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INSIGHTS IN ACTION:

Facing Federal IT Budget and Infrastructure Challenges in a New Era

MARCH 2013

Even with uncertainty still looming for both government employees and contractors, we can still keep up the dialog about the future of government technology and innovation. In fact, with budget austerity measures now going into place, it's more important than ever to employ technology and innovation to solve problems, optimize efficiency and drive results.

Two recent government technology studies by Market Connections show government agencies will experience a period of considerable transformation as cyber security, big data analytics, mobility, social business and cloud solutions influence government IT and communications in 2013.

Even without a resolution to the federal budget in place yet, analysts still believe IT investments will continue, especially as consumer use of smartphones, tablets and social media forces the government to keep pace with its workers and the citizens they serve.

Opportunities to Save Money and Increase Productivity

A May 2012 AOL Government study conducted by Market Connections showed mobile devices are becoming widespread throughout government. Portable laptop computers match pace with desktop usage at 96%. More than eight in 10 (86%) government employees are using smart phones and nearly two-thirds (62%) are using tablet devices.

In that same study, nearly all government IT decision-makers who responded said they expect cost savings to occur through increased productivity as a result of mobile technology. Telework, field work, data access and increased collaboration will contribute to these savings. Additionally, half of survey respondents believe they could recapture or redeploy at least seven hours a week if fully enabled to work mobily.

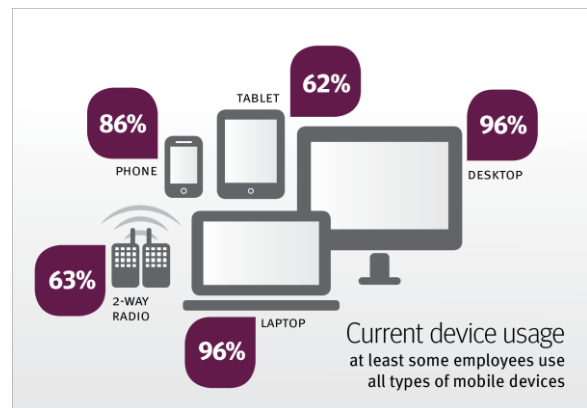## The Digital Government Strategy in the Face of Budget Uncertainty

Federal IT spending will be viewed with a keen eye in 2013, since there are clear indications that it will drop from its steady rate over the past four years, including fiscal year 2012. According to the Professional Services Council (PSC) the addressable IT budget is due to decline five percent, from $121.7 billion in 2012 to $115.5 billion in 2013.

Under sequestration, agencies will see mandatory cuts of over $1.2 trillion over the next eight years. According to PSC, five percent of those cuts will be pulled from IT budgets from agencies across the federal government, a significant chunk to swallow in any marketplace. Yet opportunities will still remain for IT contractors looking to support the administration's Digital Government Strategy.

The Obama administration's mandate has been to root out waste and unnecessary spending by streamlining and consolidating operations

Increased Productivity Will Bring Cost Savings

- 82% Making telework easier
- 75% Allowing employees to complete their work in the field
- 71% Sharing information and collaborating more effectively
- 67% Immediate access to agency data to facilitate decision making
- 63% Ability to respond to emergencies faster

