

FY 2026 IT Budget Breakdown

Spending trends, agency priorities,
and how to win in FY 2026

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Introduction

This report presents a comparative analysis of the FY 2026 President’s Budget Request and the enacted budget as approved by Congress, focusing on four critical technology investment categories: **Artificial Intelligence (AI), Cybersecurity, Cloud Computing, and Digital Transformation.**

The analysis spans four major federal departments, **Defense (DoD), Veterans Affairs (VA), Health and Human Services (HHS), and Homeland Security (DHS)**, and evaluates how proposed investments translated into real-world appropriations.

Using data from the FY 2026 Budget Appendix and Agencies FY 2026 Budgets, this report identifies whether funding in each domain increased, decreased, or remained flat.



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“Skinny Budget” Overview: FY 2026 Priorities in AI, Cybersecurity, Cloud, and Digital Modernization

The President’s FY 2026 Skinny Budget outlines topline discretionary and mandatory funding requests across federal agencies, emphasizing national security, modernization, and fiscal restraint. This section highlights proposed funding for **DoD, DHS, HHS, and the VA** as they relate to four core technology investment areas: **AI, cybersecurity, cloud, and digital transformation.**

These four agencies were chosen for their significant share of the federal budget—collectively accounting for roughly 85% of the Federal budget—and their pivotal roles in defense, health, and critical infrastructure, making them key drivers of federal technology modernization.



Department of Defense

The DoD receives one of the most significant topline increases in the FY 2026 request. Total defense-related funding reaches approximately \$961.6 billion, composed of \$848.3 billion in discretionary funding and \$113.3 billion in mandatory budget authority via reconciliation. In our key technology focus areas:

- **AI / R&D:** The budget calls for \$20.3 billion in Science and Technology (S&T) research, an 8% increase from FY 2025. This funding supports development in AI, quantum, hypersonics, and other emerging technologies.
- **Cybersecurity:** A total of \$15.1 billion is requested to support cyber operations and enhance resilience across all domains.
- **Cloud & Digital Modernization:** While cloud-specific figures are not delineated, modernization is reflected in investments across space systems, AI-enabled decision-making, and IT rationalization. Funding for the Defense Technical Information Center (DTIC) remains stable, with carryover of prior-year congressional adds (~\$5M) for AI/ML efforts.

Department of Health and Human Services

The FY 2026 request proposes \$94.7 billion in discretionary funding for HHS. Much of the budget centers around agency restructuring and pandemic preparedness, with limited public detail on technology-specific investments. In our key technology focus areas:

- **Cloud & Digital Modernization:** The proposed consolidation of HRSA, SAMHSA, NIEHS, and selected CDC programs into a new Administration for a Healthy America suggests forthcoming backend integration and digital redesign, though funding specifics have not yet been released.
- **AI & Cybersecurity:** No specific funding figures for these areas are included in the Skinny Budget.

Department of Homeland Security

DHS sees a major discretionary funding increase from \$65 billion in FY 2025 to approximately \$107 billion in FY 2026, driven by enhanced border security and immigration enforcement measures. In our key technology focus areas:

- **Cybersecurity:** While the budget doesn't break down funding by program, CISA's role is being re-scoped to focus more tightly on core federal network defense and critical infrastructure protection. While redundant or duplicative cyber offices are slated for consolidation or sunset.
- **AI & Cloud:** No dedicated funding levels are outlined in the Skinny Budget, but overall funding growth and operational realignment signal long-term support for modernization.

Department of Veterans Affairs

VA receives modest increases to support health care delivery and IT modernization. However, funding shifts away from legacy systems reflect a move toward platform consolidation.

- **Cybersecurity & AI:** While not broken out in detail, AI and cybersecurity are expected to support fraud prevention and IT efficiency initiatives.
- **EHR Modernization & IT:** The budget includes \$5.4 billion for medical care and EHR modernization, alongside a \$493 million reduction in legacy IT program funding. This signals a shift away from outdated systems and toward enterprise modernization.

While the Skinny Budget offers an early glimpse into the administration's priorities, it lacks enacted appropriations or detailed programmatic allocations. The next section provides a high-level overview of the FY 2026 Budget, highlighting where agencies are seeing increases, decreases, or flat funding across key areas.

