



The DIY Federal IT Bailout:

Finding Funds

February 9, 2009

Analyzing the IT infrastructure budgets of 30 agencies available through OMB, the report identifies potential Federal IT cost savings with best-practice savings functions.

After years of boosted funding, Federal IT managers are facing a new challenge – the budget crunch.

With a grave economic outlook and a new administration in office, Federal agencies will be forced to do more with less.

Across 30 key Federal agencies, the government allocated **\$60 billion** for IT infrastructure in FY07, FY08, and FY09. Instead of worrying over a budget stop, why not make the most of the money we are already investing?



Three technologies – Open Source, Virtualization, and Cloud Computing/SaaS – offer significant opportunities to recapture current spending. These funds can then be redirected to **new priorities**.

1

Open Source

Open Source is a design approach in which a product's source code is freely available for distribution and modification. Open Source saves organizations from having to purchase products, while also minimizing support and maintenance costs

2

Virtualization

Virtualization partitions the resources of a server so that multiple operating systems can simultaneously access them. Virtualization allows organizations to reduce capital costs by requiring less hardware and lower operational costs

3

Cloud Computing/SaaS

Cloud Computing refers to Internet-based information technology services and resources. SaaS is one type of Cloud Computing. SaaS saves organizations by taking advantage of economies of scale and automated IT operations while optimizing investment in existing infrastructure

Based on FY07-FY09 budgets for 30 key Federal agencies, open source technology could save the Federal government an estimated **\$3.7 billion**.

This **\$3.7B savings** includes*:

- ❖ \$467M in savings from the U.S. Air Force
- ❖ \$251M in savings from the Department of The Treasury
- ❖ \$174M in savings from the Department of Veterans Affairs

Agency IT Infrastructure Budget x 6.2% =
Estimated Open Source Savings¹

Calculation based on Standish Group CIO survey



* IT infrastructure data source: OMB Exhibit 53s. Some Federal agencies and departments are currently using Open Source. The estimated savings opportunities reflected in this report are based on the assumption that all agencies are starting from scratch. There is significant opportunity for other departments to realize savings, if they follow the lead of their Federal colleagues currently deploying Open Source.

Through Virtualization, these same agencies could save the Federal government an estimated **\$13.3 billion**.

This **\$13.3B savings** includes*:

- ❖ \$1B in savings from the U.S. Army
- ❖ \$880M in savings from the Department of Justice
- ❖ \$592M in savings from the Department of Agriculture

Agency IT Infrastructure Budget x 22% =
Estimated Virtualization Savings²

Calculation based on OMB estimate



* IT infrastructure data source: OMB Exhibit 53s. All savings are estimations. Calculation assumes agencies are starting from scratch with each technology.

With the implementation of Cloud Computing/SaaS, the Federal government could save an estimated **\$6.6 billion**.

This **\$6.6B savings** includes*:

- ❖ \$551M in savings from the Department of Homeland Security
- ❖ \$387M in savings from the Department of Energy
- ❖ \$279M in savings from the Department of Health and Human Services

Agency IT Infrastructure Budget x 11% =
Estimated Cloud Computing/SaaS Savings³

Calculation based on Gartner estimate quoted in *InfoWorld*

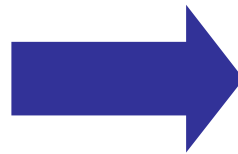


* IT infrastructure data source: OMB Exhibit 53s. All savings are estimations. Calculation assumes agencies are starting from scratch with each technology.

...Translation – we've already got the funding we need.

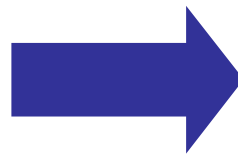
How could we use the funds?

\$3.7B in Open Source Savings



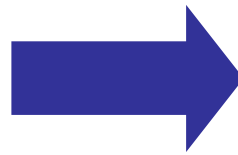
Purchase a **new smartphone and laptop** for every Federal civilian employee⁴

\$13.3B in Virtualization Savings



Replace **nearly all of the funds** spent by the Federal government on energy in FY08⁵

\$6.6B in Cloud Computing/SaaS Savings



Secure the salaries of more than **107,000** Federal civilian employees for FY09⁶

* IT infrastructure data source: OMB Exhibit 53s. All savings are estimations. Calculations assume agencies are starting from scratch with each technology.

