



Federal IT Market Landscape 2022-2024

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FREE SUMMARY

Federal IT Market Landscape, 2022-2024



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Federal Market Analysis

Program Components

Budget Assessment

Annual analysis of the President's Budget Request

Annual IT Market Forecast

Forecast of Total Federal IT Market

Issue Reports

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Weekly articles of news events, key issues and market developments delivered to your inbox via the GovWin Market Alert email

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Ten hours of analyst support to answer your specific questions

Data Tools

Access to Deltek's online budget data and contractor-addressable IT forecast finder tools



**Market
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NEW - Federal IT Market Forecast Report Series

Deltek's Federal IT Market forecast reports will now be delivered as a three-report series:

Federal IT Market Landscape, 2022-2024

Provides insight into government-wide market factors and spending projections

May 27, 2022

Federal Defense and Intelligence IT Market, 2022-2024

Provides analysis and IT spending projections for defense and intelligence community organizations

July 8, 2022

Federal Civilian IT Market, 2022-2024

Provides analysis and IT spending projections for civilian agencies

July 8, 2022



About This Report



Report Deliverables

- » 86 - slide PowerPoint® Report
- » 27 - slide PowerPoint® Executive Summary
- » Excel® Workbook

Deltek's Federal IT Market Landscape, 2022-2024 report provides federal contractors with insight to major trends and initiatives driving the federal Information Technology (IT) marketplace over the next three years.

This report will help federal contractors:

- » Understand the policies, budgets and technologies driving the federal IT environment.
- » Learn the major IT changes contributing to the shift in market development.
- » Analyze the federal IT market size, forecasts and segmentation.
- » Identify agency priorities within the federal IT budget and forecast.
- » Strategically navigate an evolving federal IT market.



Full Report Table of Contents

- » Introduction
- » Budget Environment
- » Technology Priorities
- » Acquisition Environment
- » Market Forecast
 - » Total Addressable Market
 - » Addressable Market by Top Departments
 - » Addressable Market by Technology Segments:

Applications Computing	Platform Storage
Network	Data Center
End User	Embedded IT
IT Management	Security and Compliance
IT Service Delivery Management	
- » Conclusions and Recommendations

Scope and Methodology

Federal IT Market Landscape, 2022-2024

SCOPE

- » Includes executive, legislative, and judicial branch agencies, the intelligence community and government-owned corporations such as the U.S. Postal Service.
- » Includes embedded IT (IT reported within non-IT budgets)
- » Includes unreported IT spending
- » Includes IT purchases below reporting thresholds
- » Excludes IT grants to state and local governments

METHODOLOGY

Analysis includes:

- » The President's budget requests
- » Agency budget documentation, reports and strategic plans
- » Economic forecasts
- » Congressional documents
- » Legislative and policy documents
- » Deltek GovWin IQ databases
- » Federal Procurement Data System (FPDS) data
- » Industry articles and publications
- » Interviews/surveys with agency officials and industry experts and thought leaders
- » Public statements of federal IT executives

New Forecast Segmentation

Deltek has revised its forecast segments to align with the Technology Business Management framework. This transition was initiated for several reasons:

- » Alignment with the taxonomy and mechanisms used by federal agencies to categorize IT programs and activities
- » Updated and modernized taxonomy
- » More granular market segmentation

Deltek's federal IT forecast is now segmented leveraging TBM IT Towers.

Beginning in FY 2018, agencies began transitioning its IT budget reporting to Technology Business Management (TBM) framework. The TBM provides a standardized framework for categorizing IT resources, presented as "IT Towers".

Starting in FY 2021, OMB revised the IT Product Service Code (PSC) taxonomy used to report contract obligations in the Federal Procurement Data System (FPDS) to align with the more modernized taxonomy of the TBM. This alignment was designed to improve IT portfolio management, transparency and tracking of IT funding from budget to obligation.

IT Towers

Application	Storage
Compute	Data Center
End User	Delivery
Network	IT Security & Compliance
	IT Management

Deltek View vs. OMB IT Portfolio Summary

Deltek's analysis expands beyond IT budgets reported in OMB's IT Portfolio to include additional federal organizations and spending streams.