Source: AOL Government Mobile Technology Study, 2012

Current device usage
at least some employees use all types of mobile devices

- PHONE 86%
- TABLET 62%
- DESKTOP 96%
- 2-WAY RADIO 63%
- LAPTOP 96%

Enabling employees to work on the go will save hours

- 16% 5-6 HOURS
- 24% 3-4 HOURS
- 12% 1-2 HOURS

49% MORE THAN 7 HOURS

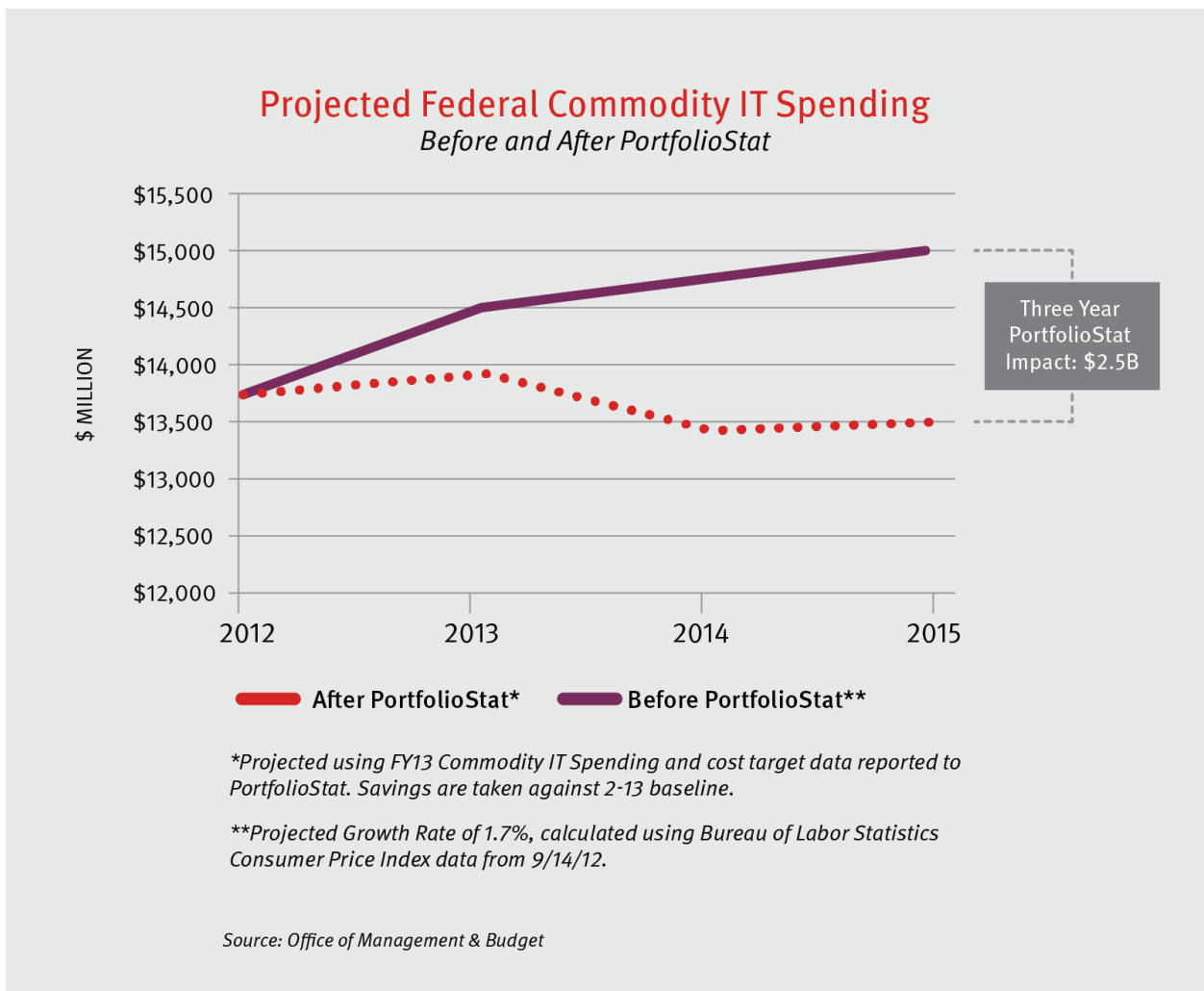- 19% MORE THAN 12 HOURS
- 15% 9-12 HOURS
- 15% 7-8 HOURS

across all agencies. Even with sequestration and the pending debt ceiling fight, all signs point to the White House sticking to its original Digital Government Strategy, which focuses on four mission priority areas:

- Maximizing ROI in federal IT
- Closing of a productivity gap and overhauling government into the 21st Century
- Interaction and national priorities
- Cybersecurity

U.S. CIO Steven VanRoekel has been tasked with leading the charge for the government to maximize ROI by delivering high-quality digital government information and services anywhere and across all devices to the American people. The Obama administration is seeking to replace document-centric IT management in favor of more data management and analytics.

PortfolioStat, a new IT dashboard designed to facilitate transparency in IT projects and spending, is one of the recently-issued initiatives that supports agencies' implementation of the Digital Government Strategy. According to the Office of Management and Budget (OMB), the collaboration tool will save taxpayers approximately $2.5 billion over the next three years.

Projected Federal Commodity IT Spending
Before and After PortfolioStat

Projected using FY13 Commodity IT Spending and cost target data reported to PortfolioStat. Savings are taken against 2-13 baseline.

**Projected Growth Rate of 1.7%, calculated using Bureau of Labor Statistics Consumer Price Index data from 9/14/12.*

Source: Office of Management & Budget

For example, OMB Deputy Director for Management Jeffrey Zients stated on Whitehouse.gov, "the Department of Homeland Security will save $376 million over the next three years on their IT infrastructure, including mainframe and server products, by leveraging the bulk buying power of the entire department."

