U.S. Federal Cloud Ecosystem Report

SPOTLIGHT REPORT

August 2025

Vendor Analysis Reports Overview

In our *U.S. Federal Cloud Ecosystem Report* we concentrate on the U.S. federal government-focused practices of the major hyperscalers, in addition to ServiceNow. We selected six U.S. federal government-focused IT services vendors for this report based on their cloud-related activities and relative success in winning cloud-related contracts.

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Click here to view a full list of the report's research topics and vendor coverage.

"After a brief, DOGE-based interruption, federal spending on cloud services and solutions will resume its expansion in FFY26 as efforts to increase operational efficiency and enhance citizen services spur new cloud-based modernization initiatives."

— Senior Analyst John Caucis

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Executive Summary Excerpt

Key IT Services Takeaways

Federal systems integrators (FSIs) are under mounting pressure to bring to market a broad portfolio of cloud offerings underpinned by a robust network of commercially centric cloud partners

TBR estimates the total available market in federal cloud was roughly $17 billion in FFY24, and we believe this figure is set to rise to between $20 billion and $21 billion in FFY25. We anticipate total federal cloud spending will expand by between $13 billion and $15 billion to surpass $30 billion by FFY28. Modernizing legacy IT infrastructures remains a paramount, strategic objective for civilian, defense and intelligence agencies that are actively migrating IT systems to the cloud and/or replacing outdated and monolithic IT networks with cloud-native technologies. The advent of AI, generative AI (GenAI) and agentic AI, and the mandatory adoption of zero-trust security infrastructures are also accelerating cloud adoption. The Pentagon maintains a robust pace of cloud implementation, and the next iteration of the $9 billion Joint Warfighting Cloud Capability (JWCC) is in development. DOGE's actions will upend civilian IT spending patterns through the remainder of FFY25, with disruption likely extending into the first half of FFY26. Federal IT vendors have struggled with budget cuts, headcount reductions, and delayed procurement and project delivery cycles at many civilian agencies since DOGE began reviewing budgets in January 2025. In the long run, TBR believes DOGE will prompt a resurgence in demand for cloud-based solutions as civil agencies and departments are vigorously pushed to outsource increasingly larger shares of IT functions (particularly tasks once provided by now dismissed government employees), migrate to multicloud and hybrid cloud environments, secure their IT networks with zero-trust architectures, and digitally enable mission-critical systems.

Key Cloud Takeaways

Leading vendors look for ways to extend commercial products and go-to-market motions to the U.S. federal space as cloud opportunities increase

The JWCC contract continues to represent the single biggest opportunity for the cloud market's leading players within the U.S. federal government: Amazon Web Services (AWS), Microsoft, Google Cloud and Oracle. As of 1Q25, roughly $2 billion in task orders have been allocated to these four vendors, with Oracle securing the biggest award to date, after the U.S. Army — with support from Accenture Federal Services (AFS) — migrated its legacy PeopleSoft deployment to Oracle's Government Cloud. This win highlights the advantages of being rooted in legacy software and partnering with commercial SIs like Accenture that have experience modernizing business applications. JWCC is still in its early days — and an extended contract dubbed JWCC Next is under development — but Google's recent IL6 (Impact Level) accreditation for Google Distributed Cloud (GDC), available as an air-gapped solution, should be a big step forward for not only Google but also JWCC, as all participating vendors can now deliver at the highest accreditation levels. That said, as the Department of Defense (DOD) starts to more actively leverage infrastructure from distinct cloud providers, it raises the question of interoperability; buying cloud services from multiple providers and leveraging multicloud environments are two different things. It will be interesting to see how agencies work to overcome integration challenges, which could include enlisting more PaaS vendors as part of JWCC Next, and if the four hyperscalers can deliver joint solutions that work with each other. Civilian spend remains strong, with the impacts of DOGE seemingly starting to fade, though defense spending will outpace civilian in the near term. AI opportunities within the sector are also increasing, namely for agencies that already have their infrastructure and applications in the cloud and are best positioned to take advantage of AI.