The savings shown in the DIY Federal IT Bailout Report are based solely on a snapshot of 30 Federal agencies. They do not encapsulate the full potential savings opportunity within the Federal government. The real opportunity is even greater...

**DIY
Resources**

To estimate your own savings, visit the DIY Federal IT Bailout Calculator available online at:
www.meritalk.com/federal-IT-forum/calculator-input.asp.

**DIY
Resources**

To learn more about these innovative technologies and other opportunities to save, attend the Federal IT on a Budget Forum in Washington, D.C. Learn more at:
www.meritalk.com/federal-it-forum.

Agency-by-Agency Savings

Appendix

Open Source Savings by Agency

Agency	FY07-FY09 IT Infrastructure Spending (\$M)	Estimated Open Source Savings (\$M)
U.S. Air Force	\$7,528.0	\$466.7
DOD Agencies	\$7,310.1	\$453.2
DHS	\$5,010.5	\$310.7
U.S. Army	\$4,757.6	\$295.0
Treasury	\$4,046.4	\$250.9
DOJ	\$4,001.1	\$248.1
DOE	\$3,518.4	\$218.1
U.S. Navy	\$3,147.1	\$195.1
VA	\$2,800.1	\$173.6
USDA	\$2,689.6	\$166.8
HHS	\$2,535.6	\$157.2
SSA	\$1,780.4	\$110.4
NASA	\$1,695.5	\$105.1
Interior	\$1,517.8	\$94.1
State	\$1,464.8	\$90.8

Agency	FY07-FY09 IT Infrastructure Spending (\$M)	Estimated Open Source Savings (\$M)
DOC	\$1,259.3	\$78.1
USACE	\$1,226.2	\$76.0
DOT	\$832.5	\$51.6
GSA	\$646.3	\$40.1
EPA	\$630.9	\$39.1
Labor	\$574.0	\$35.6
HUD	\$380.6	\$23.6
NRC	\$179.5	\$11.1
USAID	\$146.3	\$9.1
SBA	\$135.7	\$8.4
ED	\$122.6	\$7.6
Smithsonian	\$103.5	\$6.4
NARA	\$94.9	\$5.9
NSF	\$79.7	\$4.9
OPM	\$57.6	\$3.6

Total FY07-FY09 IT Infrastructure Spending	\$60,272,600,000
Total Estimated Open Source Savings	\$3,736,900,000

* IT infrastructure data source: OMB Exhibit 53s. All savings are estimations. Calculation assumes agencies are starting from scratch with each technology.

Virtualization Savings by Agency

Agency	FY07-FY09 IT Infrastructure Spending (\$M)	Estimated Virtualization Savings (\$M)
U.S. Air Force	\$7,528.0	\$1,656.2
DOD Agencies	\$7,310.1	\$1,608.2
DHS	\$5,010.5	\$1,102.3
U.S. Army	\$4,757.6	\$1,046.7
Treasury	\$4,046.4	\$890.2
DOJ	\$4,001.1	\$880.2
DOE	\$3,518.4	\$774.0
U.S. Navy	\$3,147.1	\$692.4
VA	\$2,800.1	\$616.0
USDA	\$2,689.6	\$591.7
HHS	\$2,535.6	\$557.8
SSA	\$1,780.4	\$391.7
NASA	\$1,695.5	\$373.0
Interior	\$1,517.8	\$333.9
State	\$1,464.8	\$322.3

Agency	FY07-FY09 IT Infrastructure Spending (\$M)	Estimated Virtualization Savings (\$M)
DOC	\$1,259.3	\$277.0
USACE	\$1,226.2	\$269.8
DOT	\$832.5	\$183.2
GSA	\$646.3	\$142.2
EPA	\$630.9	\$138.8
Labor	\$574.0	\$126.3
HUD	\$380.6	\$83.7
NRC	\$179.5	\$39.5
USAID	\$146.3	\$32.2
SBA	\$135.7	\$29.9
ED	\$122.6	\$27.0
Smithsonian	\$103.5	\$22.8
NARA	\$94.9	\$20.9
NSF	\$79.7	\$17.5
OPM	\$57.6	\$12.7

Total FY07-FY09 IT Infrastructure Spending	\$60,272,600,000
Total Estimated Virtualization Savings	\$13,260,000,000

* IT infrastructure data source: OMB Exhibit 53s. All savings are estimations. Calculation assumes agencies are starting from scratch with each technology.