For those seeking deeper insight, including agency-specific priorities, granular focus areas, evolving funding trends, spending trajectories, upcoming opportunities, and much more, GovExec Intelligence's [FedPulse offerings](#) deliver the intelligence and context needed to stay ahead of the curve.

Behind the Skinny Budget: What FY 2026 Budgets Are Saying

This section unpacks how key agencies propose to apply their FY 2026 allocated funds across AI, Cybersecurity, Cloud, and Digital Transformation to meet evolving mission demands.

Department of Defense

FY 2026 Funding Insights:

- **AI:**
 - \$13.4 billion for autonomy and AI systems.
 - \$200 million has been requested for general AI and automation technologies.
- **Cybersecurity:**
 - \$15.1 billion toward cybersecurity initiatives.
 - USCYBERCOM has requested \$1.614 billion.
- **Cloud:**
 - There is no exact dollar amount specified. However, it is noted that there is a \$2.3 million increase to support the transition of USCYBERCOM headquarters from a traditional on-premises model to a cloud-based system.
 - \$17 million is requested to support core IT infrastructure, where cloud is needed.
- **Digital Transformation:**
 - \$150 million for the DoD modernization of legacy business systems.

broader IT and cybersecurity efforts. Safe to assume that some cloud efforts will be a part of the dedicated \$100 million to Cybersecurity efforts.

- **Digital Transformation:**
 - The budget also does not isolate digital transformation with standalone allocations; instead, key digital modernization efforts, including telehealth expansion, broadband infrastructure, and others, are funded through broader programmatic initiatives.

Department of Homeland Security

FY 2026 Funding Insights:

- **AI:**
 - There is no dedicated AI budget line that provides a consolidated figure for AI. However, AI funding will be included in the Science and Technology Directorate's (S&T) broader allocation of \$758.8 million. The budget notes that \$54.7 million will be used in investments in immigration-based technologies. "S&T is making significant contributions in this area, particularly in the implementation of AI into operational missions, including AI-enabled wildfire sensors capable of detecting fires 30 minutes before 911 emergency calls are made."
- **Cybersecurity:**
 - \$2.38 billion for CISA to focus on protecting federal networks and critical infrastructure
 - \$2.7 million for cybersecurity and information analysis R&D

Department of Health and Human Services

FY 2026 Funding Insights:

