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Fed Lowers Its Appetite for IT

27 April 2004

Information technology (IT) spending by the US Federal Government will increase by a compound annual growth rate (CAGR) of 6.6% over the next 5 years, reaching \$81 billion by 2009, according to a recent report by INPUT.

The government will spend \$59 billion on IT by the end of 2004, and will have increased its investment by \$22 billion through 2009. INPUT finds that this increase represents a slowdown in this type of spending compared to the last five years. The company attributes this more conservative approach to two primary factors -- a decline in homeland security spending growth compared to an initial surge, and greater control being exercised over IT spending by the Office of Management and Business (OMB), the executive branch's budget oversight organization.

US Federal Government IT Spending, 2004 & 2009 (in billions)

2004	\$59
2009	\$81

Source: INPUT, April 2004

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The breakdown of funding by category will remain mostly unchanged over the next five years, with only support services, already the largest segment, gaining a bit and personnel losing a bit of its funding in relation to the others. A decline in the latter category is due to a shrinking Federal workforce thanks in large part to projected retirements.

US Federal Government IT Spending, by Segment, 2004 & 2009 (in billions)

Budget category	FY 2004	FY 2009
Equipment	15.3%	15.0%
Software	5.5%	5.6%
Services (communications)	18.4%	18.7%
Support services	43.3%	45.9%
Supplies	0.4%	0.4%
Personnel	17.1%	14.5%

Source: INPUT, April 2004

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INPUT's figures include amounts not counted in the OMB's annual IT spending report, such as spending by Congress, intelligence agencies, the Post Office and the Justice Department. It estimates that the OMB's estimates exclude more than 20% of Federal IT spending.

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