Other Transaction Authorities

What You Need to Know About The Federal Government's Fast Lane Funding Mechanism

By: *TJ Gilroy*

Date: *12 February 2026*

Disclaimer

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Who We are

The NCMBC is a statewide business development and technology transition entity of the State of North Carolina, embedded in the state's community colleges and headquartered at Fayetteville Technical Community College.

It is the only statewide, military-focused economic development organization in the U.S.

and the only North Carolina entity solely dedicated to growing the defense economy through existing industry.

How NCMBC Can Help

- One-on-one business counseling
- Opportunity sourcing and daily email notifications via Matchforce.org
- Proposal development and solicitation interpretation
- Pre-award capture assistance and teaming support
- Federal agency market intelligence and acquisition forecasts
- Training events, webinars, and contraction workshops

ncmbc
CONNECTING MILITARY AND BUSINESS

Mission, Goals, and Outcomes

Mission: To leverage military and federal business opportunities to expand the economy, grow jobs and improve quality of life

Goals and Operations:

1. Increase federal revenues for businesses

2. Support technology transition to federal agencies

3. Support integration of military into workforce

4. Support defense-related business recruitment

Agenda

1. **Welcome and Admin**
2. What OTAs actually are
3. How they differ from traditional FAR-based contracts,
4. Why agencies are using them more often, and
5. Types of OTAs,
6. Who qualifies to participate,
7. Which industries use in OTAs
8. What the pros and cons
9. Teaming
10. Actual OTA users
11. Q&A

Welcome and Admin

- **Other Transactions (Other Transactions)**
  - These are the government's attempt to move faster, partner smarter, and attract companies who would don't like navigating the FAR.
- **Other Transaction Authorities (OTAs)**
  - These are the Government entities that have congressional approval to grants OTs.
  - Since OTs and OTAs are sometimes viewed as being synonymous, I will refer them both as OTAs
- OTAs are exploding across defense, space, biotech, energy, autonomy—pretty much every industry where innovation is happening faster than the paperwork can keep up.
- By the end of this, you'll know whether OTAs are a strategic opportunity for your business or just another government acronym you have to nod politely about
- A lot to cover
  - **Hold Questions** till the end
  - **Questions in the Q&A** box
  - **Contact info in Chat**

Why OTAs exist in the first place

- OTAs came about to attract "**non-traditional entities**" to enter the government market (see next slide)

- Federal Acquisition Regulations (FAR) is thorough… maybe *too* thorough

  - [Intro to Federal Contracting](#) – NCMBC webinar goes into detail about the "normal" way the Government does contracting

  - Experiences with these types of contracts

    - The wait

    - Then the inevitable protest

    - Then scramble to execute

    - In the meantime, the unit that needs what you prosed has already deployed overseas and no longer needs it

    - DLA tries to circumvent with other kinds of contracts ie TLSP

- Innovation cycles in defense ≠ innovation cycles in Silicon Valley

- Valley of Death: where good ideas go to die waiting on contracting timelines

- Congress wanted agencies to move faster, access more players, and avoid the "FAR-shaped box"

Definitions

- An **Other Transaction** (OT) is a unique type of legal instrument **other than** a

  - contract,

  - grant, or

  - cooperative agreement

- A **Non-Traditional Entity** in the context of Other Transaction Authority (OTA) is a business or organization that has not performed any Department of Defense (DoD) contract or subcontract subject to full Cost Accounting Standards (CAS) for at least one year prior to a solicitation.

- These entities, often startups, small businesses, or commercial-focused firms, are targeted to bring innovation to the defense sector without the burden of traditional procurement regulations.

Definitions

- Generally, this awarding instrument ==is **NOT subject to the FAR, nor Grant Regulations <u>unless</u> otherwise noted for certain provisions**== in the terms and conditions of award.

- It is, however, subject to the OT authority that governs the initiative as well as applicable legislative mandates. There are seven OT Authorities (OTAs)

  1. DOD (DOW)
  2. NASA
  3. HHS (NIH)
  4. DHS
  5. DOE
  6. DOT
  7. ARPA-H

Key Drivers of OTA Growth

1. Speed – weeks instead of months

2. Flexibility – terms negotiated, not dictated

3. Attracting non-traditionals

- Any company or organization that **HAS NOT** performed a (DoD) contract or subcontract subject to full Cost Accounting Standards (CAS) for at least one year prior to the OTA solicitation, allowing innovators like startups, universities, and non-profits to participate, not just small businesses.

