

Federal IT Services Market Forecast

SPOTLIGHT REPORT

April 2026

Report Overview

TBR's *Federal IT Services Market Forecast* provides TBR's unique insights, developed through the lens of the leading federal systems integrators (FSIs), regarding federal IT spending trends over the next five years and how the industry's largest IT contractors will adapt to shifting federal technology investment patterns.

Focusing on the top 11 companies serving the U.S. federal government's IT services needs — Accenture, Booz Allen Hamilton (BAH), CACI, CGI, IBM Consulting, ICF International, Leidos, KBRWyle, General Dynamics Technologies, Maximus and SAIC — this report includes five-year CAGR analysis for each covered company and analysis of both the civilian sector and the defense and intelligence sector.

Publish date of latest edition: March 20, 2026

[Click here to view a full list of the report's research topics and vendor coverage.](#)

TBR Spotlight Reports represent an excerpt of TBR's full subscription research. Full reports and the complete data sets that underpin benchmarks, market forecasts and ecosystem reports are available as part of TBR's subscription service. If you believe you have access to the full research via your employer's enterprise license or would like to learn how to access the full research, [click here](#).

“Near-term federal IT spending will fall. In the long term, federal technology investment will favor defense, intelligence, national security and AI-led digital transformation.”

— Senior Analyst John Caucis

Excerpt

Federal information technology spending falls in federal fiscal year 2026 (FFY26), but FSIs still have long-term growth paths in national security and modernization

Key Forecast Takeaways



National security, defense, intelligence, AI, cyber, and mission software should help leading federal systems integrators (FSIs) hold or gain share through CY30.



Procurement reform will favor vendors that can deploy commercial technology quickly and prove measurable outcomes.



Civilian IT remains the weak spot, with budget volatility and consulting pressure likely lasting through at least CY27.



Total federal IT spending still trends toward nearly \$140 billion by CY30, with longer-term growth led by defense and intelligence spending.



FFY26: Contraction



CY30: nearly \$140B

Scenarios

1. Consulting pressure spreads

Vendors reframe work around measurable outcomes, fixed-price delivery, and productized AI and cyber offerings, even with margin trade-offs.

2. AI ROI disappoints

As in the commercial space, if results remain hard to quantify, AI adoption slows and vendor activity shifts toward implementation, integration, compliance and partnerships.

3. Hyperscalers push more risk to FSIs

More delivery responsibility lands on FSIs, raising workload and margin pressure but creating modernization and authorization opportunities.

The overall federal IT market will contract as the civilian space remains turbulent in FFY26, but long-term, cross-segment growth avenues remain for FSIs in national security and digital modernization

Overall Market Forecast

TBR estimates the federal IT market will reach nearly \$140 billion in total market value by CY30, growing at a 2.2% CAGR between CY26 and CY30. After federal IT spending surpassed \$126 billion in CY24, the Trump administration's Department of Government Efficiency (DOGE) and the 43-day federal shutdown upended the federal IT market, severely disrupting federal technology procurement, particularly in the civilian space. Growth slowed significantly in CY25, and TBR projects overall federal IT spending will contract in CY26, primarily due to continued softness in civilian IT spending. IT spending in the defense and intelligence segment remained essentially stable in CY25, and growth will accelerate to midsingle-digit rates by CY27.

