

**2007**

**\$67.5 billion**

**in fiscal 2008**

**\$2 billion**

**1 percent and  
3 percent**

**fiscal 2009**

**\$21.6 billion**

**Based on Federal Sources' budgetary analysis, "There will be many new contract vehicles offering a richer range of current information technologies," said Ray Bjorklund, senior vice president and chief knowledge officer. "Advancements in managing the lines of business will enable a more effective government through technology."**

# Federal IT Spending to Hit \$21.7B

By EDITH HOLMES

The federal government will pour **\$21.7 billion** into information technology in fiscal 1999, **\$2.2 billion** more than agencies will spend this year, according to Federal Sources Inc. The McLean, Va.-based market research firm expects agency budgets for computer and communications systems and services to continue to grow between **5 and 10 percent** through fiscal 1994.

But Federal Sources also anticipates that the lion's share of this business will go to an increasingly smaller number of firms. The leading 15 companies in the federal market — which begin with AT&T Co. with \$801 million in government sales and end with Digital Equipment Corp. at \$110 million — captured 49 percent of the prime contracts last year, up from 39 percent six years ago (see chart, page 1).

### Top Players Continue to Dominate

"We see continued growth and dominance of the field by the top players in the market," said Robert A. Dornan, vice president of Federal Sources, at the company's annual conference co-sponsored by *Government Computer News* that analyzed trends in the 1982-92 budgets.

The next 85 firms in the top 100 had sales ranging from \$108 million to \$11 million in 1990,

according to General Services Administration sales figures gathered by Federal Sources. Together, those companies netted 27 percent of the government's prime computer and communications contracts, down 3 percent from the year before.

The rest of the field — about 2,500 companies — only achieved a 16 percent market share, a decrease of 5 percent from fiscal '89, Federal Sources said.

"These firms are really having problems. They are competing for fewer and fewer dollars," Dornan said.

The 400 small, disadvantaged businesses under the Small Business Administration's 8(a) program in this market represented the only other bright spot, winning an 8 percent share in fiscal '90, up 2 percent from the earlier year, Dornan said. "These companies have shown a nice, steady growth."

With the exception of the 8(a) firms, "those companies not in the top 100 are losing market share," added Thomas L. Hewitt, president of Federal Sources. He urged firms not in the 100 to find teaming partners.

As expected, companies will find a growing share of the government's information technology dollars — **\$17.6 billion** when agency personnel costs are subtracted — in the civilian agencies.

These agencies, led by the

Transportation Department and NASA, will have more than \$10 billion to spend in fiscal '92, compared with the Defense Department's \$7.5 billion, Federal Sources said.

The market researcher sees the greatest increase in governmentwide spending in hardware purchases, followed by operations and maintenance.

Analysis and programming work budgeted remains significant for civilian agencies but much less so for the Army, Navy and Air Force, Dornan said. Where hardware is being procured, agencies clearly prefer and plan to purchase rather than lease.

Federal Sources' analysis shows that expenditures for large, off-the-shelf software packages worth \$25,000 or more continue to climb steeply, due to the Office of Management and Budget's direction to agencies to modify their requirements to fit commercially available products.

Agency personnel spending reveals that roughly the same number of people have been responsible for more money and have managed more resources over the last decade, Dornan said.

Based on the contract awards Federal Sources expects this year and next, "there is a lot of business out there," Dornan said. "We see virtually no let up in plans for IT spending." ◀