Going Digital: Evaluating the Government's Transformation Strategy

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About the Analysts

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Executive Summary

The President's fiscal 2020 IT budget request boosts IT modernization efforts

- The IT budget request of $87.8 billion includes a 2 percent increase for civilian agencies
- Cybersecurity budget request of $17.4 billion represents a 16 percent increase above fiscal 2018 levels

Federal agencies are making substantial investments in digital services

- Defense and civilian agencies spent a combined $4.2 billion on digital services in fiscal 2018; BGOV projects $4.6 billion in fiscal 2019
- Agencies' largest investments are toward electronic health records, cloud services, web development, and business intelligence

IT modernization is driving the President's Management Agenda

- The White House has proposed major expansions to priorities, such as the Technology Modernization Fund and Centers of Excellence initiative
- More progress expected in fiscal 2019-2020 in terms of IT talent management, Technology Business Management, 21st Century IDEA
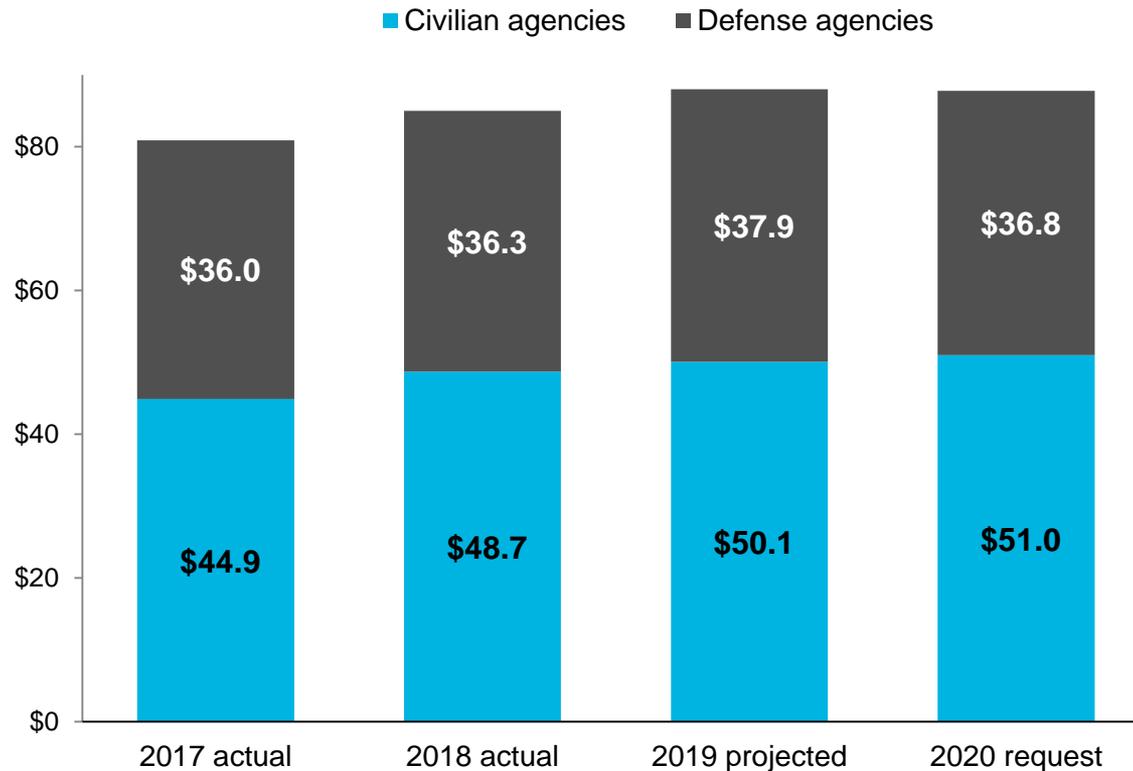
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Fiscal 2020 IT Budget Request: Highlights

- White House's unclassified fiscal 2020 IT budget request is $87.8 billion; civilian agencies to receive $51 billion, Pentagon to receive $36.8 billion

- Budget request includes $150 million for the Technology Modernization Fund, which provides seed money for cloud-native or cloud migration projects

- Budget request includes $17.4 billion on cybersecurity, a 5 percent increase above projected fiscal 2019 levels

- Veterans Affairs Department to receive $200 million to jumpstart its migration to the commercial cloud

- Transportation Department Working Capital Fund to receive $502 million to help consolidate IT investments and shift IT infrastructure to the cloud

- GSA budget request includes $58 million for the Federal Citizen Services Fund and $40 million toward the adoption of shared services

- R&D budget request includes $850 million toward AI-related programs at DOE, NIH, NIST, and NSF