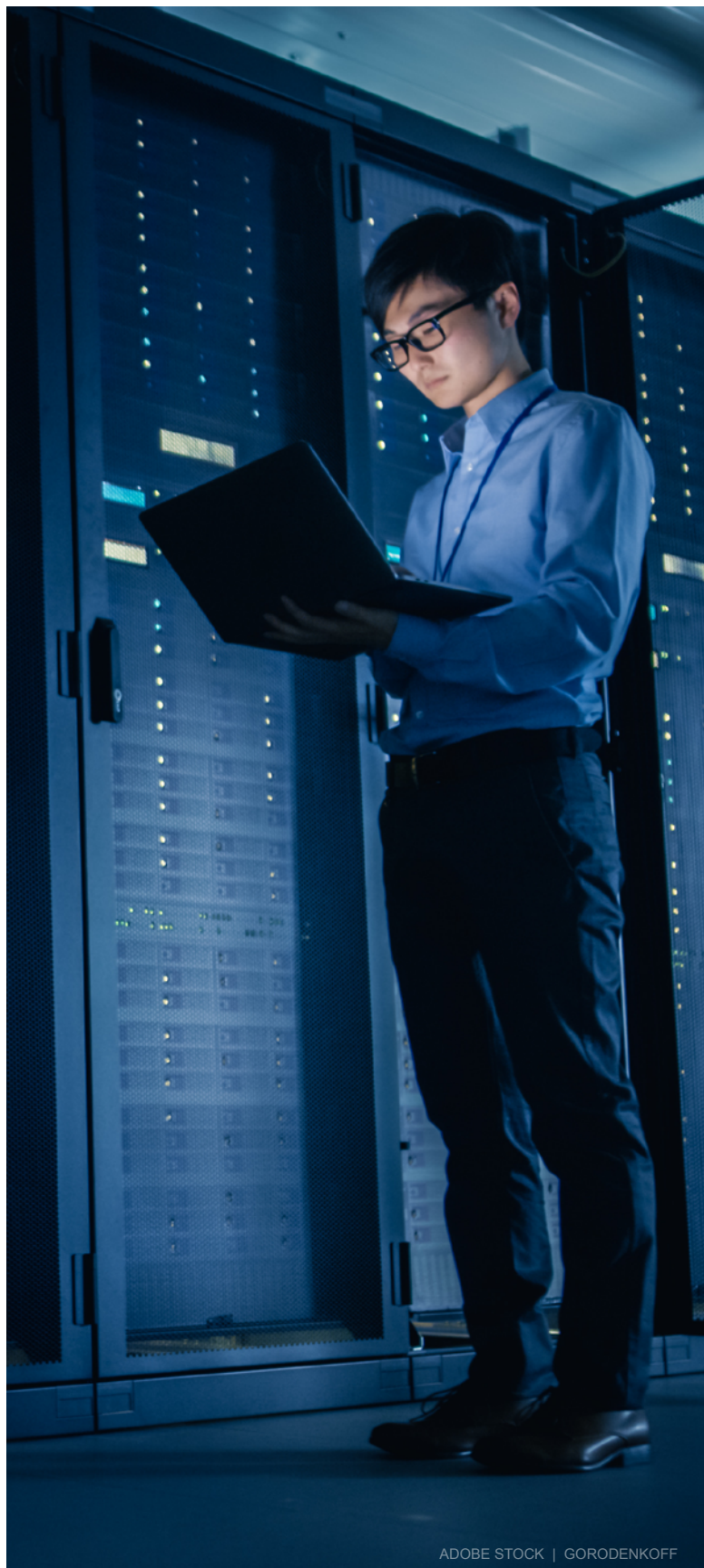
- **AI:**
 - Direct AI funding was not disclosed.
- **Cybersecurity:**
 - \$100 million is designated for the HHS Cybersecurity Program.
- **Cloud:**
 - Although HHS does not isolate line items exclusively for "cloud", it clearly identifies cloud technologies as a core enabler of

- **Cloud:**
 - Cloud funding was not allocated as a standalone item
- **Digital Transformation:**
 - Digital transformation remains a strategic priority embedded with a broader \$10.7 billion allocation for IT initiatives.

Department of Veterans Affairs

FY 2026 Funding Insights:

- **AI:**
 - VA has requested \$29 million to scale mission-aligned AI use cases.
 - \$3.5 billion for Electronic Health Record Modernization, \$943 million for Medical and Prosthetic Research, and \$49.8 billion for health care through the Toxic Exposures Fund.
- **Cybersecurity:**
 - VA has requested \$762 million towards investing in cybersecurity and \$187 million for a Zero Trust Architecture.
- **Cloud:**
 - While cloud spending is not broken out separately of the \$7.3 billion requested for IT, the following signal a strong focus on cloud-enabled modernization: EHR modernization (\$2.2 of which funds Oracles cloud-hosted system) and cybersecurity (where \$187 million is for zero trust and \$277 million for the Infrastructure Readiness Program to modernize aging infrastructure).
- **Digital Transformation:**
 - VA has requested approximately \$7.3 billion for IT in FY 2026, part of which supports digital transformation programs.



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FY 2025 Federal IT Funding Snapshots

The following pages outline each department's total addressable market (TAM) for FY 2025 IT-related services under NAICS codes 518210, 541330, 541511, 541512, 541513, 541519, and 541715, highlighting funding trends over time, top primes, and leading small businesses.



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Department of Defense

In FY 2025, the Department of Defense has awarded approximately **\$393.6b**, including **\$58.6b** for IT-related services.

