

Federal Fourth Quarter FY 2014, Part 2 – \$30B in IT Contracts Likely

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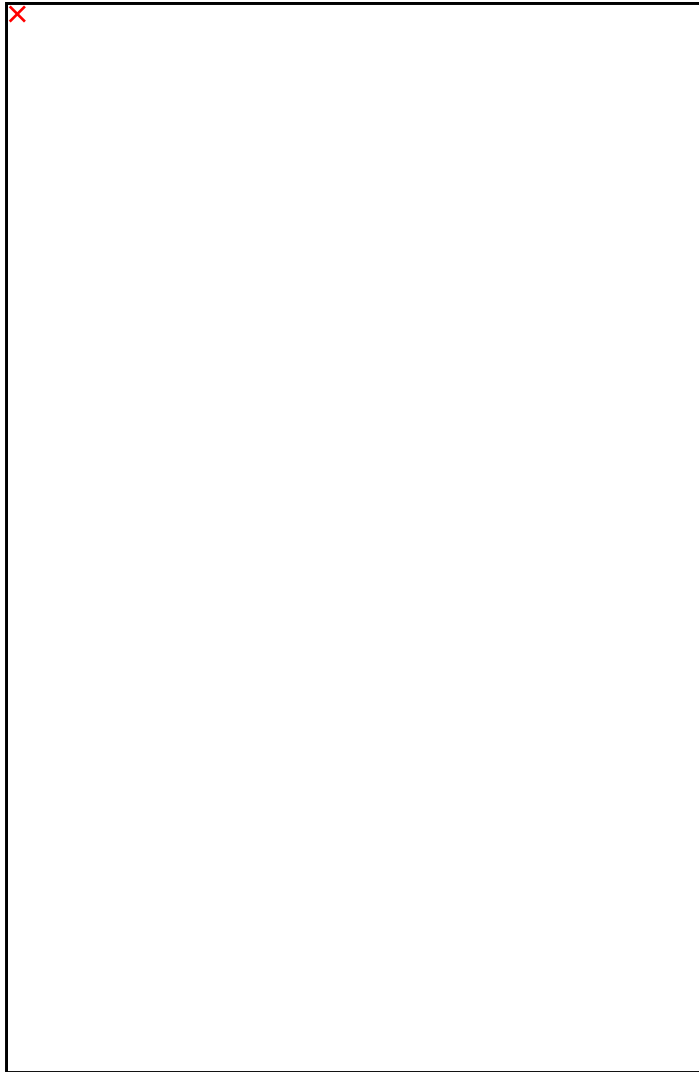
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The last two months of fiscal year (FY) 2014 are nearly upon us and that puts us on the cusp of the height of the 4th quarter (Q4) "federal IT busy season." Even with several disruptions that have marked the first half of FY 2014, agencies do have budgets in place and are spending. If historical averages hold, several agencies will spend more than 50% of their FY 2014 contracted IT dollars in Q4.

Last week, I looked at potential total fourth quarter spending for the top 25 departments and agencies **across all categories** of contracted products and services, based on their reported historical contracted spending over the last several years. This week, I will focus on the Information Technology (IT) category in a similar fashion. (See last week's entry for more detail on my approach.)

From FY 2009-2013 federal departments reported spending an average of 32% of their yearly contract dollars in the fourth quarter across all spending categories. However, the percentage of Q4 IT contract spending was 39% among the same departments for that period. Agencies tend to buy more of their IT in Q4 compared to other products and services, on average. Translating that into dollars, **over the last five fiscal years federal agencies spent an average aggregate of nearly \$30 billion on IT hardware, software, and services in Q4 alone.** This is the case based on historical spending data, even in the era of sequestration and other budget constraints.

Which departments are the best targets for a firm's Q4 IT capture efforts? Over the last five fiscal years the following 25 departments or agencies reported the largest overall contracted IT spending and make up 99% of the federal market. The chart below shows their average contracted IT spending in Q4 over the last five years.



Sixteen of the 25 top-spending departments will spend an average of 40% or more of their yearly contracted IT dollars in Q4 (and several more departments are not far behind in percentage points.) Those 16 departments account for an average of \$20 billion in combined Q4 IT contracts from FY 2009-2013.

Three departments or agencies historically obligate more than half of their yearly IT contract dollars in the final fiscal quarter: AID (55%),

State (56%) and HUD (70%). Their 5-year average Q4 IT contracted spending is:

- AID = \$141.5 million
- State = \$690.5 million
- HUD = \$181.9 million

Not far behind, the departments that spend between 45% and 48% of their yearly IT contract dollars in Q4 – like HHS, DOJ, SSA, Energy, and DOI – tend to have even larger IT budgets. These five departments account for a combined average of \$3.2 billion in Q4 IT contracts over the last 5 fiscal years.

Much of these contract dollars will flow to commodity IT products like software and peripherals, but significant dollars will also go toward IT services. Proposals that were submitted weeks or months ago may come back to the foreground for potential action and companies that can quickly turn around competitive quotes for their federal customers may have a chance at stealing business from incumbents.

With FY 2014 getting a bit of a slow start due to delayed budgets and agency shutdowns, the rebounding we are seeing in the second half of the year may result in a record-breaking Q4. We will have to wait and see.

Originally published in the [GovWin FIA Analysts Perspectives Blog](#). Follow me on Twitter [@GovWinSlye](#).