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Fiscal 2020 IT Budget Topline

White House proposes $87.8 billion in unclassified IT budget authority

Unclassified IT budget request; dollars in billions

■ Civilian agencies ■ Defense agencies

	2017 actual	2018 actual	2019 projected	2020 request
Defense agencies	$36.0	$36.3	$37.9	$36.8
Civilian agencies	$44.9	$48.7	$50.1	$51.0

- Top priorities, per FY 2020 IT budget request
  - Technology Modernization Fund
  - Cloud adoption
  - Improving the IT and cybersecurity workforce
  - Reduce cybersecurity risks
  - IT talent management
- Sizeable jump in civilian IT spending between fiscal years 2017 and 2018
- FY 2020 budget request shrinks Pentagon unclassified IT budget

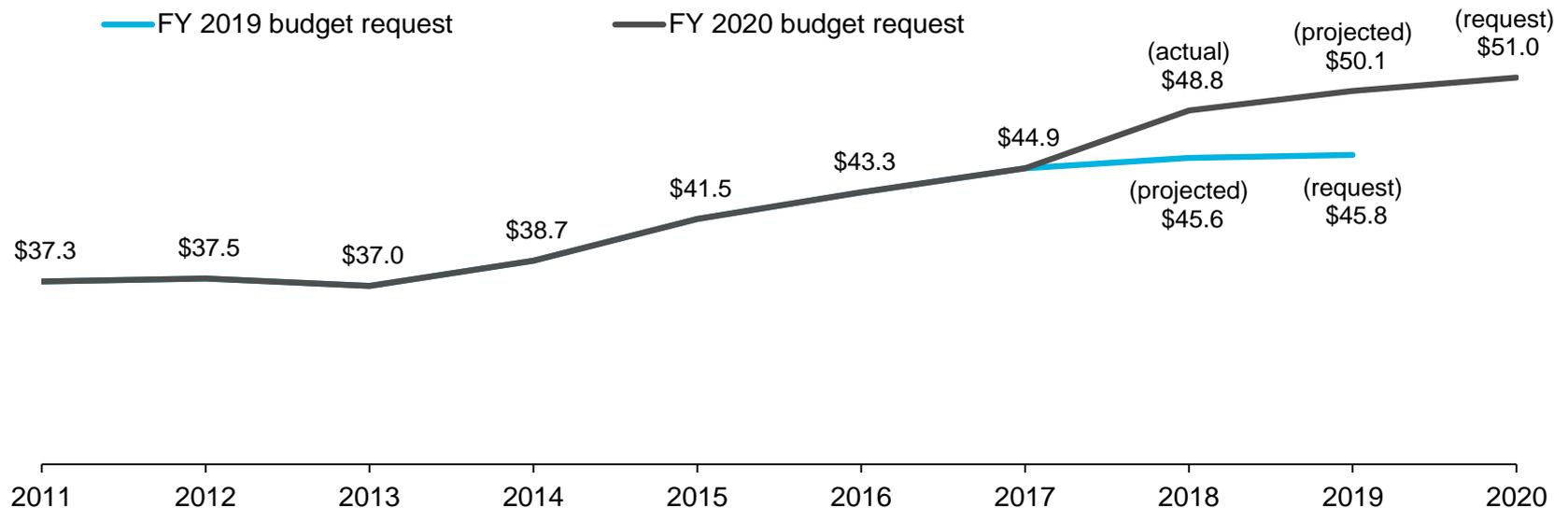Notes: Figures do not include classified IT spending by defense and intelligence agencies.
Sources: Fiscal 2019 and 2020 Budget Request, Analytical Perspectives: Information Technology

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Civilian IT Budget

Civilian IT spending exceeding last year's budget projections

- Civilian agencies spent $3.2 billion more than they projected for fiscal 2018, are expected to spend $4.3 billion more than they requested for fiscal 2019

- White House had requested cuts to civilian agencies and largely flat IT budgets in FY 2019

