170%
NORTH CAROLINA	160%
FLORIDA	140%
GEORGIA	140%
VERMONT	140%
IOWA	140%
WYOMING	140%
LOUISIANA	130%
MISSOURI	130%
MASSACHUSETTS	120%
SOUTH DAKOTA	120%
ILLINOIS	120%
MINNESOTA	120%
KANSAS	110%
OREGON	110%
MAINE	110%
INDIANA	110%
NEBRASKA	106%
NEVADA	105%
VIRGINIA	104%
MICHIGAN	104%
COLORADO	94%
WASHINGTON	86%
TEXAS	84%
MISSISSIPPI	83%
NORTH DAKOTA	83%

State	FY2001-FY2010 Percentage Increase
NEW JERSEY	80%
MARYLAND	78%
NEW MEXICO	77%
DISTRICT OF COLUMBIA	77%
HAWAII	77%
OKLAHOMA	76%
NEW YORK	71%
CALIFORNIA	70%
PENNSYLVANIA	66%
ALASKA	65%
ALABAMA	65%
RHODE ISLAND	62%
WISCONSIN	60%
MONTANA	58%
OHIO	57%
TENNESSEE	56%
CONNECTICUT	49%
ARIZONA	48%
UTAH	48%
NEW HAMPSHIRE	5%

Source: CRS analysis of SAM.gov data; U.S. General Services Administration, System for Awards Management (SAM.gov) "Standard Report," Geographical Report by Place of Performance [FY2001-FY2010], accessed 5/6/25, at https://sam.gov/reports/awards/standard; U.S. Bureau of Economic Analysis (BEA) Implicit Price Deflator for federal government consumption expenditures and gross investment (revised on June 27, 2024).

Notes: Percentage values are calculated using 2023-dollar figures, and are rounded.

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