IT Contract Spending Last 3 FY



**Data pulled August 18, 2025; does not represent total FY 2025 contract spend. DoD funding reflects a 90-day reporting delay.*

Top 3 Awarded Vendors FY 2025

1. Electric Boat Corporation - \$5b (8.6% of total dollars obligated)
2. Booz Allen Hamilton - \$2b (3.4% of total dollars obligated)
3. Science Applications International Corporation - \$1b (2.1% of total dollars obligated)

[View All Awarded Vendors →](#)

Top 3 Awarded Small Businesses FY 2025

1. Securigence - \$105m (1.9% of total set aside dollars obligated)
2. Bowhead Program Management & Operations - \$65m (1.2% of total set aside dollars obligated)
3. Dataminr - \$62m (1.1% of total set aside dollars obligated)

[View Awarded Small Businesses →](#)

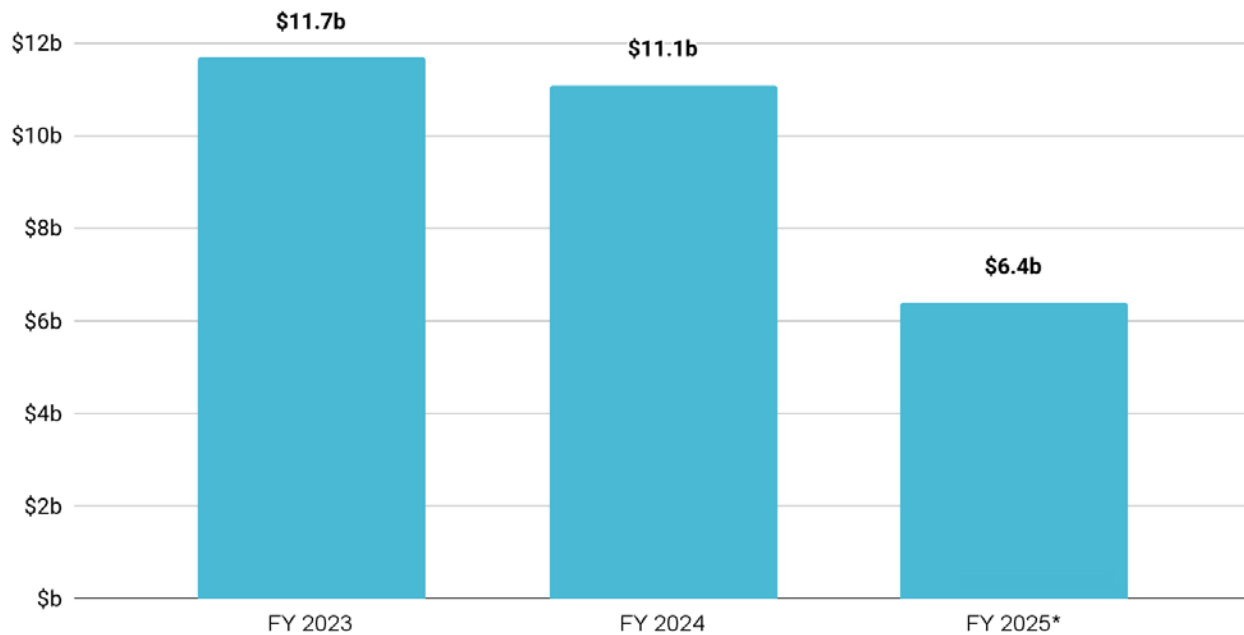
Access the full FY 2025 Funding Analysis Report [here](#). Customize your view by adding or removing filters, and break down funding by awardee, agency, NAICS, set-aside type, and more.

Source: GovTribe | August 18, 2025

Department of Health and Human Services

In FY 2025, the Department of Health and Human Services has awarded approximately **\$26.7b** in federal contracts, including **\$6.4b** for IT-related services.

IT Contract Spending Last 3 FY



***Data pulled August 18, 2025; does not represent total FY 2025 contract spend.*

Top 3 Awarded Vendors FY 2025

1. General Dynamics Information Technology - \$732m (11.4% of total dollars obligated)
2. Booz Allen Hamilton - \$497m (7.7% of total dollars obligated)
3. Accenture Federal Services - \$254m (4% of total dollars obligated)

[View All Awarded Vendors →](#)

Top 3 Awarded Small Businesses FY 2025

1. Softrams - \$110m (7.7% of total set aside dollars obligated)
2. Sparksoft Corporation - \$75m (5.2% of total set aside dollars obligated)
3. A Square Group - \$53m (3.7% of total set aside dollars obligated)

[View Awarded Small Businesses →](#)