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- » **Contractor addressable**
- » Includes IT-related spending not reported in the IT Portfolio:
 - » Intelligence community
 - » Legislative branch
 - » Judicial branches
 - » 58 independent executive branch agencies and quasi-government organizations (e.g., Postal Service)
 - » Embedded IT (IT within non-IT program budgets)

Office of Management and Budget

- » **Includes funding NOT contractor-addressable** (e.g., salaries and benefits)
- » Includes IT budget request for 26 reporting agencies
- » **Excludes:**
 - » 58 independent executive branch agencies
 - » Intelligence community
 - » Legislative branch
 - » Judicial branches

Key Findings

- » Agencies continue to prioritize investments in critical technology areas, including cloud, cyber, big data, AI, health IT, mobility/5G and network modernization. Vulnerabilities exposed during the COVID response add focus and urgency.
- » Agency focus on IT modernization remains high due to additional funding and process changes in the TMF. However, agencies must largely rely on traditional IT budgets to make significant progress.
 - » Migrating legacy systems to the cloud and/or purchasing cloud-based capabilities is now agencies' de facto approach for modernizing IT environments. However, many agencies must still address application rationalization, security and governance.
- » Progress on directives from the May 2021 Executive Order 14028 touch broad areas across the federal cybersecurity landscape. Policies for Zero Trust, cyber data collection and sharing, vulnerability and incident response, cloud security and software supply chain security affect agencies and contractors alike.
- » Agencies are shifting to DevOps, DevSecOps, human-centered design and the use of APIs and microservices in software development practices and modernization efforts.
- » DOD's revised Cybersecurity Maturity Model Certification (CMMC) program has extended its timeline while maintaining its focus on NIST standards. Progress depends on the pace of updating federal regulations implementing CMMC requirements, anticipated to finish by mid-2023.
- » The Biden Administration continues to prioritize technology R&D within agency budgets. Funding will be used to support cloud migration, build zero trust architecture, advance artificial intelligence implementation, shutter legacy systems and build out multi-domain operations.

Defense IT Budget Request*

\$21.5B

Percent Change, FY 2023 vs. 2021
+1.4%

Civilian IT Budget Request

\$64.1B

Percent Change, FY 2023 vs. 2021
+7.8%

Number of IT
Investments*

7,241

FY 2023 IT Budget Request Overview

Investment Part

Mission Delivery

\$29.3B

Mission Support

\$14.5B

Standard IT

\$42.0B

Focuses on securing data and systems, delivering citizen services and furthering the vision of digital government. The IT budget promotes:

- » Reducing cybersecurity risk
- » Laws to enable technology planning, oversight, funding and accountability
- » Strategic use of IT to enable missions
- » Modernizing legacy systems
- » Migrating to commercial cloud solutions and shared services
- » Recruiting, retaining and reskilling the federal technology workforce

Technology Modernization Fund

\$300M

FY 2023 IT Budget Request By Department*

	FY 2021 Actual	FY 2022 Estimate	FY 2023 Request	%Change FY 2021 vs. FY 2023
DEFENSE AGENCIES*	7,086	7,961	8,110	14.5%
ARMY*	3,911	4,688	3,391	-13.3%
NAVY*	5,136	5,380	6,207	20.8%
AIR FORCE*	3,333	3,187	3,814	14.4%
DHS	7,388	8,452	8,942	21.0%
VA	8,372	10,127	8,606	2.8%
HHS	7,733	8,063	7,824	1.2%
TREAS	5,429	5,992	6,116	12.7%
DOJ	3,638	3,928	3,997	9.8%
USDA	3,724	4,028	3,956	6.3%
DOT	3,735	3,683	3,804	1.8%
STATE/USAID	3,151	3,413	3,498	11.0%
DOE	2,500	2,776	2,869	14.8%
DOC	2,834	2,801	2,620	-7.6%
SSA	2,026	2,259	2,375	17.2%
NASA	2,278	2,329	2,182	-4.2%
DOI	1,549	1,723	1,806	16.6%
EDUC	898	1,124	1,138	26.7%
OTHERS	4,187	4,160	4,344	3.8%

Sources: OMB, Deltek

Key Technology Priorities

Cloud Computing



Engineering and Technical Support
Software as a Service
Network as a Service
Data Center Services
Testing, Design and Development
Professional Services

Cybersecurity



Zero Trust
Continuous Monitoring
Identity Management
Vulnerability Assessment
Penetration Testing
Analytics
Managed Security
Education/Training

Big Data



Advanced Analytics
Big Data Systems and Platforms
Data Management and Integration
Analysis Support
High Performance Computing

Mobility/5G



Software-Defined Networking
Enhanced Network Bandwidth
Advanced Network Security

Artificial Intelligence



Cyber Warfare/Automation
Healthcare
Fraud Detection
Logistics
Business Functions

Health IT



Healthcare Analytics
Public Health Surveillance
eHR Interoperability

Network Modernization

Cyber Maturity Model Certification (CMMC) Program Update

Roll-out Timeline



After its 2021 program review, the DOD re-launched their revised CMMC 2.0 to secure controlled unclassified information (CUI) in November 2021. Under the new timeline, the DOD hopes to complete work on an Interim Final Rule for acquisitions by March 2023 and begin implementing CMMC into contracts in May 2023, while completing work on a final rule. DOD estimates it could take two years from when the final rule is out – potentially in mid-2023 – for CMMC to be fully implemented.