The Federal Office of the CIO's main role is to provide information technology guidance to agencies and departments, yet without the passage of a budget by Congress, there is often a disconnect between the office's policies and agencies' funded priorities. Yet agencies such as the Department of Defense (DoD), Environmental Protection Agency and Department of Veterans Affairs are embracing the digital government plan in a coordinated effort to create common digital delivery platforms, streamline development, standardize practices and ensure consistency.

These efforts are leading to agencies embracing cloud, mobility and digital data solutions that yield a more efficient, cost-effective and, at times, consumer-driven environment.

Cloud Strategy a Major Contributor to 'Reset' Method for Streamlining Government IT

Whether it's consolidating data centers to save on power and infrastructure costs or embracing more powerful and flexible IT environments and platforms, "Information technology is at the heart of every federal agency or program's ability to function successfully," said Darrell Issa (R-Calif.), chairman of the House Oversight and Government Reform Committee, in a statement to Federal Times.

> **"You want to look at where you're at in the life-cycle of your IT. If you've just made a huge investment in something like a really expensive computer system, going to the cloud at that point is not going to save you money. But if you're an agency at the end of your IT life-cycle, now you can invest and gain efficiencies. It all depends on IT liquidity."**
>
> MARK HERMAN
> EXECUTIVE VICE PRESIDENT
> BOOZ ALLEN HAMILTON

"We've built an IT infrastructure that is bloated, inefficient, and actually makes it more difficult for the government to serve its citizens," Issa said.

A major factor in moving to a powerful, engaged, mobile and streamlined IT infrastructure is the cloud. Experts suggest government needs to consider "hitting reset" by completely re-examining its IT infrastructure in order to maximize ROI, rather than putting band-aids on IT budget problems and legacy systems.

Booz Allen Hamilton executive vice president Mark Herman said in an FCW.com article, "You want to look at where you're at in the life-cycle of your IT. If you've just made a huge investment in something like a really expensive computer system, going to the cloud at that point is not going to save you money. But if you're an agency at the end of your IT life-cycle, now you can invest and gain efficiencies. It all depends on IT liquidity."

Lockheed Martin's Cyber Security Alliance study, conducted by Market Connections in the fall of 2012, highlighted the growing trend of agencies moving toward the cloud. While security concerns remain, study results show agency personnel are becoming more comfortable with cloud-based technologies: 50 percent were considering cloud applications for their agencies, versus only 12 percent a year prior.

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LOCKHEED MARTIN
CYBER SECURITY ALLIANCE STUDY
NOVEMBER 2012

Under the Office of Management and Budget's (OMB) "Cloud First" policy, agencies are working to implement policies and contracting procedures to enhance their ability to move services such as email, data storage and customer analytics to the cloud. The OMB is requiring agencies to itemize their cloud computing initiatives in fiscal 2014 budget plans.

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"Cloud First" is part of the administration's grander "25 Point Implementation Plan to Reform Federal Information Technology Management." The plan outlines 25 action items, including the move to the cloud and the eventual consolidation of 800 data centers by a fast-approaching deadline of 2015.

Some highlights of the implementation plan include:

- **Reduce number of Federal data centers by at least 800 by 2015**
- **Only approve funding of major IT programs that:**
  - Have a dedicated program manager and a fully staffed integrated program team
  - Use a modular approach with usable functionality delivered every six months
  - Use specialized IT acquisition professionals
- **Work with Congress to:**
  - Consolidate commodity IT funding under the Agency CIOs and
  - Develop flexible budget models that align with modular development
  - Launch an interactive platform for pre-RFP agency-industry collaboration

The OMB's guidelines included several key areas of focus for cloud service procurement, such as:

- Choosing the appropriate cloud service and deployment model
- The terms of service and quality of service level agreements with providers
- Roles and responsibilities between the government and service providers
- Standards
- Privacy
- E-discovery and e-records
- Freedom of Information Act compliance

Cyber Security Continues as a Major Government Priority

Even in the midst of IT budget cuts and other government austerity measures, cyber security continues to be a major priority for defense, intelligence and civilian agencies.

In Lockheed Martin's November 2012 Cyber Security Alliance study, conducted by Market Connections, some 85 percent of government IT professionals rated cyber security as a high priority, perhaps because they recognized that cloud computing, mobile computing and big data each pose security risks and challenges, some in common across all, and some unique to each sphere.

