

Half-way Through FY 2015, How Much Are Agencies Spending on Contracts?

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It's April, and that means we are half way through fiscal year (FY) 2015. So I thought I would take a look at the available federal contracting data to see what can we tell so far about how much federal departments have spent on contracts at the mid-point in the year and see what might be in store for us in the second half of FY 2015.

For comparison and context I looked the federal contract obligations reported for each federal agency for FY 2014, quarter by quarter, and then the first two fiscal quarters of FY 2015, which just closed at the end of March. Then, to get what I thought would be a conservative approach to estimating what spending might look like for the remainder of FY 2015 I took 90% of each agency's total FY 2014 contract spending and subtracted out what agencies have already reported for actual Q1 and Q2 contract spending. In other words, my assumption is that agencies would spend at least 90% of what they did last year. Finally, based on this 90% spending assumption I calculated each agency's FY 2015 Q1 and Q2 relative percentages of total (90%) estimated obligations.

Contract Obligations Compared

Historically, the twenty top-spending departments accounted for about 98% of all federal contract obligations, so I focused my attention on these departments. In FY 2014, these accounted for \$85.9B and \$105.2B in total contract obligations for Q1 and Q2 respectively. For comparison, these departments reported \$104.7B and \$141.7B in contract obligations for Q3 and Q4 respectively for FY 2014. (See table below.)

In FY 2015, these top twenty have reported \$89.3B and \$34.1B for Q1 and Q2 respectively, although DoD lags in their financial reporting by up to 90 days so Q2 is understated. Still, if these top agencies spend 90% of what they did in all of FY 2014 they will have more than \$270B left to obligate in the remaining two quarters of this fiscal year.

Comparison of Contract Obligations for the Top 20 Federal Departments/Agencies

| Department | FY 2014 | | | | | | | | FY 2015 | | | | |
|------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|----------------------|---------------------|------------------------|---------------------|--|
| | Q1 Obligations (\$B) | Q1 % of Obligations | Q2 Obligations (\$B) | Q2 % of Obligations | Q3 Obligations (\$B) | Q3 % of Obligations | Q4 Obligations (\$B) | Q4 % of Obligations | Q1 Obligations (\$B) | Q1 % of Obligations | Q2 Obligations (\$B)** | Q2 % of Obligations | Potential Remaining Obligations (\$B)* |
| Navy | 15.3 | 18% | 21.2 | 25% | 23.9 | 28% | 24.0 | 28% | 21.4 | 28% | 0.0 | 0% | 54.5 |
| Army | 12.4 | 16% | 14.6 | 19% | 18.3 | 24% | 30.5 | 40% | 13.6 | 20% | 0.0 | 0% | 54.6 |
| Defense | 16.6 | 24% | 18.6 | 27% | 14.9 | 22% | 19.1 | 28% | 14.8 | 24% | 0.0 | 0% | 47.4 |
| Air Force | 14.5 | 26% | 10.8 | 19% | 15.1 | 27% | 15.4 | 28% | 12.1 | 24% | 0.0 | 0% | 38.1 |
| Energy | 5.6 | 22% | 11.6 | 45% | 4.9 | 19% | 3.5 | 14% | 5.6 | 24% | 10.6 | 46% | 6.8 |
| HHS | 2.7 | 12% | 4.1 | 19% | 4.8 | 22% | 9.9 | 46% | 2.8 | 15% | 3.1 | 16% | 13.4 |
| VA | 4.6 | 24% | 3.7 | 20% | 4.0 | 21% | 6.7 | 35% | 4.9 | 28% | 2.6 | 15% | 9.7 |
| NASA | 2.9 | 19% | 5.0 | 33% | 3.7 | 25% | 3.5 | 23% | 3.3 | 24% | 6.0 | 44% | 4.3 |
| DHS | 2.1 | 16% | 2.9 | 23% | 3.0 | 23% | 4.9 | 38% | 2.1 | 18% | 2.0 | 17% | 7.5 |
| State | 0.7 | 8% | 2.1 | 23% | 1.6 | 17% | 4.7 | 52% | 0.6 | 7% | 1.0 | 12% | 6.7 |
| GSA | 1.0 | 12% | 2.1 | 23% | 2.2 | 25% | 3.7 | 41% | 1.2 | 15% | 1.3 | 17% | 5.6 |
| DOJ | 1.4 | 20% | 1.5 | 21% | 1.4 | 20% | 2.8 | 39% | 1.6 | 25% | 1.5 | 24% | 3.3 |
| DOT | 0.9 | 14% | 2.0 | 32% | 1.3 | 22% | 2.0 | 32% | 0.8 | 14% | 1.0 | 19% | 3.7 |
| Treasury | 1.3 | 23% | 1.3 | 23% | 1.4 | 24% | 1.7 | 30% | 1.3 | 26% | 1.0 | 19% | 2.8 |
| USDA | 0.8 | 16% | 1.0 | 18% | 1.2 | 22% | 2.4 | 44% | 1.0 | 20% | 0.7 | 15% | 3.1 |
| DOI | 0.4 | 10% | 0.7 | 17% | 0.9 | 21% | 2.2 | 53% | 0.4 | 10% | 0.8 | 21% | 2.6 |
| AID | 0.7 | 18% | 0.8 | 22% | 0.8 | 20% | 1.5 | 40% | 0.7 | 21% | 1.2 | 36% | 1.5 |
| DOC | 0.4 | 14% | 0.6 | 20% | 0.7 | 25% | 1.2 | 41% | 0.5 | 18% | 0.5 | 20% | 1.7 |
| Ed | 1.1 | 37% | 0.2 | 8% | 0.5 | 15% | 1.2 | 39% | 0.6 | 23% | 0.4 | 15% | 1.7 |
| Labor | 0.5 | 20% | 0.4 | 17% | 0.4 | 18% | 1.1 | 45% | 0.3 | 15% | 0.3 | 14% | 1.5 |