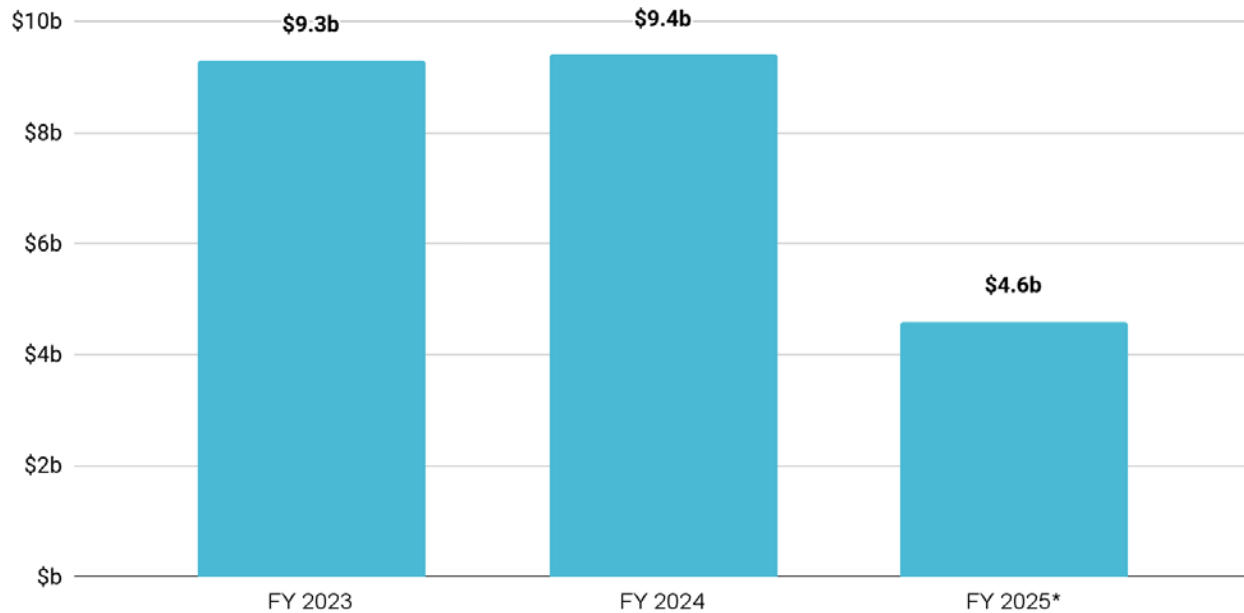
Access the full FY 2025 Funding Analysis Report [here](#). Customize your view by adding or removing filters, and break down funding by awardee, agency, NAICS, set-aside type, and more.

Source: GovTribe | August 18, 2025

Department of Homeland Security

In FY 2025, the Department of Homeland Security has awarded approximately **\$23.2b** in federal contracts, including **\$4.6b** for IT-related services.

IT Contract Spending Last 3 FY



**Data pulled August 18, 2025; does not represent total FY 2025 contract spend.*

Top 3 Awarded Vendors FY 2025

1. General Dynamics Information Technology - \$277m (6% of total dollars obligated)
2. CACI - \$245m (5.3% of total dollars obligated)
3. Booz Allen Hamilton - \$243m (5.2% of total dollars obligated)

[View All Awarded Vendors →](#)

Top 3 Awarded Small Businesses FY 2025

1. Four Points Technology - \$68m (7% of total set aside dollars obligated)
2. V3Gate - \$44m (4.5% of total set aside dollars obligated)
3. Mayvin - \$36m (3.7% of total set aside dollars obligated)

[View Awarded Small Businesses →](#)