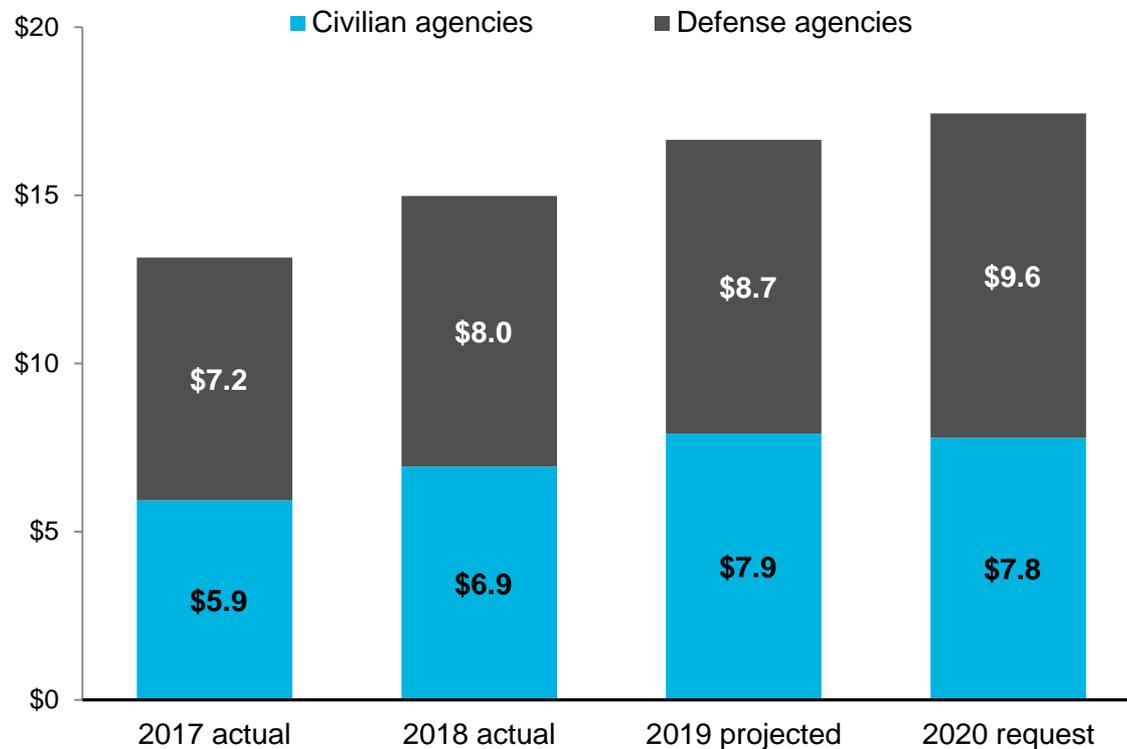Civilian agencies' combined information technology budget by fiscal year; dollars in billions

Notes: Figures correspond to actual appropriated figures unless otherwise indicated.
Sources: Fiscal 2019 and 2020 Budget Request, Analytical Perspectives: Information Technology

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Fiscal 2020 Cybersecurity Budget

White House proposes $17.4 billion in unclassified cybersecurity funding

Fiscal 2020 cybersecurity budget request; dollars in billions

- Pentagon to receive $800 million cybersecurity funding bump

- Top civilian agency recipients of cybersecurity funding:
  - NPPD/CISA ($1.0 billion)
  - FBI ($732 million)
  - IRS ($349 million)
  - National Nuclear Security Administration ($216 million)
  - NIST ($104 million)
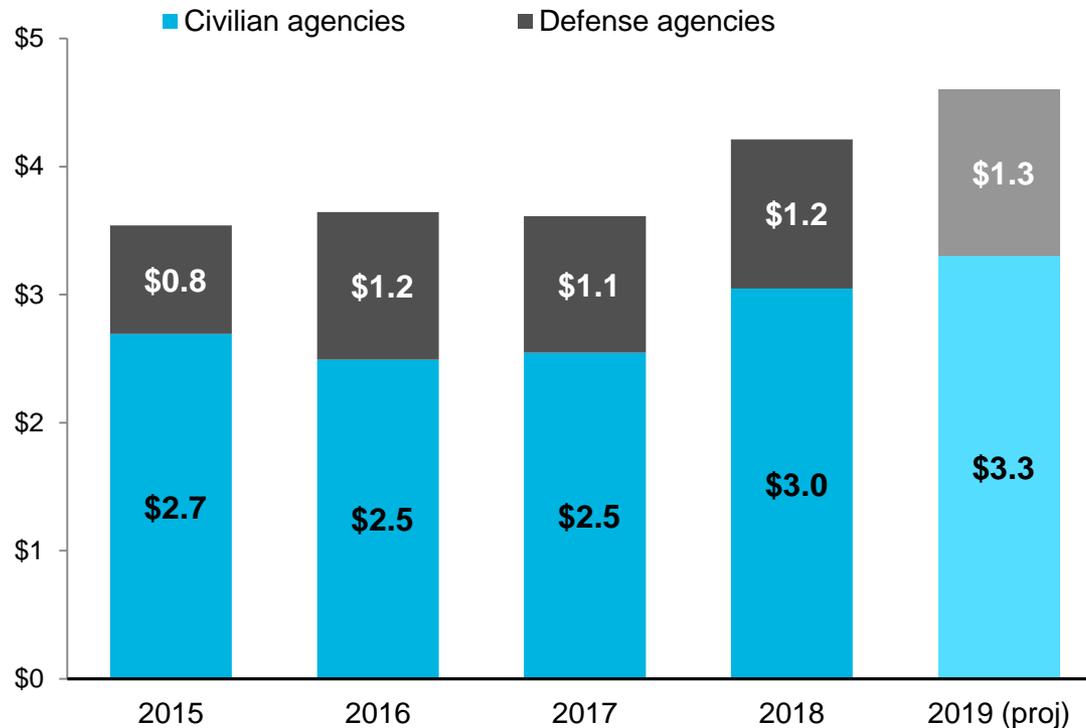 - Office of Federal Student Aid ($103 million)