- This definition is intentionally wide to bring new tech and diverse ideas, even from large companies without recent CAS-covered work, into defense innovation

- **Does CMMC apply to OTAs.**
  - Applicability to OTAs is outside the scope of this DFARS rule, as the DFARS does not provide coverage of OTA requirements. If the program office or requiring activity identifies a need to include a CMMC requirement in an OTA, it will be included in the solicitation and resulting agreement. https://www.regulations.gov/document/DARS-2020-0034-0194

4. Prototype-to-Production pathways – the golden ticket

- a follow-on Production OTA without another competition

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Legal Authority

- **FAR-based contracts:**
  - Fully governed by the Federal Acquisition Regulation

- **OTAs:**
  - Statutory authority created by Congress, **not** governed by FAR

When They're Used

- **FAR:**
  - Routine goods, products, services, long-term programs
- **OTA:**
  - R&D, prototyping, leading-edge tech, rapid acquisition through sole source contracting if manufacturing and scale up criteria are met

Competition Requirements

- **FAR:** Formal competition, strict rules

- **OTA:** programs require achieving as much competition as possible, but the methods differ significantly from traditional contracts,

  - often involves special conditions like non-traditional contractors (NTCs) or consortia to foster innovation, especially for prototypes,

  - with specific statutory triggers for involvement from NTCs/non-profits or

  - significant cost-sharing, enabling streamlined processes while still seeking broad participation.

- Key Competition Aspects:

  - OTA Mandated Competition: The Department of Defense (DoD) is statutorily required to seek maximum competition for OTAs.

  - Flexibility: OTAs aren't bound by Federal Acquisition Regulation (FAR) rules,

    - allowing for different approaches to competition

      - i.e. AFWERX and ERDCWERX challenges

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Why agencies are using OTAs more often

- **Compliance Burdens**
  - **FAR:** Cost accounting standards, auditability, flow-downs
  - **OTA:** Negotiated terms; fewer mandatory flow-downs

- **Protest Risk**
  - **FAR:** Yes, and they can stop everything
  - **OTA:** Minimal to no protest avenues (and agencies like that a *lot*)

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Types of OTAs

Prototype OTAs

- Most common flavor

- Used for development, testing, evaluation

- Can lead to **Follow-On Production OTAs** without recompete if certain conditions are met

- Participants:

  - Nontraditional defense contractors (NDs)

  - Traditional contractors *if* teamed with an ND or meeting cost-share requirements

Types of OTAs

Production OTAs

- Used after a successful prototype

- Can be awarded to the same team

- Big deal because no new competition may be required

Types of OTAs

▪**Research OTAs**

- Focused on cutting-edge scientific research (think early-stage tech)

- Frequently used by DARPA, DTRA, DHA, ARPA-H, the services' labs, and others

Types of OTAs

- **Consortium-Based OTAs**
  - Managed by organizations like ATI, SOSSEC, NSTXL,
    - usually at some nominal cost to join
  - Member companies get access to Requests for White Papers (RFWPs)
  - Often the easiest route for small and mid-sized businesses to enter the game
  - Consortia list
    - [Existing Other Transaction (OT) Consortia | AiDA](#)

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Who Can Participate in OTAs

- **Non-traditionals (the VIP guests)**
  - Any company that has **not** performed a DoD CAS-covered contract in the last year
  - Often commercial tech firms, startups, academic institutions

- **Traditionals**
  - They can still play—just need:
    - Partnership with a nontraditional **or**
    - Significant cost share **or**
    - Strong justification by the Government

- **Academia**
  - Absolutely
  - Often part of research OTAs

- **Foreign-Owned Firms**
  - Sometimes, but subject to restrictions and national security review
  - Consortium managers usually help navigate this

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Which industries use in OTAs

▪ Advanced Tech & Software

- AI/Machine Learning

- Cybersecurity

- Autonomy & robotics

- Edge computing

- Cloud platforms

- Data analytics

▪Aerospace & Defense Tech

- Drones/UAS

- Hypersonics

- Space systems

- Sensors & ISR tech

- Counter Weapons of Mass Destruction (CWMD)

▪Manufacturing & Advanced Materials

- Additive manufacturing

- Composite materials

- Quantum materials

- Directed energy components

Which industries use in OTAs

- **Medical & Biotech**
  - Prototypes for diagnostics
  - Wearables
  - Battlefield medicine innovations
  - Pandemic-response tech
  - CBRN Defense

