

# FY 2014 IT Budget Preview – OMB Points to \$5 Billion in Cuts

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Uncertainty” is one of the words most frequently used to describe the current federal budget environment. And while this is clearly appropriate there are glimpses into what fed market watchers might expect in real terms over the next few years, both for overall budgets as well as for information technology (IT). In fact, OMB is telling us . . . and the bottom line could be billions of dollars in cuts.

As debate continues on appropriations and budgets for the upcoming federal fiscal year (FY) 2013, which starts in October, the (once-again) approaching federal debt-ceiling limit, and the specter of impending budget sequestration as established in last year’s Budget Control Act (BCA), OMB provided federal agencies with some new guidance on how they should be preparing their budget requests for the next fiscal year – FY 2014. Jeffrey Zients, Acting Director of OMB, reinforces the administration’s stated goals to cut waste, set priorities among programs, and make targeted investments in their priorities.

## General Budget Guidance

In the [memorandum](#), Zients outlines the broad guidance for agencies to follow in preparing their FY 2014 budgets (unless they have received different guidance from OMB), including:

- Requests for 2014 should be 5 percent below the net discretionary agency total for 2014 in the 2013 budget; and
- Budget submissions should include a detailed list of add-backs that bring overall agency budget back to a level that equals the 2014 discretionary level set in the 2013 budget. These are to be based on administration budget goals.

The guidance precludes the use of the following to achieve the 5 percent reduction:

- Across-the-board cuts;
- Reductions to mandatory spending;
- Cost-shifting to other parts of the budget;
- Reclassifications of existing discretionary spending to mandatory; or
- New user fees to offset existing spending.

## Information Technology Budget Guidance

The budget guidance specifically calls for agencies to look for ways to spend their IT dollars more efficiently. And unless an agency has received different guidance from OMB their 2014 budget submission should meet the following criteria:

- Achieve an agency-wide 10 percent reduction in IT spending, compared to their average IT spending from FY 2010 through 2012;
- Explain how they will achieve this reduction at the investment and account level; and
- Propose areas to reinvest the savings into innovative IT solutions that would produce a positive return on investment within 18 months, demonstrably improve citizen services, or increase efficiencies.

## Implications

Any significant IT budget cuts will continue to put pressure on agencies to make trade-off decisions and manage their IT dollar with increasing effectiveness. Taken at face value, the 10 percent reduction from the FY 2010-2012 average would have the following impacts on Executive Branch department and agencies. (See chart below.)

Historical and Projected FY 2014 Federal Information Technology Budgets							\$M
Department/Agency	FY 2010	FY 2011	Estimated FY 2012	Average FY '10-12	FY 2013 Request	FY2014 per OMB	Delta 2013-14
Defense-Wide	14,909	10,876	11,167	12,317	11,254	11,085	(169)
Air Force	6,980	6,204	6,635	6,606	5,687	5,946	259
Army	8,955	10,098	8,387	9,147	8,331	8,232	(99)
Navy	6,942	7,709	7,582	7,411	7,574	6,670	(904)
Sub-Total Defense	37,786	34,888	33,770	35,481	32,846	31,933	(913)
Agriculture	2,595	2,459	2,493	2,516	2,572	2,264	(308)
Commerce	3,047	2,360	2,555	2,654	2,444	2,389	(55)
Education	812	534	523	623	578	561	(17)
Energy	1,975	2,046	2,137	2,052	2,033	1,847	(186)
HHS	6,297	6,595	6,960	6,617	7,139	5,956	(1,184)
DHS	6,437	5,580	5,792	5,937	5,755	5,343	(412)
HUD	357	318	489	388	392	349	(43)
Justice	2,840	2,952	2,757	2,850	2,655	2,565	(90)
Labor	583	614	607	601	611	541	(70)
State	1,438	1,402	1,413	1,418	1,345	1,276	(69)
Interior	957	1,012	994	988	965	889	(76)
Treasury	3,159	3,508	3,217	3,295	3,576	2,965	(611)
Transportation	2,965	2,989	3,019	2,991	3,100	2,692	(408)
VA	3,343	3,036	3,111	3,164	3,327	2,847	(480)
EPA	461	467	455	461	465	415	(50)
GSA	626	622	617	622	631	560	(71)
NASA	2,070	1,687	1,462	1,740	1,462	1,566	104
NARA	141	165	106	137	100	124	24
NSF	95	99	99	97	97	88	(10)
NRA	158	165	156	160	151	144	(8)
OPM	82	79	72	78	65	70	5
SBA	124	114	102	113	112	102	(10)
Smithsonian	65	65	65	65	68	59	(9)
SSA	1,626	1,568	1,370	1,521	1,380	1,369	(11)
USAID	188	106	90	128	112	115	3
Army Corps	500	550	582	544	566	490	(77)
Sub-Total Civilian	42,941	41,094	41,242	41,759	41,702	37,583	(4,119)
<b>Total</b>	<b>80,727</b>	<b>75,981</b>	<b>75,013</b>	<b>77,240</b>	<b>74,548</b>	<b>69,516</b>	<b>(5,032)</b>

#### Bottom Line

Reductions of this magnitude will present a dramatic challenge to agencies on top of what they have had to deal with over the last few years. Also, this further solidifies the notion that gone are the days when agencies enjoyed the magnitude and regularity of increases in IT budgets that they saw over previous decade or more, when IT budgets generally increased on a year-to-year basis, some quite significantly.

Agencies will be challenged to find the savings at a very detailed account and program level. It may result in more program cancellations and more option years going unexercised. The challenge also falls upon solutions-providers in the market to prove they can provide the maximum return on investment. This favors current participants and puts new entrants or new solutions at a disadvantage if they do not have a proven track record to show. Agencies under this increased scrutiny will likely be even more risk-averse than usual. Yet, providers who bring to the table innovative IT solutions that can demonstrate positive short-term return on investment or markedly improve an agency's efficiency or provision of citizen services will be best positioned to gain in this increasingly-competitive market.