



EXECUTIVE ORDER  
14402

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PROMOTING EFFICIENCY, ACCOUNTABILITY, AND PERFORMANCE  
IN FEDERAL CONTRACTING

By the authority vested in me as President by the Constitution and the laws of the United States of America, it is hereby ordered:

Section 1. Purpose. The American people expect their Government to operate with integrity, efficiency, and transparency. For too long, Federal procurement has tolerated unpredictable costs, bloated overhead, and weak performance incentives. The United States Government must adopt the best business practices to protect taxpayer dollars, hold contractors accountable, and achieve demonstrable returns on investment.

Many private-sector contracts focus on driving performance rather than ever-increasing costs, often dictating a fixed cost for a well-defined outcome. Fixed-price contracts are characterized by clearly defined outcomes and deliverables on predictable timelines for fixed prices that generally are not adjusted based on contractors' costs, and often tie profit to the contractors' performance, rewarding work that exceeds expectations and penalizing subpar performance. This performance-based model encourages contractors to control costs and expeditiously meet deliverables to maximize profits. Many Government contracts, however, operate on what is known as a "cost-reimbursement" model. Under that model, Government contractors are guaranteed reimbursement for their allowable incurred costs, and may receive profit margins on top of expenses. Cost-reimbursement contracts frequently allow for poorly defined product or service deliverables and increase the

Government's exposure to overspending by providing little incentive to control costs.

A review of spending across the Government in Fiscal Year 2024 identified approximately \$120 billion obligated on cost-reimbursement consulting contracts alone. While there are circumstances in which cost-reimbursement contracting is appropriate, such as research and the pre-production developmental phase of major systems acquisition, it should be the exception, granted only in limited circumstances and with appropriate senior-level accountability at the agency.

To ensure that Government contracts incentivize performance rather than cost inflation, it is the policy of my Administration that fixed-price contracts with performance-based considerations should serve as the default and preferred method of procurement in order to advance cost predictability and budget discipline, appropriate contractor incentives and accountability, and streamlined procurement and contract administration.

Sec. 2. Default to Fixed-Price Contracting. (a) To the maximum extent consistent with law, and except as provided in subsection (b) of this section, executive branch departments and agencies (agencies) shall, in procurement, utilize fixed-price contracts, which for purposes of this order shall mean fixed-price contracts as defined in Part 16 of the Federal Acquisition Regulation, codified at title 48, Code of Federal Regulations, or contracts that tie profit to performance-based metrics when appropriate.

(b) (i) Use of any non-fixed-price contract, including a cost-reimbursement contract, a time-and-material contract, a labor-hour contract, or any other non-fixed-price type of contract under Part 16 of the Federal Acquisition Regulation,

must be justified in writing by the contracting officer to the agency head.

(ii) If the value of a non-fixed-price contract, or in the case of a hybrid contract, the value of the non-fixed-price portion of the contract, exceeds the following value, then the agency head must approve the contract in writing:

(A) \$100 million, in the case of a Department of War contract;

(B) \$35 million, in the case of a National Aeronautics and Space Administration contract;

(C) \$25 million, in the case of a Department of Homeland Security contract; or

(D) \$10 million, in the case of a contract involving an agency other than the Department of War, the Department of Homeland Security, or the National Aeronautics and Space Administration.

(iii) Agency heads may delegate approval under subsection (b) (ii) of this section to appropriate non-career employees within the agency.

(iv) Subsection (b) (ii) of this section shall not apply to contracts that:

(A) support response to an emergency, major disaster, or contingency operation as defined in Part 2 of the Federal Acquisition Regulation; or

(B) involve research and development or pre-production development for major systems acquisition, as governed by Parts 34-35 of the Federal Acquisition Regulation.

(c) (i) Within 90 days of the date of this order, each agency head shall review and, to the maximum extent practicable

and consistent with law, seek to modify, restructure, or renegotiate its 10 largest non-fixed-price contracts by dollar value (including non-fixed-price contracts entered into on behalf of another agency) to facilitate use of fixed prices and performance-based incentives for contract deliverables to the maximum extent practicable.

(ii) Subsection (c) (i) of this section shall not apply to contracts that involve research and development or pre-production development for major systems acquisition, as governed by Parts 34-35 of the Federal Acquisition Regulation, or contracts that support response to an emergency, major disaster, or contingency operation as defined in Part 2 of the Federal Acquisition Regulation.

(d) Each agency head shall report semi-annually to the Director of the Office of Management and Budget (OMB) the number of, value of, and written justifications for, any non-fixed-price contracts approved under subsection (b) of this section. Agency heads shall submit the first report no later than 90 days after the date of this order. As part of the first report, agency heads shall identify opportunities, beyond the contracts identified in subsection (c) of this section, for adjusting current non-fixed-price contracts toward fixed-price contracts.

(e) The requirements in this section apply, to the maximum extent practicable, whether an agency is entering into contracts on its own behalf or on behalf of another agency.

(f) When necessary to comply with the provisions of this section before the amendments contemplated by section 3(b) of this order are completed, agencies shall utilize applicable deviations from provisions of the Federal Acquisition Regulation, to the maximum extent practicable.

Sec. 3. Implementation. (a) Within 45 days of the date of this order, the Director of OMB shall issue guidance to agencies to ensure consistent implementation of this order.

(b) Within 120 days of the date of this order, the Administrator for Federal Procurement Policy shall:

(i) propose, in coordination with the Federal Acquisition Regulatory Council, amendments to the Federal Acquisition Regulation, consistent with the policy in section 1 of this order; and

(ii) develop, in coordination with Defense Acquisition University and the Federal Acquisition Institute, a program that agencies shall use to train program and contracting employees on the formation, use, negotiation, and management of fixed-price contracts to minimize exceptions from section 2(a) of this order.

Sec. 4. Severability. If any provision of this order, or the application of any provision to any person or circumstance, is held to be invalid, the remainder of this order and the application of its provisions to any other persons or circumstances shall not be affected thereby.

Sec. 5. General Provisions. (a) Nothing in this order shall be construed to impair or otherwise affect:

(i) the authority granted by law to an executive department or agency, or the head thereof; or

(ii) the functions of the Director of the Office of Management and Budget relating to budgetary, administrative, or legislative proposals.

(b) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(c) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

(d) The costs for publication of this order shall be borne by the Office of Management and Budget.

THE WHITE HOUSE,

April 30, 2026.

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