Notes: Figures do not include classified IT spending by defense and intelligence agencies.
Sources: Fiscal 2019 and 2020 Budget Request, Analytical Perspectives: Cybersecurity

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Spending on Digital Services

Pentagon, VA making the biggest investments in digital services

Digital services obligations in civilian and defense agencies in fiscal years 2015 through 2019 (projected); dollars in billions

- Top spending civilian agencies, FY 2018

  - Veterans Affairs ($805 million)
  - HHS ($474 million)
  - DHS ($363 million)
  - Treasury ($167 million)
  - USDA ($162 million)

- Top spending Pentagon agencies, FY 2018

  - Office of the Secretary of Defense ($383 million)
  - Army Materiel Command ($114 million)
  - Air Force Materiel Command ($82 million)

Notes: "Digital Services" is a BGOV analyst-defined market that captures all unclassified spending on providing web- and mobile-based government services, including web development, DevOps, customer relationship management, e-government.
Source: Bloomberg Government data

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Top Digital Services Vendors and Contracts

Healthcare and health records the biggest driver of digital services spending

Top Digital Services Vendors, FY 2018	Obligations
Cerner Corp. (Veterans Affairs)	$489 million
Leidos Holdings Inc. (DOD, SSA)	$486 million
Accenture PLC (multiple agencies)	$264 million
General Dynamics Corp. (multiple agencies)	$118 million
Northrop Grumman Corp. (DHS, DOD)	$81 million
CGI Inc. (multiple agencies)	$74 million
Booz Allen Hamilton Holding Corp. (multiple agencies)	$72 million
Carahsoft Technology Corp. (multiple agencies)	$71 million
Deloitte Touch Tohmatsu Ltd. (multiple agencies)	$61 million
International Business Machines Corp. (multiple agencies)	$61 million

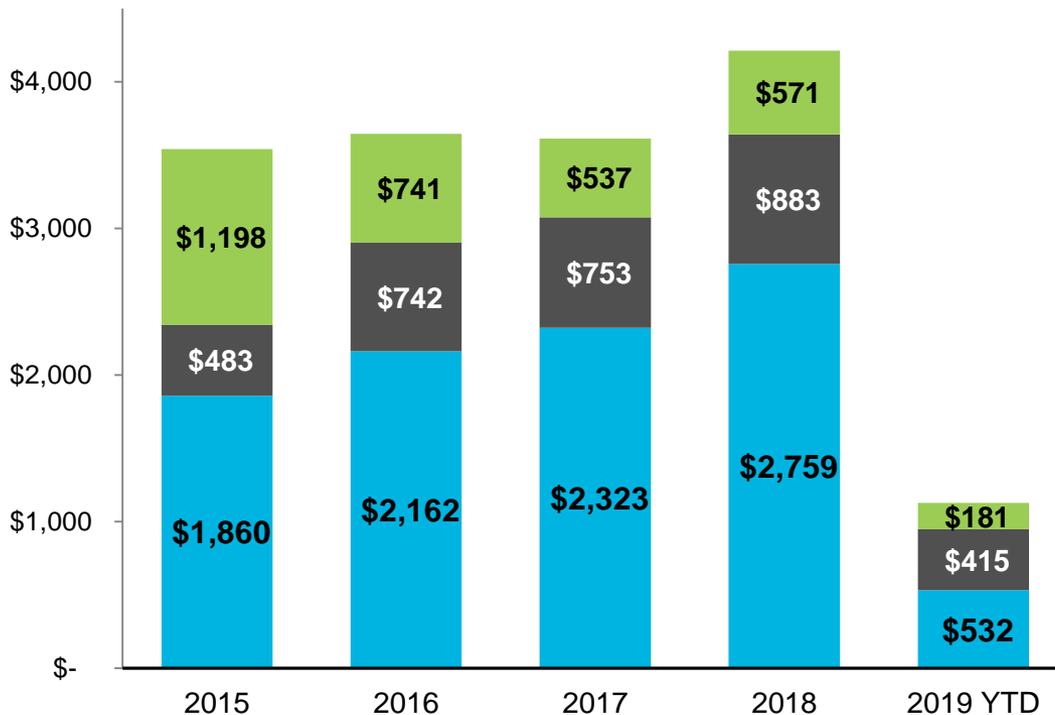| Top Digital Services Contracts, FY 2018	Obligations
Electronic Health Record Modernization (EHRM) (Cerner)	$487 million
Defense Healthcare Management System Modernization (DHMSM) (Leidos)	$336 million
Schedule IT-70 (multiple vendors)	$305 million
SEWP V (multiple vendors)	$227 million
Federally Facilitated Marketplace Operations (Accenture)	$133 million
Information Technology Support Services Contract (ITSS) II (Leidos)	$129 million
CIO-SP3 (multiple vendors)	$106 million
EAGLE II (multiple vendors)	$99 million
SeaPort Enhanced (multiple vendors)	$89 million
CBP Passenger Systems Program Directorate Software Application Development (Northrop)	$79 million