According to the study, cyber threats are defined, but not limited to, malware, phishing scams, hacking, spam, social engineering, cyber espionage, mobile and insider threats.

The National Security Council's Comprehensive National Cyber security Initiative (CNCI), which originated under President Bush and has been added to by the current administration, states that President Obama views cyber security as one of the most serious economic and national security challenges this country faces. Leaders at DoD and the Department of Homeland Security (DHS) have consistently expressed their concerns: DHS Secretary Janet Napolitano warned of an imminent "cyber 9/11" that would affect critical infrastructure. In a March 2013 Senate hearing, she called on Congress to enact "a suite of comprehensive cybersecurity legislation" that includes mechanisms for safeguarding civil liberties, increases information sharing and establishes cyber security standards for critical infrastructure.

Meanwhile, the DoD has taken the lead in attempting to protect the country from cyber threats and this appears to be a growth area in an otherwise frozen directive on hiring from the Pentagon. As the *Washington Post*

Priority Level to Agency
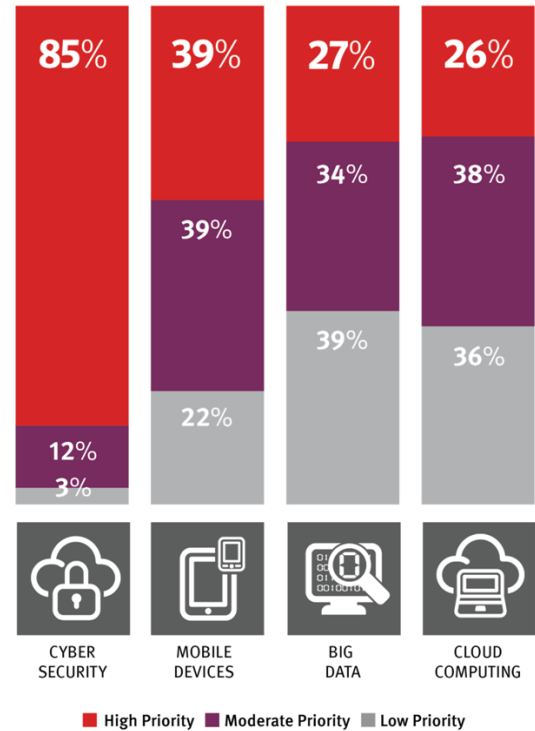
Source: Lockheed Martin Cyber Security Study, Nov. 2012

Cyber Threat Prominence

Source: Lockheed Martin Cyber Security Study, Nov. 2012

recently pointed out, the Pentagon is boosting its cyber security workforce, reinforcing that, even with looming budget and personnel cuts, the Pentagon views cyber security as a key priority. This measure will up the Defense Department Cyber Command from 900 to 4,900 civilians and troops in the next two years.

The Pentagon views cyber security as a key priority, even in the face of budget cuts. The Defense Department Cyber Command will increase from 900 to 4,900 civilians and troops in the next two years.

WASHINGTON POST
JANUARY 27, 2013

Nextgov.com reported that combat mission forces would support military commanders in offensive operations against adversaries' computers; protection forces would defend military networks; and national mission forces would protect domestic critical infrastructure such as energy and transportation networks.

Although the sequester will bring across-the-board cuts of eight percent to the DoD, Nextgov.com reported uniformed Cyber Command members willl be spared from the axe. This does not mean that the Cyber Command will escape damage, though. Many of the resources planned for operations will be shifted toward sequester planning. Further, the Cyber Command's civilian workers still face furloughs under the current structure.

As far back as 2009, the CNCI and the later adoption of the Cyberspace Policy Review, highlighted twelve initiatives. They included intrusion detection and prevention systems across the federal enterprise, enhancing situational awareness by connecting cyber operations centers, implementing a government-wide cyber counterintelligence plan and defining the federal role for extending cyber security to cover critical infrastructure.

ABOUT MARKET CONNECTIONS

Market Connections delivers actionable intelligence and insights that enable improved business performance and positioning for leading businesses, government agencies and trade associations. The custom market research firm is a sought-after authority on preferences, perceptions and trends among government executives and the contractors who serve them, offering deep domain expertise in information technology and telecommunications; healthcare; and education. Market Connections also provides the tools for organizations to expand thought leadership in their respective markets, and is known for its annual Federal Media and Marketing Study, the only comprehensive survey of the media habits of federal decision-makers, as well as the Public Sector Social Media Study and the Government Contractor Study. Learn more at www.marketconnectionsinc.com.

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