Testing CMMC



The DOD is planning to test their approach to adding CMMC requirements to contract acquisitions through tabletop exercises in June or early July 2022, including participation from Defense Industrial Base (DIB) sector companies.

Levels Driven by CUI



It is currently expected that contractors handling non-prioritized CMMC Level 2 CUI can perform self-assessments while others who hold prioritized CUI L2 data and above will need a third-party assessment. While the DOD is still finalizing definitions, non-prioritized CUI involves information that would not cause major security issues if released – such as the material of a military uniform. Prioritized CUI is information that would cause some loss of capability or advantage if obtained by adversaries. Level 3 or advanced CUI is information associated with critical programs and technologies.

Phased Approach



DOD continues to stress that it plans to take a phased approach to rolling out CMMC to ensure that there is sufficient capacity among assessment organizations, etc. to meet contractor requests for certification assessments. DOD received funding and has begun to hire up to 140 new assessors at the Defense Industrial Base Cybersecurity Assessment Center (DIBCAC) at the DCMA. The CMMC Accreditation Body (AB) has approved 10 third party assessment organization (C3PAO), with 140 candidate C3PAOs awaiting certification.

Software Supply Chain Security (SSCS)

The May 2021 Executive Order (EO) 14028 on *Improving the Nation's Cybersecurity* directed the National Institute of Standards and Technology (NIST) to publish guidance on practices for software supply chain security (SSCS) and for federal agencies to comply with the published guidance when procuring software or a product containing software.

Software Producer Guidance

In February 2022, NIST updated their existing SP 800-218, "Secure Software Development Framework (SSDF) Version 1.1" to fully address SSCS provisions in the EO from a software producer viewpoint, i.e. practices, actions or outcomes software producers should address to enhance the security of their software.

Agency Procurement Guidance

In February 2022, NIST also published guidance providing baseline recommendations to federal agencies on ensuring that the producers of software (or products containing software) which agencies procure have been following a risk-based approach for secure software development throughout the software life cycle. Agencies may have more stringent requirements as needed.

Deeper Cyber Supply Chain Risk Management

In May 2022, NIST published SP 800-161 Rev. 1, "Cybersecurity Supply Chain Risk Management Practices for Systems and Organizations" to provide guidance to agencies, producers, suppliers and service providers, etc. on mitigating supply chain cybersecurity risks, and addressing more stringent agency requirements not sufficiently covered by the baselines in the February guidance.

Software Supplier Impacts: Software suppliers will be required to provide a conformance statement attesting that their software development processes follow government-specified SSDF practices. Resellers should ensure that they can provide a reference to the software producer's conformance statement for each software they resell.

Examples: Innovation in Contracting

Other Transaction Authority

GSA using FASt Lane process and DIU's OTA authority to speed transition of prototyped solutions to GSA's Multiple Award Schedule.

Industry Engagement

The **Air Force** launched its AFVentures initiative to facilitate Air Force's engagement with commercial innovators and private capital investment to help the AF solve problems and deliver new capabilities faster.

Prizes/ Challenges

NASA frequently hosts science- and engineering-based competitions and experimental projects, awarding prize money to individuals and early-stage companies for innovations including AI.

Tech Supporting Acquisition Process

IRS leverages Robotic Process Automation (RPA) to automate data entry into the Federal Procurement Data System (FPDS).

In Q2 of FY 2020, **GSA's** Federal Acquisition Service (FAS) launched Truman, its first enterprise-wide automation, to review new offer submissions under the Multiple Award Schedule (MAS) program. GSA also created the FAS Process Automation Center which has supported contractor assessments and catalog management.

DHS Procurement Innovation Lab (PIL)

DHS framework and environment to test new procurement techniques and ideas. Successful techniques include: multi-phase evaluations, confidence ratings, interviews, embedding innovation in evaluation factors and technical demonstrations.

Periodic Table of Acquisition Innovations

Offers innovative techniques and best practices, tested by acquisition teams, that serve to accelerate time to award, reduce delivery time, improve customer experience and/or reduce barriers to entry.

Small Business Participation

Agencies are executing requirements set forth in OMB’s guidance, “[Advancing Equity in Federal Procurement](#)” to improve small business participation.