Source: Bloomberg Government data

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Digital Services Spending Breakdown

IT services represent the greatest share of digital services spending

Digital services obligations by spending category; dollars in millions

■ IT services ■ IT software and equipment ■ Professional and support services

Year	IT services	IT software and equipment	Professional and support services
2015	$1,860	$483	$1,198
2016	$2,162	$742	$741
2017	$2,323	$753	$537
2018	$2,759	$883	$571
2019 YTD	$532	$415	$181

- VA's EHR Modernization is classified as an IT services program (D318), while DOD's DHMSM is a software contract (7030)

- Agencies' biggest digital services investment priorities are:
  - Electronic health records
  - Front-end web development
  - Platform-as-a-service (PaaS)
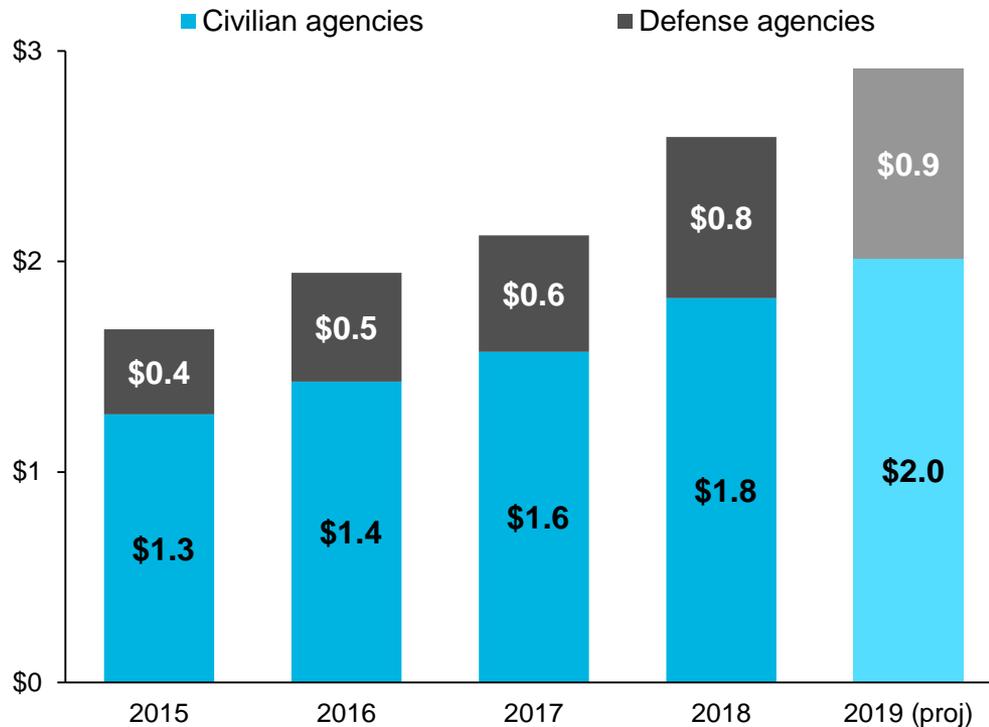 - Customer relationship management (CRM) tools
  - Workforce

Notes: "IT services" refer to spending using "D" PSC codes. "IT software and products" refer to spending using PSC codes that begin with 58, 60, and 70. "Professional and support services" refer to spending using PSC codes beginning with J, H, K, L, N, R, S, and W.
Source: Bloomberg Government data, Performance.gov