Cloud Computing/SaaS Savings by Agency

Agency	FY07-FY09 IT Infrastructure Spending (\$M)	Estimated Cloud Computing/SaaS Savings (\$M)
U.S. Air Force	\$7,528.0	\$828.1
DOD Agencies	\$7,310.1	\$804.1
DHS	\$5,010.5	\$551.2
U.S. Army	\$4,757.6	\$523.3
Treasury	\$4,046.4	\$445.1
DOJ	\$4,001.1	\$440.1
DOE	\$3,518.4	\$387.0
U.S. Navy	\$3,147.1	\$346.2
VA	\$2,800.1	\$308.0
USDA	\$2,689.6	\$295.9
HHS	\$2,535.6	\$278.9
SSA	\$1,780.4	\$195.8
NASA	\$1,695.5	\$186.5
Interior	\$1,517.8	\$167.0
State	\$1,464.8	\$161.1

Agency	FY07-FY09 IT Infrastructure Spending (\$M)	Estimated Cloud Computing/SaaS Savings (\$M)
DOC	\$1,259.3	\$138.5
USACE	\$1,226.2	\$134.9
DOT	\$832.5	\$91.6
GSA	\$646.3	\$71.1
EPA	\$630.9	\$69.4
Labor	\$574.0	\$63.1
HUD	\$380.6	\$41.9
NRC	\$179.5	\$19.7
USAID	\$146.3	\$16.1
SBA	\$135.7	\$14.9
ED	\$122.6	\$13.5
Smithsonian	\$103.5	\$11.4
NARA	\$94.9	\$10.4
NSF	\$79.7	\$8.8
OPM	\$57.6	\$6.3

Total FY07-FY09 IT Infrastructure Spending	\$60,272,600,000
Total Estimated Cloud Computing/SaaS Savings	\$6,630,000,000

* IT infrastructure data source: OMB Exhibit 53s. All savings are estimations. Calculation assumes agencies are starting from scratch with each technology.

Agency IT Infrastructure Budget Data:

Based on IT infrastructure investments reported in the April 2009 Information Technology and E-gov Exhibit 53s for the FY2009 budget

Open Source Savings: Based on Standish Group CIO Survey

¹Standish Group. Demand Assessment Requirements Tracking Survey (DARTS). February 2008. (Referenced by: Johnson, Jim. SoftwareMag. Savings in Open Source Confirmed. June 2008. <http://www.softwaremag.com/L.cfm?Doc=1145-6/2008>)

Virtualization Savings: Based on OMB estimate of savings from virtualization

²Executive Office of the President. Office of Management and Budget Press Release. OMB launches government-wide analysis of new Lines of Business. March 17, 2006. <http://www.whitehouse.gov/omb/pubpress/2006/2006-9.pdf>. (Referenced in IDC Report: Virtualization for Government IT Infrastructure Consolidation. July 2007.)

Cloud Computing/SaaS Savings: Based on Gartner estimate of SaaS savings quoted in *InfoWorld*

³Schwartz, Ephraim. InfoWorld. Calculating the cost of SaaS. March 20, 2007. http://www.infoworld.com/article/07/03/20/13OPreality_1.html

Real World Opportunities:

⁴Based on average smartphone and laptop purchased for 2,713,200 Federal Civilian employees. Federal Civilian Workforce Statistics: The Fact Book, 2005 Edition. <https://www.opm.gov/feddata/factbook/2005/factbook2005.pdf>

⁵The the Federal government is the world's largest single consumer of energy in the world, spending approximately \$14.5 billion on energy consumption in FY 2008. Barack Obama and Joe Biden: New Energy for America. http://www.barackobama.com/pdf/factsheet_energy_speech_080308.pdf

⁶Average Federal Civilian Employee Wage: \$61,714. Federal Civilian Workforce Statistics: The Fact Book, 2005 Edition. <https://www.opm.gov/feddata/factbook/2005/factbook2005.pdf>

Notes:

Organizations will typically not implement all three of the approaches noted in this report. If an organization does implement Open Source, Virtualization, and Cloud Computing/SaaS, it will realize significant cost savings, but not the aggregate savings of the figure noted in this report, due to overlap and synergies between the approaches.

These calculations are constructed using the best available savings information and are designed to highlight the significant savings potential of these technologies. These figures are estimated savings and should not be used as a sole factor in budget decisions.

Thank You

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