AGENCY GOALS

- » SBA will work with agencies to develop interim FY 2022 SDB goals, that when viewed government-wide, will result in an increase of SDB awards to 11%.
- » SBA plans to incorporate the new goal into agencies’ FY 2022 scorecards, as well as work with OMB, the Domestic Policy Council (DPC) and the National Economic Council (NEC) to come up with ideas to increase spending goals for Women-Owned Small Businesses (WOSBs), Service-Disabled Veteran-Owned Small Businesses (SDVOSBs) and HUBZone businesses in FY 2023.

CATEGORY MANAGEMENT

- » Develop new Tier 2-Socioeconomic Small Business Spend Under Management (SUM) metrics under category management to improve small business access to opportunities.
- » Encouraged agencies to incorporate socioeconomic responsibilities into category management plans.
- » Remind agencies not to avoid prioritizing the use of BIC contracts – which can often be challenging for small businesses to gain access – over meeting socioeconomic goals.
- » Recognize SBA and the Minority Business Development Administration (Department of Commerce component) as voting members of the Category Management Leadership Council (CMLC).

ATTRACT NEW MARKET ENTRANTS

- » Establish a common definition for “new entrant” to streamline tracking and benchmarking.
- » Improve the availability and quality of procurement forecasting tools.
- » Improve data management and analytic capabilities to facilitate deeper market observations and inform strategies for adjusting procurement practices for more equitable opportunities.
- » Make USAspending.gov more user friendly.
- » Provide procurement process recommendations to agency equity teams.
- » Include small business equity progress in the performance plans for key Senior Executive Services (SES) leaders involved in acquisition planning or source selection.

Factors That Could Impact Spending Trajectory

Economic, political and logistical issues could have a significant impact on contractors, budgets and spending.

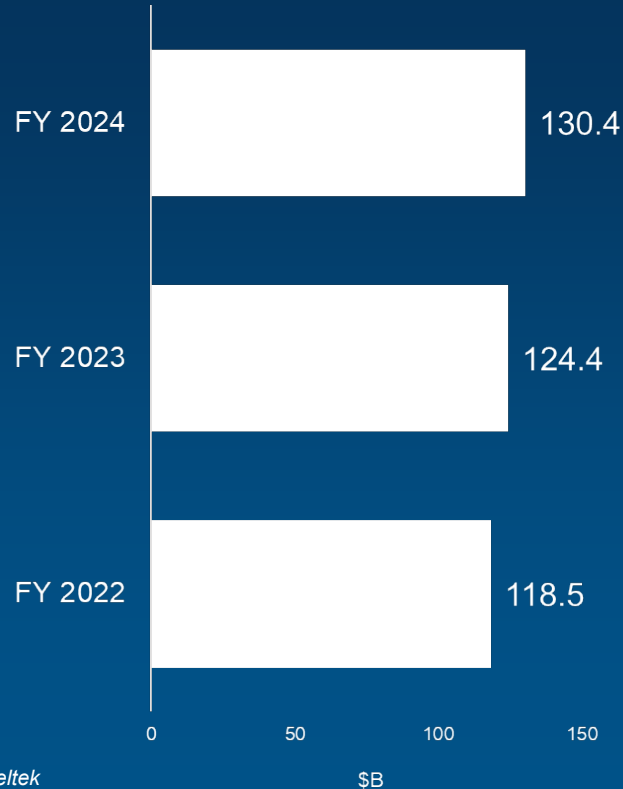
- » Supply chain issues causing shortages, delays and price volatility
- » Impact of inflation on the industrial base
 - » Could impact contractor prices (due to increases in labor, materials, shipping, energy and other costs of doing business) and therefore spending. Especially hard on small business
- » Impact of labor force issues on the industrial base
 - » Wage inflation
 - » Competition with private sector for talent
 - » Need to invest in automation
- » Impact of interest rates on industrial base
 - » Increased cost of borrowing to support contractor operations
- » Change in political balance in Congress
 - » Could change overall budget trajectory

On March 17, 2022, released a memo temporarily changing the requirements around the Economic Price Adjustment (EPA) contract clauses.