Cloud technologies are the foundation for digital transformation across the federal market; overall demand and opportunities for IT modernization remain prevalent

How do IT services vendors view the cloud opportunity?

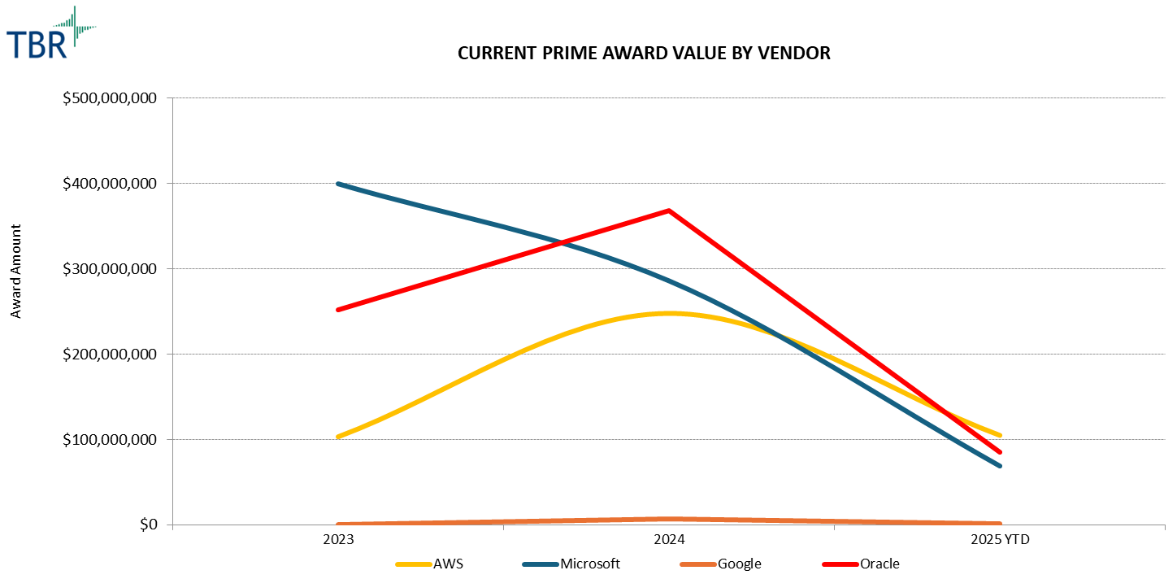
Despite the growth in cloud spending outlined earlier in this report, large swaths of the federal government's IT infrastructure remain in dire need of updating to cloud to accommodate the implementation of various AI technologies, advanced zero-trust security solutions, and other emerging technologies (e.g., quantum computing). DOGE disrupted federal IT spending in 1H25, but federal IT vendors remain undeterred in their pursuit of cloud-based digital modernization opportunities. Vendors and their federal customers are collaborating closely to map out future cloud migration and consolidation programs that will increasingly leverage commercially sourced cloud technologies, such as shifting federal data centers to cloud-based architectures to enhance data accessibility.

What do vendors need to develop or deploy to tackle the cloud opportunity?

