Center for Government Contracting Releases New White Papers on Intellectual Property and DoD Budget Reform

August 6, 2020 — The Center for Government Contracting at George Mason University’s School of Business has released two new White Papers in a series that examines challenges in the government contracting industry.

“The Center for Government Contracting White Paper Series is a central focus of our mission to inject ideas into the government contracting ecosystem and identify potential solutions for challenges facing the community,” said Executive Director Jerry McGinn, Ph.D. “These papers are timely and informative. Jim Hasik’s focused analysis of pricing the federal acquisition of intellectual property rights comes up with some surprising results, and Eric Lofgren’s ambitious proposal for refocusing Department of Defense budgets toward mission-driven objectives is truly thought-provoking. We very much look forward to feedback from across the community and ideas for future topics.”

White Paper No. 4.
*The Value of Intellectual Property in Government Procurement Auctions* – [PDF]

James Hasik, Ph.D.
Senior Fellow, Center for Government Contracting

The IP stakes are high, for “if government holds the IP rights too tightly, exercise of power can damage industry’s incentives for innovation, potentially limiting the flow of those innovations to the military.” On the other hand, if the government fails to leverage its rights, it can leave money on the table in follow-on awards for the same materiel.

Where the government owns the IP rights to their designs, even sole-source incumbents might be expected to use limit-pricing—maintaining lower margins than expected—to discourage further competitions, maintaining at least some of that margin. To test this proposition, Hasik undertakes a focused comparison of two recent programs by Oshkosh Corporation for military, medium-weight trucks: the Family of Medium Tactical Vehicles (FMTV) for the US Army and the Medium Tactical Vehicle Replacement (MTVR) for the US Marine Corps.

His findings suggest the opposite: prices can rise sharply after competitively awarded contracts expire, whether the government owns the IP rights or not.
Thus, securing advantageous pricing over the long-term through IP rights requires a credible threat by government to move away from sole-source, follow-on awards.

**No. 5. The DoD Budget Process: The Next Frontier of Acquisition Reform** – [PDF]

*Eric Lofgren*
*Fellow, Center for Government Contracting*

Behind the flurry of defense management reform in the last half of the 2010s lies the desire for speed and agility. Tremendous change has come to policies on acquisition, contracting, requirements, and workforce. Remaining untouched is the next frontier of acquisition reform: the budgeting process.

The landscape is starting to change.

In May 2020, the Space Force released a report to Congress arguing that it’s “most important” recommendation was to consolidate budget line items into capability portfolios.

The FY 2021 budget request also featured the first use of a "colorless" appropriation for software programs.

Impacting these efforts is the specter of the border wall reprogramming, causing Congressional appropriators to move away from budget flexibility.

In this paper, Lofgren charts a course for the future of budgeting informed by the history of government’s financial management. He argues that budget lines should be consolidated by mission-driven organizations, enabling senior leaders to exercise portfolio management. The new scheme should result in greater levels of transparency and accountability.

The vision of the Center for Government Contracting is to be a nexus for government, industry, and academia to address business, policy, and regulatory issues in the government contracting community. Activities to implement this vision focus on three lines of effort: research, education and training, and collaboration.

Through research, writing and discussion, Fellows at the Center for Government Contracting investigate matters of interest to the government contracting
community. These Fellows add a rich practitioner component for the School of Business to better understand and support the government contracting industry.

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