- » Notes an increase in contractor requests for contract modifications to increase prices
- » Establishes temporary flexibility on price increase limitations
- » Applies only to GSA contracts
- » Will remain in effect until September 30, 2022

Contractor Addressable IT Market, FY 2022-2024

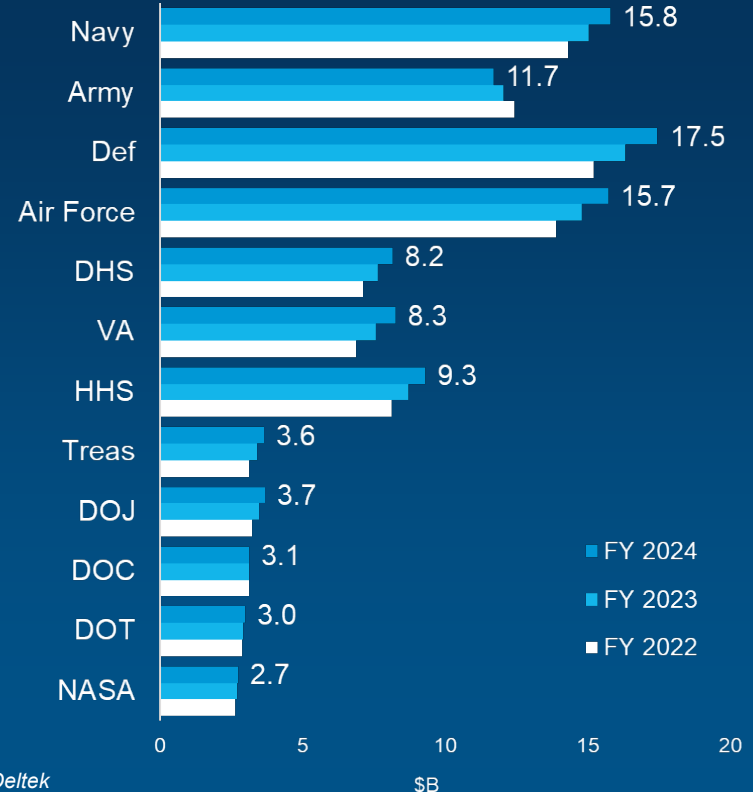
TOTAL IT MARKET*



Source: Deltek

\$B

TOP DEPARTMENTS



Source: Deltek

\$B

Conclusions

- » Agencies continue to prioritize investments in critical technology areas, including cloud, cyber, big data, AI, health IT, mobility/5G and network modernization. Vulnerabilities exposed during the COVID response add focus and urgency.
- » Agency focus on IT modernization remains high due to additional funding and process changes in the TMF. However, agencies must largely rely on traditional IT budgets to make significant progress.
 - » Migrating to cloud capabilities, particularly multi-cloud and hybrid cloud environments, is now the de facto way agencies are modernizing their IT environments. However, many agencies must still address application rationalization, security and governance.
 - » Agencies will also continue to invest in solutions such as computing as a service, AI and machine learning, and zero trust environments as they modernize.
- » Progress on directives from the May 2021 Executive Order 14028 touch broad areas across the federal cybersecurity landscape. Policies for Zero Trust, cyber data collection and sharing, vulnerability and incident response, cloud security and software supply chain security affect agencies and contractors alike.
- » Agencies are shifting to DevOps, DevSecOps, human-centered design and the use of APIs and microservices in software development practices and modernization efforts.
- » DOD's revised Cybersecurity Maturity Model Certification (CMMC) program has extended its timeline while maintaining its focus on NIST standards. Progress depends on the pace of updating federal regulations implementing CMMC requirements, anticipated to finish by mid-2023.
- » The Biden Administration continues to prioritize technology R&D within agency budgets. Funding will be used to support cloud migration, build zero trust architecture, advance artificial intelligence implementation, shutter legacy systems and build out multi-domain operations.

Recommendations

- » Evaluate agency modernization efforts that involve cloud migrations and legacy retirement that may free up funding for new technology investments.
- » Engage with agencies to help them identify appropriate projects to submit for TMF funding.
- » Trace how policies and initiatives from OMB, DHS, DOD and NIST addressing elements of cyber Executive Order 14028 are being implemented at your agency customers. Policies around zero trust; vulnerability and incident detection; endpoint detection and response; and supply chain risk management will impact both growth and contract requirements.
- » Prepare now for DOD's coming Cybersecurity Maturity Model Certification (CMMC) contract requirements by internally assessing and adapting your cybersecurity practices according to NIST standards. Be prepared for CMMC contract requirements to emerge in spring or summer of 2023, and for formal external assessments if needed.
- » Read solicitations carefully for new cyber, supply chain and (potentially) Buy American contract clauses.
- » Offer training services for emerging technology areas, such as cloud computing, advanced analytics, artificial intelligence and cybersecurity, to address growing government needs.
- » Target areas where the pandemic revealed challenges or capability gaps such as siloed data, interoperability issues, legacy system access, data curation and standardization, and cybersecurity weaknesses.
- » Align business development efforts with agency initiatives to embrace acquisition innovation and reform, such as responding to Statements of Objectives and participating in reverse industry days.



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