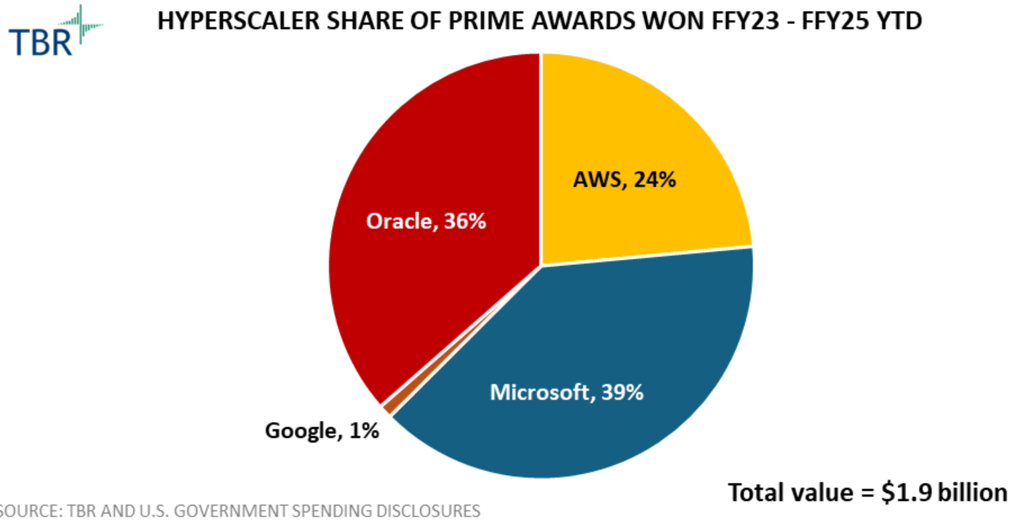
The Trump administration is prioritizing enhancing data security, availability and cost-effectiveness via cloud technologies as a cornerstone of its federal IT strategy, and vendors are pivoting to align with the administration's IT vision. FSIs must showcase their successful deployments of mission-enhancing cloud infrastructures that improve agencies' operating efficiencies while crafting strategies for agencies to reinvest savings from DOGE-driven budget cuts and for the eventual implementation of next-generation technologies to support future missions. FSIs are adjusting marketing messaging to emphasize their ability to deliver innovation at speed within outcome-based cloud deployment engagements. Possessing the scale to deploy cloud infrastructures across agencies is still important for vendors. Equally critical are offering customers the broadest possible suite of partner-enhanced cloud solutions and having a vendor-agnostic approach to migrating federal IT workloads to cloud environments. Agency IT decision makers prefer not to be restricted to using products or services from a single vendor or a small cadre of IT providers. FSIs believe federal agencies will continue leveraging the cloud as the principal destination for legacy systems and for modernizing those systems and fully expect to accelerate adoption of SaaS and PaaS solutions, as reflected by federal IT contractors' M&A, alliance and joint venture-related activities in 2024 and 2025.

> *"Applying technology to agency outcomes remains a critical component of Booz Allen's strategy regardless of who is in the White House. IT modernization will be a driver and catalyst of change, and the concept of migrating systems and applications to the cloud will be a big part of that strategy. While that is not a new concepts, there is still a lot to be done."* **— Richard Crowe, President, Booz Allen Hamilton, Civil Sector**

Microsoft's and Oracle's hold on the U.S. government is unwavering, but AWS' early IaaS lead and defense ties are elevating its standing in JWCC and the broader market



SOURCE: U.S. GOVERNMENT SPENDING DISCLOSURES
Note: Time periods are U.S. fiscal years.



SOURCE: TBR AND U.S. GOVERNMENT SPENDING DISCLOSURES

Unsurprisingly, Microsoft and Oracle are driving the bulk of prime awards, with the overwhelming majority stemming from traditional license and support contracts. Prime award value for Microsoft dipped in 2024, as large support renewals from the Department of Justice (DOJ) and Department of State that occurred in 2023 and have since expired. Meanwhile, Oracle's jump in 2024 almost entirely reflects Cerner-related services for the Department of Veterans Affairs (VA). Though AWS does not have the legacy software ties that Microsoft and Oracle do, the company is very competitive in the market. In 2024 AWS saw a big jump in defense-related wins, including those associated with the Defense Information Systems Agency (DISA) and the JWCC contract. Other notable prime awards for AWS during this time include the National Nuclear Security Administration, within the Department of Energy, which is leveraging S3 and other IaaS services.