*Assumes 90% FY '14 Obligations

Source: FPDS, Deltek

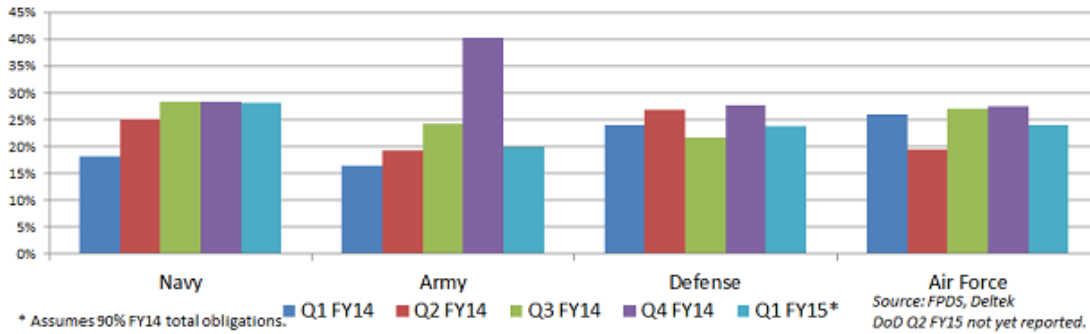
** Department of Defense lags up to 3 months in reporting.

Observations

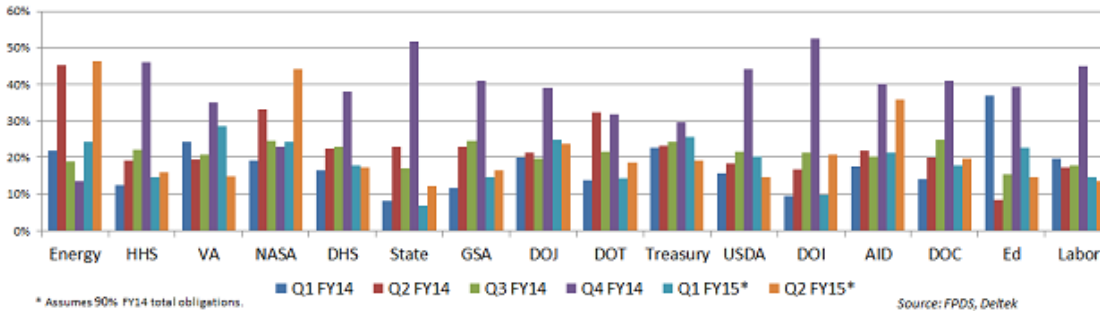
- A handful of departments have Q1 FY 2015 obligations lower than they did in Q1 of FY 2014 (DoD, USAF, State, DoT, Ed, and Labor). Most have marginally higher obligations year-over-year, although Navy reported over \$6B (+40%) more in obligations in Q1 in FY 2015 than last year.
- More departments appear to be lagging in Q2 FY 2015 compared to Q2 of last year and some of these are fairly large relative proportions. For example, HHS shows a \$1B (-24%) decrease in Q2. Similarly, VA has reported a \$1.1B (-30%) decrease. Finally, State, GSA, and DOT each have reported about a 50% drop in Q2 FY 2015 obligations from Q2 FY 2014. Of course, given the DoD's three-month reporting delay we will not know the contracting rates among those departments until this summer.
- Taken together, the four defense branches in Q1 FY 2015 have reported \$3B more in obligations than they reported in Q1 of FY 2014, although the DoD and Air Force have reported lower levels year-over-year.

A graphical representation of the relative proportions of each department's contract spending gives a sense of seasonality and/or changes from year to year. Due to the sheer number of departments I have split these into Defense and Civilian segments. This further highlights the yearly changes for Navy, HHS, VA, State, GSA, and DOT. (See charts below.)

Defense - Percentage of Total Yearly Contract Obligations by Fiscal Quarter



Top Civilian - Percentage of Total Yearly Contract Obligations by Fiscal Quarter



This kind of macro-level analysis is useful in getting a general sense of quarterly and yearly patterns across the departments. Of course, the remaining FY 2015 obligation estimation depends on its main 90% assumption. Last year, this approach pointed to roughly \$285B in combined FY 2014 Q3 and Q4 obligations among the top twenty departments. A year later, the final FY 2014 Q3 and Q4 data shows that actual obligations came in at \$246.4B, so at first glance it appears that my 90% assumption was a bit optimistic. However, the difference turns out to be a matter of timing rather than magnitude. The final FY 2014 Q1 and Q2 obligations given above come in at \$69B higher than what agencies reported at this time last year, reflecting revisions due to lagging obligation data being added later in the year. So the numbers effectively washed out once the dust settled. Unfortunately, there is no reliable way of predicting how consistently agencies will report their contract spending from year to year.

As most federal business development people will attest, understanding your agency’s spending patterns goes a long way to being able to successfully work with them to get contracts awarded as well as develop your yearly business plan.

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