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Spending on Data Analytics & Business Intelligence

NASA, DOD making the biggest investments in DA & BI

Data analytics and business intelligence obligations in civilian and defense agencies in fiscal years 2015 through 2019 (projected); dollars in billions

Legend: ■ Civilian agencies ■ Defense agencies

Year	Civilian agencies	Defense agencies
2015	$1.3	$0.4
2016	$1.4	$0.5
2017	$1.6	$0.6
2018	$1.8	$0.8
2019 (proj)	$2.0	$0.9

- Top spending civilian agencies, FY 2018
  - NASA ($677 million)
  - HHS ($295 million)
  - TREAS ($131 million)
  - VA ($152 million)
  - DHS ($109 million)

- Top spending Pentagon agencies, FY 2018
  - NAVSEA ($ 348 million)
  - NAVAIR ($245 million)
  - Air Force Materiel Command ($266 million)

Notes: "Data analytics and business intelligence" is a BGOV analyst-defined market that captures all unclassified spending for products and services related to data analytics and business intelligence and visualization; excludes data centers, missile defense and aerospace research. DA – data analytics, BI – business intelligence
Source: Bloomberg Government data.

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Top Data Analytics & Business Intelligence Vendors and Contracts

Data analytics and business intelligence spending was $2.6 billion in fiscal 2018

Top BI & DA Vendors, FY18	Obligations
Universities for Research in Astronomy (multiple agencies)	$233 million
Palantir Technologies (multiple agencies)	$152 million
ASGN Inc. (DOD, DOC)	$89 million
Carahsoft Corp. (multiple agencies)	$75 million
Cerner Corp. (VA)	$63 million
Deloitte (multiple agencies)	$62 million
General Dynamics (multiple agencies)	$60 million
Adnet Systems Inc. (NASA)	$47 million
Aerie Aerospace LLC (multiple agencies)	$47 million
Booz Allen Hamilton Holding Corp. (multiple agencies)	$46 million

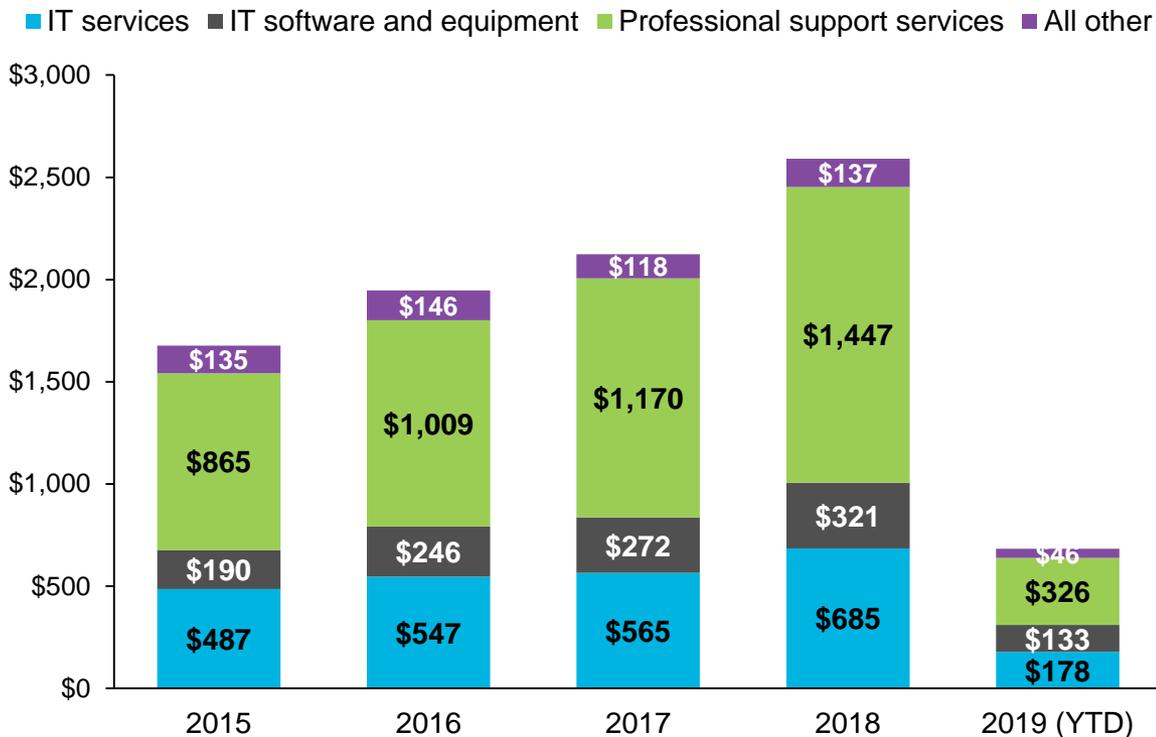| Top Digital Services Contracts, FY 2018	Obligations
SeaPort Enhanced (multiple vendors)	$693 million
SEWP V (multiple vendors)	$162 million
Webb Space Telescope Science Program (Universities for Research in Astronomy)	$154 million
Schedule IT-70 (multiple vendors)	$123 million
Hubble Space Telescope Science Operations (Universities for Research in Astronomy)	$77 million
Electronic Health Record Modernization (Cerner)	$63 million
Data Operations and IT Support (Adnet Systems Inc.)	$52 million
All Source Information Fusion (Palantir)	$51 million
Big Data Analytics, Knowledge Mangement (ASGN Inc.)	$49 million
Marshall Engineering Technicians and Trades Support (Aerie Aerospace)	$47 million