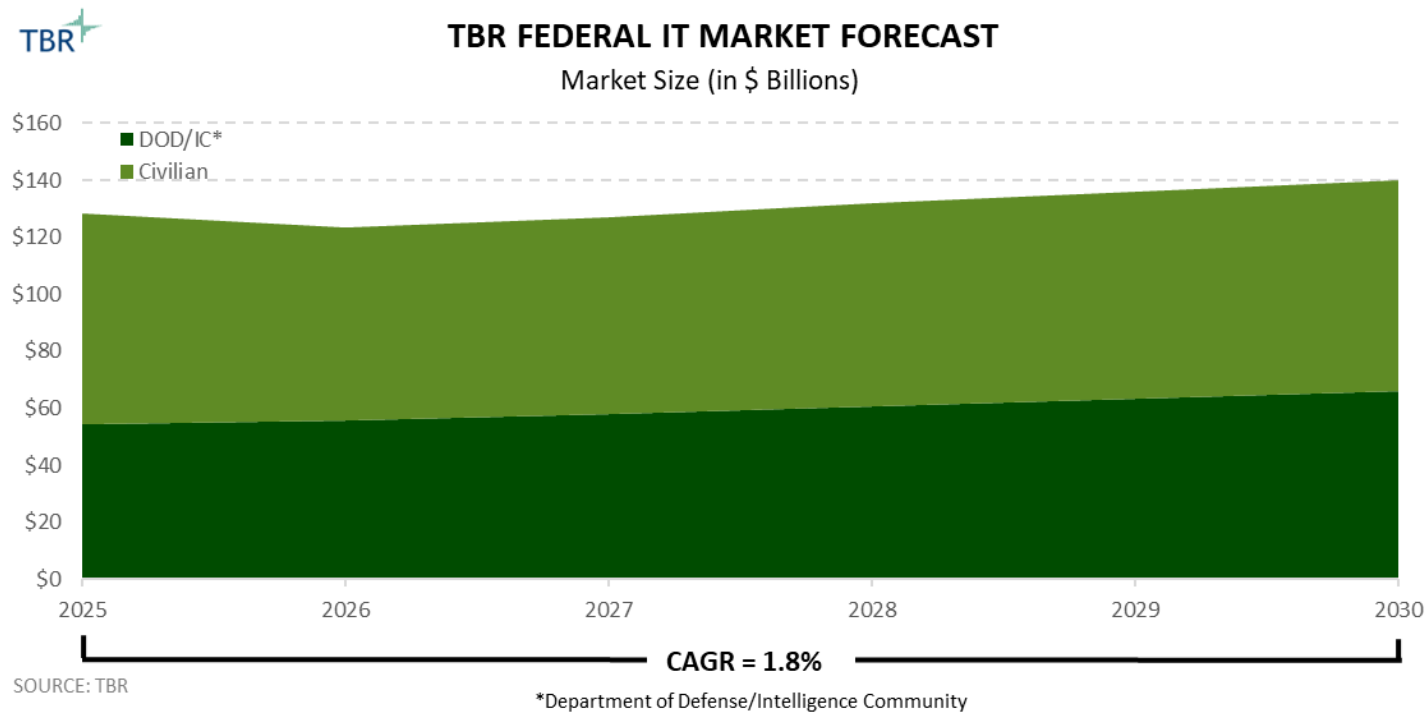
Market Predictions

TBR anticipates the civilian IT market will remain very challenging in FFY26 with continued volatility in agency IT budgets, unexpected stoppages on ongoing programs, and continued scope reductions or outright cancellations of discretionary, consulting-focused spending. Stabilization in the civilian market might not occur until FFY27, but this remains unclear. Conversely, the Trump administration has proposed a double-digit increase in defense spending, which will flow through to IT budgets in the Department of Defense (DOD) and Intelligence Community (IC), particularly in areas of national security (e.g., missile defense, enhancing cybersecurity offense as well as defense and border security), which will receive top priority. Federal IT acquisition is also slowly pivoting to embrace outcome-based contracting, while the DOD looks to accelerate IT purchasing by adopting new and innovative IT procurement approaches.

Market Leaders

FSIs strategically aligned to the federal government's technology investment priorities in national security, defense and intelligence, and IT modernization (particularly AI, cybersecurity and mission software) will maintain or expand their market share through CY30. Expected IT procurement reform will favor FSIs that can rapidly showcase and field commercial technologies — agencies increasingly want production, not just pilots — as well as IT contractors that can demonstrate and deliver measurable outcomes. TBR believes the duration of the civilian segment reset remains unclear, but overall pressure on IT budgets and heightened scrutiny on consulting contracts will persist into CY27, with the biggest opportunities for FSIs that offer robust solutions in cybersecurity compliance, implement automation solutions at-scale to replace furloughed civilian workers, and deliver AI solutions in select areas (case management; veterans' benefits administration; call center operations; and financial, procurement and supply chain management).