Federal Systems Integrator Profiles Excerpt

Cloud solutions underpin BAH’s solutions to secure vulnerable OT networks, a major award with the FBI, and recent joint venture and alliance activity

Ecosystem Strategy: Booz Allen Hamilton’s (BAH) partnership approach emphasizes collaborative solutions development with partners and joint investment in innovation. BAH’s collaborative approach and intimate understanding of federal clients’ mission position it as an attractive partner to disruptive technology providers seeking entry into the federal market. Among the hyperscalers, BAH clearly favors AWS, with Google a distant second, and Microsoft an even more distant third. BAH has invested in talent and IP around AWS since at least 2015, and in 2020, BAH joined the Google Cloud Partner Advantage program. By contrast, BAH has made no comparable investments in Microsoft capabilities.

Recent Developments

Although AI remains BAH’s self-declared, principal strategic growth market in federal IT, cloud is also a common thread across the company’s activities. BAH is leveraging its cloud-based cybersecurity capabilities to capture share of the lucrative, high-growth operational technology (OT) security market. The company emphasizes that the OT infrastructures at industrial organizations must operate within cloud environments to optimize the integration of zero-trust security platforms. Quindar, a developer of spacecraft automation software, received a seed capital investment from BAH in 3Q24. Quindar’s cloud and AI technologies will enhance BAH’s portfolio of both cloud and AI offerings in the space sector, a market segment where BAH has been increasingly active over the last year. BAH formed a new alliance in 2Q24 that will enhance its cloud capabilities, teaming with Cloudflare Inc., a provider of cybersecurity solutions, to defend cloud infrastructures against DDoS attacks and to provide commercial and public sector organizations with cutting-edge incident response solutions. BAH won a spot on the FBI’s $8 billion Information Technology Supplies and Support Services 2nd generation (ITSSS-2) blanket purchase agreement in 3Q24, a program on which BAH will provide cloud-based agile software development, analytics and security services.

Core Differentiators

Among the U.S. federal-focused SIs in this report, BAH stands out for its advisory capabilities and its success capitalizing on federal agencies’ continued willingness to seek management consulting services, not just IT. Technology partners know they will enjoy greater access to decision makers in agency leadership when working with BAH. It is BAH’s consulting cachet, not the technology, that separates the company from its peers. BAH’s go-to-market approach in the DOD cloud market mirrors its approach in the civil space. As BAH begins migrating agency IT infrastructures to cloud environments, the firm demonstrates the agency’s improving ability to access, organize, collate and leverage cloud-based data in new ways, and to support the layering of more advanced technologies.

TBR Assessment: BAH has structured its internal cloud, digital transformation and AI operations to optimize cross-collaboration and complement each other’s work as a client’s cloud journey continues and its ability to leverage cloud capabilities matures. BAH will heavily leverage access to niche cloud capabilities from its recent joint ventures (JVs), such as the investment in Quindar. BAH employs over 2,000 AWS-trained and -certified professionals.

BAH is expanding its ecosystem of solutions partners and making new joint venture outlays to enhance its ability to take on increasingly technically complex work in federal cloud

How to Partner With BAH

Who does BAH partner with?

BAH casts a wide net in partnering, frequently using its reputation as a consultancy to attract smaller technology vendors looking to work with companies nimbler than the large SIs. The commercial cloud hyperscalers, particularly AWS, are equally important cloud partners. BAH expanded its AWS partnership in 1Q25 with a new five-year agreement to codevelop offerings that will accelerate digital modernization for federal agencies. The new pact makes BAH a marquee partner in AWS' Generative AI Innovation Center, which AWS stood up in 2Q23 following a $100 million investment. The center provides customers access to AWS professionals and partners to customize industry-specific solutions. BAH's venture capital arm, Booz Allen Venture, continues making venture capital investments in smaller peers developing leading- and bleeding-edge digital technologies that will enhance its cloud value proposition.

Which U.S. federal agencies does BAH target?