Source: Bloomberg Government data
Note: DA – data analytics, BI – business intelligence

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Data Analytics & Business Intelligence Spending Breakdown

Prof. services represent the greatest share of DA &BI spending

DA&BI obligations in civilian and defense agencies in fiscal years 2015 through 2019 (projected); dollars in millions

■ IT services ■ IT software and equipment ■ Professional support services ■ All other

- Navy's Seaport-e is classified as a professional services program (class codes: R,A)

- Agencies' biggest data analytics and business intelligence investment priorities are:

  - Updating agency websites to improve user experience
  - Operational Data Analysis
  - Health IT
  - Law Enforcement Information Sharing
  - Satellite and imagery
  - Investigative case management

Notes: "IT services" refer to spending using "D" PSC codes. "IT software and products" refer to spending using PSC codes that begin with 70. "Professional and support services" refer to spending using PSC codes beginning with A and D.
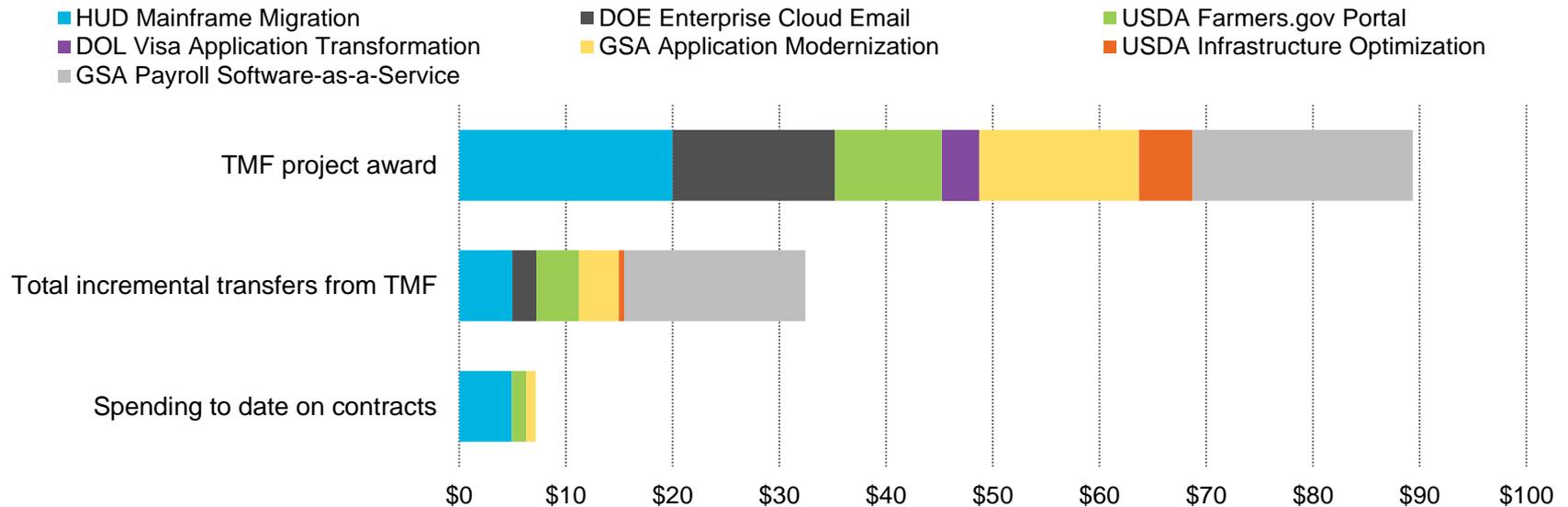Source: Bloomberg Government data,