- **Energy & Power Systems**
  - Batteries
  - Microgrids
  - Power storage
  - Alternative fuels

- **Communications Tech**
  - 5G/NextG
  - SATCOM
  - Secure communications

- **Transportation & Logistics**
  - Supply-chain tracking
  - Autonomous vehicles
  - Expeditionary logistics systems

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Pros and Cons

Pros

- Faster award timelines

- Flexible terms (IP rights, payment structures, cost accounting)

- Reduced compliance burden

- Easier for new entrants

- Potential single path from prototype → production

- <mark>Funds can cross fiscal years, not subject to Continuing resolutions</mark>

Cons

- Not predictable like FAR

- Every OTA looks different

- Some traditional contractors may be without ND partners

- Less precedent and case law

- No guaranteed recompetes

- May need to join a consortium – could require a registration fee

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Teaming

- In complex acquisitions or programs/projects it is rare that a Performer (the entity receiving an award) can accomplish all the tasks
- Performers come together to accomplish a project for a variety of reasons
  - Most common reason is to make money
  - Goal may be to create strategic Alliances in both Government and commercial sectors

Teaming

Teaming Structures (cont.)

There is a variety of team structures that might evolve but they tend to fall under three basic groupings

Prime/sub relationship

Partnership

Multi-party relationship

Each has its advantages and disadvantages

- Some entities are more familiar to the Gov't
- Some work better in certain types of arrangements
- Some are easier to manage (either by the team itself or the Gov't)

Teaming

Multi-Party Relationships – Consortia or Team

Multiple performers form one consortium usually to focus on a singular goal, different performers may focus on different aspects of performance

Participating teams agree on (and sign) articles of collaboration or teaming arrangement (forming the consortium)

Consortium usually appoints a lead member (may be primary point of contact for administration, performance, payments, etc.,)

Why might this teaming structure be beneficial?

Programs may have different aspects (phases/stages/ complexity), requiring different types of performers to work together

Consortium may be fluid – membership can change, lead member can change

Consortia will generally self-police performance

Contract administration is streamlined

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OTA user feedback

Ron Hann - Ronald K. Hann, Jr., Ph.D. COL, USA (ret) and former DTRA SES
- Director, Technology Integration
- Wake Forest Institute for Regenerative Medicine (WFIRM)
- Ronald.Hann@Advocatehealth.org

"One of the best things about OTAs is that industry can suggest to the government sponsor tasks that the sponsor had not considered.
Industry can also tell the sponsor that the tasks they want are actually old technology and suggest a better approach.
Government sponsors don't always know where the state of the art for a technology actually is."

Other Transaction Authority (OTA) Contracts:

Perspective of a Former U.S. Government Sponsor

IT'S ALL ABOUT THE WARFIGHTER!

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Experience:
2023-pres: Technology Integration Officer, Wake Forest Institute for Regenerative Medicine
2021-2022: SES Director of R&D (acting), Defense Threat Reduction Agency (DTRA)
2014-2021: SES Director, Joint Science and Technology Officer (JSTO) for Chemical and
Biological Defense Program (CBDP), a R&D component of DTRA
1987-2014: U.S. Army CBRN Defense Officer, Colonel (ret) [26 years]

Career Highlights:
✓ Managed a $1.1B/yr DoD science and technology portfolio focused on countering weapons
of mass destruction and CBRN defense / 1000+ personnel / 800+ projects
✓ Co-sponsored development of first ever prototypes for a maritime chemical weapon
destruction system to destroy declared Syrian chemical weapons stockpile (2014)
✓ Sponsored development of Ebola Zaire vaccine, monoclonal antibody therapeutic,
and diagnostics through transition to BARDA during West African Ebola Outbreak (2016)
✓ Sponsored first MILAIR patient transport system for highly infectious patients (2015, 2020)
✓ Sponsored multiple U.S. Government epigenetic modeling and simulation efforts during
COVID-19 pandemic (2020-21)
✓ Two academic tours as Asst. Prof./Researcher at the U.S. Military Academy at West Point
✓ Deployments to *Operation Desert Shield/Desert Storm (Iraq/Kuwait)*, *Operation Joint Forge*
(Bosnia-Herzegovina), and *Operation Iraqi Freedom*

Education:
Ph.D. in Organic Chemistry, University of Virginia
M.A. in Organic Chemistry, College of William & Mary
B.S. in Chemistry, College of William & Mary
A.S. in Chemistry, Richard Bland College

Key benefits for government sponsors include:

- **Accelerated Speed to Award:** OTAs significantly reduce procurement timelines, allowing projects to be awarded in as little as 70 to 120 days compared to the several months or years often required for traditional contracts.