The leading FSIs are poised to gain modest market share by CY30, particularly vendors most effectively capitalizing on aggressive expansion in defense IT outlays



TBR estimates spending on IT-related products and services by federal civilian agencies was roughly \$74.2 billion in FFY25, or 58% of total federal IT spending. TBR projects civilian IT spending will contract between 7% and 9% in FFY26 compared to FFY25 levels but will expand modestly between FFY27 and FFY30, and ultimately grow at a 5-year CAGR between 0.2% and 1.0% from FFY25 to FFY30 to reach about \$75 billion by FFY30. We estimate aggregate IT spending by defense and intelligence agencies was about \$54 billion in FFY25, or roughly 42% of total federal IT spending. We anticipate IT spending in the defense and intelligence segment will expand at a 5-year CAGR between 3.0% and 4.0% to reach \$65 billion by FFY30.

DOGE's aggressive review of consulting contracts and the advisory aspects of IT services awards in FFY25 may have negative downstream consequences for IT transformation engagements

Scenario 1: What if DOGE-related termination and scope reduction of consulting contracts in FFY25 negatively impact broader digital transformation engagements in subsequent years?

TBR estimates that as much as 90% of Department of Government Efficiency (DOGE)-related terminations were for services (not product) contracts, affecting over \$20 billion worth of engagements in FFY25. TBR believes tighter scrutiny of advisory work is now the standard in federal IT and professional services procurement, and this will remain the case for the foreseeable future. Several FSIs, particularly those hardest hit by the cancellations or scale-backs of consulting contracts in FFY25, are now apprehensive about how the new normal in federal IT procurement could impact future engagements. Contractors fear that because DOGE's definitions of "consulting services" were imprecise and ambiguous, even services contracts that are predominantly technology-based could be subject to gratuitous or needless scrutiny, especially given the heightened pressure that vendors will be under to clearly demonstrate how new IT programs will streamline operations and reduce operating costs.

To avoid having legitimate IT services erroneously reclassified as nonessential "consulting services," FSIs will reframe IT transformation engagements to emphasize operational improvement, directly link fees to measurable outcomes and increase leverage of reusable modernization platforms. Vendors will also more heavily underscore the AI and cybersecurity components of an engagement while productizing more elements of their respective portfolios. The traditionally advisory aspects of a digital transformation or IT services engagement will have to be deemphasized, or provided pro bono, potentially eroding margins and future margin opportunities. FSIs will need to defend pricing by directly tying billing to customer savings as efficiency requirements continue to expand across the federal IT landscape. Federal IT contractors across the board will also have to lean heavily into the embrace of outcome-based, fixed-price contracting in federal IT procurement.

CACI stands out to TBR as an FSI uniquely positioned to adapt to the evolving environment, as its portfolio has steadily shifted toward more platform- and product-based solutions over the last several years, while the company has been evolving its delivery model to be more software-centric, IP-heavy and outcome-focused. Despite having adopted more of a consultative mindset in recent years, CGI Federal has also been promoting longer-term, platform-based solutions (and winning strategic engagements with these offerings) to modernize and streamline federal financial, supply chain and procurement systems — an approach that may enable the company to avoid having its technology-based offerings mistakenly interpreted as nonessential consulting services. Leidos has been expanding its suite of repeatable digital solutions to enhance project governance and the predictability of program workflows and costs, while increasingly splitting up parts of larger contracts and rescoping to deliver according to outcome-based criteria.

5-year CAGR Analysis by Vendor

No. 6

CGI Federal (Projected 5-year CAGR: 2.7%)

CGI Federal’s leadership alleged that “less than 2%” of company revenue was derived from “discrete consulting” in CY25, and TBR believes this estimate is plausible given sales and bookings trends during the year. To achieve a growth rebound in CY26 and sustain expansion through CY30, CGI Federal will emphasize how its flagship Momentum (financial and acquisition management) and Sunflower (cloud-based asset management) platforms deliver measurable outcomes for federal agencies. TBR projects the company will maintain a CAGR between 2.5% and 3% between CY26 and CY30 by focusing on the intersection of agency IT and business processes with its proprietary IP well aligned to efficiency mandates on civilian agencies.