BAH draws over half of its revenues from the DOD and related agencies but also pursues growth opportunities in the U.S. federal civilian space, particularly those related to health IT and cybersecurity. However, DOGE has upended BAH's Civil sector business, and the firm expects double-digit civilian sales contraction in FY26 (ending March 31, 2026) due to DOGE's contract terminations and reductions. As such, cloud-related growth will be limited to BAH's DOD and Intelligence Community (IC) units in FY26.

How do culture and organizational structure impact partnering?

There are two critical elements. First, BAH thinks like a consultancy while operating like an SI. Partners need to understand the consulting mindset while structuring their partnership with BAH around cost optimization. Second, BAH's current emphasis on its AWS relationship can be either a wave for partners to ride or an opening for bringing new business tied to Google or even Microsoft.

What should partners bring to BAH, and how can partners separate themselves from the pack?

BAH's defense clients are increasingly leveraging the firm's expanding network of partners and startups to obtain mission-transformative technologies. The National Defense Authorization Act (NDAA) for FFY25 calls on the DOD to increase its use of cloud technologies to enhance collaboration with U.S. allies, placing the onus on FSIs to partner with commercial hyperscalers that have international delivery capabilities. BAH's recent expansion of its AWS alliance may help the firm address its lack of international footprint as AWS has cloud-based operations in Bahrain; the United Arab Emirates; and Tel Aviv, Israel, and plans additional near-term expansion in the Middle East.

Cloud Vendor Profiles Excerpt

AWS' U.S. Federal Ecosystem Strategy in Review

AWS Ecosystem Statistics

Public Sector Partners	Active Prime Award Partners	Public Sector Headcount	Ratio of Subaward Amount to Prime SI Amount
9,000+	35	~3,500	$316:1

AWS' U.S. Federal Revenue and Staffing

$5.7 Billion
Estimated U.S. Federal Revenue in FFY2024, up 33% year-to-year

~1,000
Estimated U.S. Federal Sales & Marketing Headcount

U.S. Federal Contract Makeup: Fiscal 2023-2025 YTD

109
Prime Contracts

75
Subaward Contracts

Latest U.S. Federal Developments

AWS is asserting Marketplace at the heart of its channel strategy, not only commercially but also in the public sector. AWS reported that across the public sector, over $1 billion was transacted on the AWS Marketplace in 2024. In early 2025 AWS launched a new federal addendum to standard contracts on the AWS Marketplace to essentially help sellers customize private offers specific to government agencies. Marketplace is a key component of AWS' new agreement with BAH, which currently lists a small number of professional services on the platform.