- **Enhanced Flexibility:** Sponsors can negotiate terms and conditions beyond standard statutory regulations, focusing on technological outcomes rather than procedural rigidity.

- **Access to Non-Traditional Innovation:** OTAs remove barriers for "non-traditional defense contractors" (NDCs), such as startups and small tech firms, who might otherwise avoid the government sector due to complex cost accounting or intellectual property requirements.

Key benefits for government sponsors include:

- **Direct Transition to Production:** Successful prototype OTAs can transition directly to follow-on production contracts (sole source) without a new competition, provided initial competitive procedures were met.

- **Open Collaboration:** OTAs allow for more open communication between government and industry during the proposal phase, including the review of draft documentation to ensure the best technical approach.

- **Improves Budget Execution:** Entire project immediately obligates upon award of funding to prime

Quotes from Senior Government Members

"OTAs [are] the preferred contracting method to deliver state-of-the-art capabilities at speed and scale through a comprehensive overhaul of [the contracting] system."

Executive Order on Modernizing Defense Acquisitions (signed April 17, 2025)

"Expand the use of OTA agreements to enable faster prototyping and fielding of critical technologies; this includes software and software defined hardware."

From Secretary Hegseth's April 30, 2025 memorandum Army Transformation and Acquisition Reform.

The Department must use "Commercial Solutions Openings (CSOs) and Other Transactions (OTAs) as the default solicitation and award approaches for acquiring capabilities under the Software Acquisition Pathway."

From Secretary Hegseth's Mar 6, 2025 memorandum Directing Modern Software Acquisition to Maximize Lethality

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Quotes from Senior Government Members

"If DOD could narrow the wide world of OTA down to one word, it would likely be 'flexibility.' The flexibility of DOD's OTA is key to... foster new relationships and practices involving traditional and non-traditional defense contractors."

DoD Acquisition Officials (referenced in 2025/2026 series on the rise of OTAs)

"These [OTAs] work faster, more efficiently, and are more cost effective... cutting through the 'red tape' and breaking through technological advancements at a faster and more efficient pace."

Senior Department Officials (cited by National Security Technology Accelerator)

"Instead of awarding one big prototype contract we were able to break it down into multiple performers and buy-down the technical risk in a creative way."

Space Force Official (regarding the FORCE C2 OTA awards)

OTA user feedback

Dennis McGurk

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Optimizing the Human Weapons System (OHWS) MRDC using MTEC OTA

1. Goal: Expand wearables program from Ft Drum to Ft Bragg and beyond (Army War College, Italy); added in Blast Gauge Pilot Study
2. Period of Performance: AUG 23-AUG 2028 (intent for up to 10 years)
3. Partners: JAG Consulting, FBRI/Geneva, Army War College & Walter Reed Army Institute of Research (WRAIR), DEVCOM
4. Impact: Data driven leader decisions to improve health and performance of Service members (e.g., changes to training calendar, selection for events like Best Sapper/Best Squad)

Warfighter Brain Health (WBH) Integration OPMED using MTEC OTA

1. Goal: assist DoD in delivering materiel solutions to improve brain health (Traumatic Brain Injury (TBI) and later psychological health)
2. Partners: UNC-Chapel Hill, FBRI/Geneva, Walter Reed Army Institute of Research, PPD/Thermo Fisher Scientific, and 3rd OSG
3. Period of Performance: DEC 22-JUL 29
4. Impact: Better TBI prevention, triage, evacuation and treatment

McGurk View on Pros and Cons

Pros

- You get to have direct dialogue with the Government

- Ability to rapidly pivot at the Government's request

- Some OTAs allow add-ons projects with additional funding

- Get to deliver prototypes and eventually fielded products that Warfighters & Medical want and can improve their health and performance

Cons

- You get to have direct dialogue with the Government

- Pivots require flexibility among the team

- Contracting (both Government and Industry/Academia) may not understand how to use and OTA

- Some require dues and a percentage of the funding

Questions

Contact the NC Military Business Center

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