No. 7

Leidos (Projected 5-year CAGR: 2.7%)

Leidos was less exposed than its advisory-led peers to the elimination or scale-down of consulting contracts in 2025. Its market-leading capabilities to scale AI-, cybersecurity-, and cloud-based digital modernization agencywide will be the foundation for the company’s 5-year CAGR, which TBR estimates will be between 2.5% and 3%. Leidos’ deep entrenchment in the FAA, where the pace of modernization will accelerate, and the Department of Veterans Affairs (VA), where volumes on transaction-based services like claims processing will remain strong, will also support consistent top-line expansion through CY30, while insulating Leidos at least somewhat from further turbulence in the civilian IT segment.

No. 8

IBM Consulting (IBM-Fed) (Projected 5-year CAGR: 2.5%)

TBR believes IBM-Fed was equally exposed to the same disruptions suffered by advisory-led peers Accenture Federal Services (AFS) and BAH, but IBM-Fed’s road to recovery will be somewhat more challenging due to the loss of strategic accounts like the U.S. Agency for International Development (USAID) and its lack of scale relative to its larger FSI peers. That said, TBR believes IBM-Fed could realize a CAGR between 2.0% and 2.5% between CY26 and CY30, if it can successfully integrate hybrid cloud services and solutions into application modernization and platform orchestration programs — essentially running, while concurrently modernizing, federal IT infrastructures.

Supporting Research

TBR's *Federal IT Services Market Forecast* provides TBR's unique insights, developed through the lens of the leading federal systems integrators (FSIs), regarding federal IT spending trends over the next five years and how the industry's largest IT contractors will adapt to shifting federal technology investment patterns. Access the full *Federal IT Services Market Forecast* and all of the supporting research below with a [60-day free trial of TBR Insight Center™](#).

Vendor Analysis

Deep-dive analysis of a single vendor across corporate strategies, tactics, SWOT analysis, financials, go-to-market strategies and resource strategies

Accenture Federal Services	Booz Allen Hamilton
CACI International	CGI Federal
General Dynamics Technologies	IBM Federal
ICF International	Leidos
ManTech	Maximus
Peraton	SAIC

Benchmarks

Comparison of vendor performance in a market, including analysis on vendor strategies, financial performance, go-to-market and resource management

Federal IT Services

Market Forecasts

Analysis of market opportunity and contain current market sizing and five-year forecasts, including analysis on growth drivers, top trends and leading market players

Federal IT Services

Ecosystem Report

Data and analysis from multiple streams of TBR coverage to assess, quantify and model revenues, team compositions, go-to-market strategies and other qualitative insights, including accreditation and training of sell-through and sell-with partnerships, channels or alliances across global ICT markets

U.S. Federal Cloud

Table of Contents and Vendor Coverage

Publish date of latest edition: March 20, 2026

Market Overview
Market Opportunity
Revenue Leaders
5-year CAGR Leaders
Segment Forecast
Segment Analysis: Civilian
Segment Analysis: Defense and Intelligence
Scenario Discussion
5-year CAGR Analysis by Vendor

Vendors Covered:

- Accenture
- Booz Allen Hamilton
- CACI
- CGI
- IBM Consulting
- ICF International
- Leidos
- KBRWyle
- General Dynamics Technologies
- Maximus
- SAIC

Interested in gaining access to our entire federal IT services research stream and data visualizations?

[Start Your 60-day Free Trial Today](#)

Technology Business Research, Inc. is a leading independent market, competitive and ecosystem intelligence firm specializing in the business and financial analyses of hardware, software, professional services, and telecom vendors and operators. Serving a global clientele, TBR provides timely and actionable market research and business intelligence in formats that are tailored to clients' needs. Our analysts are available to address client-specific issues further or information needs on an inquiry or proprietary consulting basis.