TBR Assessment

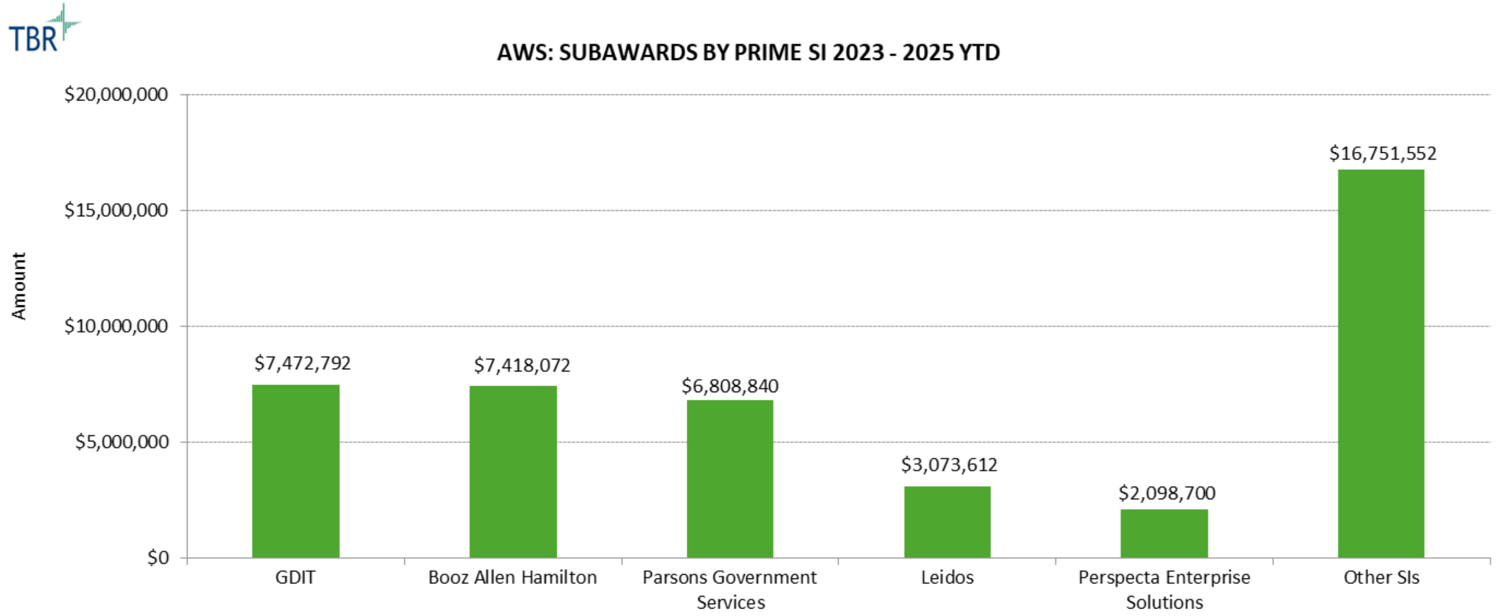
Strengths

- AWS has a broad and robust infrastructure backbone that can support DOD tactical edge initiatives.
- The company's pace of innovation and ability to quickly comply with government requirements remain key assets.

Threats

- AWS offers the broadest set of cloud services and risks alienating partners as it continues to build up the stack.
- It is often difficult for niche and Tier 2 service providers to work with AWS, which prioritizes partners that have sufficient skills and the ability to work through all of AWS' different validation programs.

As is the case in the commercial sector, partners that participate in competency programs for the public sector to demonstrate skills and build trust prove invaluable to AWS



SOURCE: U.S. GOVERNMENT SPENDING DISCLOSURES
Note: Time periods are U.S. fiscal years.

Key Deals & Partnerships

General Dynamics Information Technology (GDIT) remains a top FSI partner for AWS, with subaward volume exceeding $7 million over the past two and a half years. Notable deals during this time include those with the Department of Health and Human Services (HHS), including as part of the Healthcare Fraud Prevention Partnership (HFPP), which aims to improve data sharing between the Centers for Medicare & Medicaid Services (CMS) and private payers. In March 2025 AWS also signed a new partner agreement with GDIT, with a focus on delivering AWS' GenAI services, including Amazon Q and Nova models, to federal customers. Similarly, **BAH** remains a key partner, and in 1Q25 AWS strengthened its alliance with BAH to deliver enterprise-level solutions in areas like cloud migration and cybersecurity.

TBR Assessment: There are opportunities for AWS to pair FSIs with key ISVs, such as Salesforce and SAP, to build solutions on AWS infrastructure at the agency level. This multiparty approach is gaining traction in the commercial space, and driving more multipartner engagement particularly with SaaS vendors could help AWS engage with new buyers. To ensure FSIs are gaining the attention of some of these SaaS vendors and demonstrating their skills to the market, AWS launched new categories within the AWS Government Competency, including Citizen Services, Defense and National Security, and Public Safety.

Table of Contents and Vendor Coverage

Publish date of latest edition: July 17, 2025

Cloud Vendors	Federal Systems Integrators
Amazon Web Services (AWS)	CACI
Google Cloud	Booz Allen Hamilton (BAH)
Microsoft	General Dynamics Technologies (GDT)
Oracle	Leidos
ServiceNow	ManTech
	SAIC

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