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Technology Modernization Fund

$125 million allocated to the governmentwide IT working capital fund to-date

- FY 2020 budget request contains $150 million in additional seed money for TMF

- Latest award to GSA to modernize payroll and work scheduling SaaS tools; $17 million already allocated toward project

Technology Modernization Fund projects by spending, transfers, and award values; dollars in millions

Notes: HUD - Housing and Urban Development Department, DOE - Energy Department, USDA - Agriculture Department, DOL - Labor Department, GSA - General Services Administration
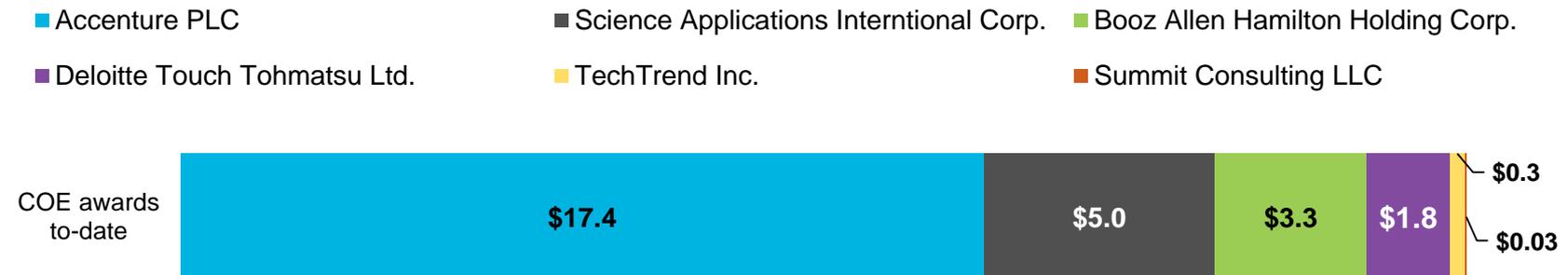Sources: Office of the Federal Chief Information Officer

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IT Modernization Centers of Excellence

White House aiming to scale technology transformation pilot based at USDA

- GSA issued Phase II awards Oct. 1 for its COE pilot at USDA

  - Five companies won awards to support COE mission areas: OneUSDA Contact Center (Accenture), Voice of the Customer Tool (NIC Federal), Data Analytics Capacity Building and Data Visualization (SAIC), Customer Experience Digital Support (Booz Allen), Business Modernization Office Support (Summit Consulting)
  - Ten companies won spots on the Infrastructure Optimization and Cloud Adoption BPA

- GSA issued RFQ March 12 for COE Discovery BPA

Centers of Excellence Phase II obligations to-date by vendor; dollars in millions

■ Accenture PLC   ■ Science Applications Interntional Corp.   ■ Booz Allen Hamilton Holding Corp.

■ Deloitte Touch Tohmatsu Ltd.   ■ TechTrend Inc.   ■ Summit Consulting LLC

COE awards to-date	$17.4	$5.0	$3.3	$1.8	$0.3 / $0.03

Sources: Bloomberg Government data, General Services Administration

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Building a More Tech-Savvy Federal Workforce

Recruiting and retaining IT talent is at the heart of the White House's strategy

- OMB, Department of Education, and CIO Council launched the Federal Cybersecurity Reskilling Academy pilot resembling a cyber defense "bootcamp"

- 'Cloud Smart' strategy calls on agencies to overhaul efforts to develop a STEM pipeline, streamline hiring procedures, and incentivize employees with cloud and cyber skillsets

- Expansion of in-house digital consultancies, such as the U.S. Digital Service and 18F, which have led to successful programs like Blue Button 2.0 and Hack the Pentagon

Source: President's Management Agenda: Workforce for the 21st Century, Fiscal 2020 Budget Request, Analytical Perspectives: Information Technology

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What's Ahead?

- OMB to release a final drafts of the White House's 'Cloud Smart' strategy, Data Center Optimization Initiative, and Trusted Internet Connections policy

- OMB, DHS, and GSA to issue strategic plan to streamline cloud authority to operate (ATO) process

- Federal agencies required to transition paper-based public services to digital based on 21st Century IDEA mandate

- GSA to consolidate IT services under a smaller number of "best-in-class" contracts; evaluating best practices in commercial e-commerce marketplaces

- Agencies expanding IT spending transparency efforts via category management and Technology Business Management (TBM)

- Agencies preparing to issue network modernization task orders on $50 billion Enterprise Infrastructure Solutions (EIS) by the end of fiscal 2019

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Q&A

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