

# DOI's \$10 Billion in Cloud Contracts: It's a Ceiling, Not a Promise

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The recent Foundation Cloud Services award from the Department of Interior (DOI) stands to shell out as much as \$10 billion to ten companies for cloud computing adoption. The high ceiling value of the awards has attracted a lot of attention. While the strategic effort underscores the agency's focus on changing their IT operations, the potential value may not reflect the investment Interior will be making.

According to the [FY 2012 Annual Report from DOI's CIO](#), the cloud contract awards will support a number of different initiatives:

The Foundation Cloud Service Contract will streamline access to commercial cloud services in support of the Federal Data Center Consolidation Initiative (FDCCI), the Federal Cloud-First policy, the DOI Information Technology Transformation (ITT) Initiative, as well as emerging system owner demand for application and data hosting services. This contract will provide an attractive alternative to purchasing and maintaining hardware and software. Additionally, it will help improve "speed to market" for developing and modernizing applications by providing our developers and system owners with access to computing and storage resources on demand.

In short, transitioning the data and applications housed in more than 400 data centers, rooms, and closets to the cloud will improve the operating efficiency of DOI as well as supporting FDCCI goals. In a recent [blog](#), Andrew Jackson, Interior's Deputy Assistant for Technology, Information and Business Service, wrote:

The approach we've chosen also allows us to speed up our acquisition process, which in turn allows us to leverage this technology more quickly. We can now make our data and applications more accessible to the public, and to DOI employees across the country. We'll also be able to provide a wider variety of services, security solutions, and support than we currently do.

The Foundation Cloud Services awards target a variety of cloud computing services, including storage, secure file transfer, virtual machine, database, web hosting, and a development and testing environment. These initial service offerings address the agency's most urgent requirements and will be the building blocks for future service developments. To this end, ten different vendors were selected for the IDIQ awards, listed below.

Foundation Cloud Service Vendors	
Aquilent	IBM
AT&T	Lockheed Martin
Autonomic Resources	Smartronix
CGI Federal	Unisys
GTRI	Verizon

Source: DOI

Individual projects are expected to be competed among the awardees and assigned via task order. One of the aims of compiling a pool of ten vendors is to produce more competitive and innovative offerings. The first task order was awarded in June to Unisys for migrating DOI's Financial and Business Management System (FBMS) to the cloud. Under the \$44 million arrangement, the transition will occur over the next eight years, helping to reduce the costs of the enterprise resource planning system (ERP).

## Budget Environment

Under recent budget pressure across the federal IT market, we've seen reductions in contracts, increased performance scrutiny, and more judiciousness around investment decisions. Although DOI's total discretionary budget request for FY 2014 amounted to \$11.4 billion, less than a tenth of which goes toward IT, contractor addressable spending that's decreased in recent years. The current budget environment suggests these spending patterns are likely to endure for some time.

Although it does not capture the entirety of the agency's IT spending, Department of Interior's 2014 IT budget totals \$1012.9 million. The department completed business cases for forty-five major programs with a combined total of \$974.15 million, just over 96 percent of the amount accounted for in the IT budget. Of those funds for major programs, approximately 61.2 percent is directed to either operations and maintenance (O&M) or development, modernization, and enhancement (DME). Also, fourteen of those major programs, totaling around \$85.8 million in FY 2014 spending, are expected to conclude by 2018. Starting with a relatively modest IT budget, DOI expects expediting their move to the cloud to save DOI \$100 million annually from 2016 to 2020. Unless, DOI foregoes legacy system operations in favor of devoting all of their IT budget to cloud adoption, it unlikely that these contracts will approach their ceilings.

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It's worth noting that only four of these vendors have completed the Federal Risk and Authorization Management Program (FedRAMP) process and received authority to operation (ATO) from the FedRAMP Joint Authorization Board. These vendors are AT&T, Autonomic Resources, CGI Federal, and Lockheed Martin. All of the accredited offerings are for Infrastructure as a Service models.