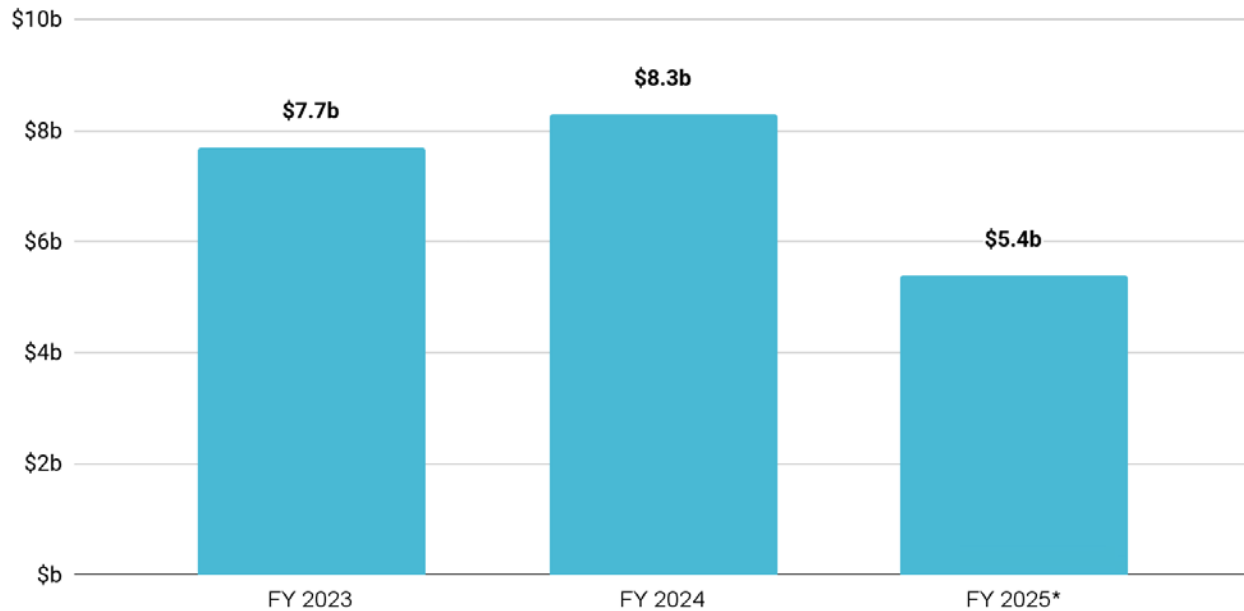
Access the full FY 2025 Funding Analysis Report [here](#). Customize your view by adding or removing filters, and break down funding by awardee, agency, NAICS, set-aside type, and more.

Source: GovTribe | August 18, 2025

Department of Veterans Affairs

In FY 2025, the Department of Veterans Affairs has awarded approximately **\$72.3b** in federal contracts, including **\$5.4b** for IT-related services.

IT Contract Spending Last 3 FY



**Data pulled August 18, 2025; does not represent total FY 2025 contract spend.*

Top 3 Awarded Vendors FY 2025

1. Booz Allen Hamilton - \$633m
(11.7% of total dollars obligated)
2. Oracle Health Government Services - \$632m
(11.7% of total dollars obligated)
3. V3Gate - \$380m
(7% of total dollars obligated)

[View All Awarded Vendors →](#)

Top 3 Awarded Small Businesses FY 2025

1. V3Gate - \$359m
(22.4% of total set aside dollars obligated)
2. Quantum Management - \$163m
(10.1% of total set aside dollars obligated)
3. Four Points Technology - \$158m
(9.8% of total set aside dollars obligated)

[View Awarded Small Businesses →](#)

Access the full FY 2025 Funding Analysis Report [here](#). Customize your view by adding or removing filters, and break down funding by awardee, agency, NAICS, set-aside type, and more.

Source: GovTribe | August 18, 2025

Conclusion

Across the board, funding comparisons to FY 2025 are often unclear due to the lack of consistent, standalone line items. However, FY 2026 shows across-the-board increases in AI, with DoD leading the charge through a new \$13.4 billion line item for AI and autonomy.

Cybersecurity remains a high priority with steady to significant funding in all four agencies, even where topline budgets are flat or declining (e.g., CISA). While HHS appears to have a decrease in Cybersecurity funding, it appears to be because some cyber efforts are embedded in other IT programs. Overall, funding appears steady to increasing, especially for Zero Trust and federal network defense.

Cloud and digital transformation funding is mostly embedded, not itemized. DoD and VA show targeted cloud investments tied to EHR and infrastructure modernization, while DHS and HHS integrate cloud and digital upgrades into broader IT portfolios.

Digital transformation is trending upward at DoD, DHS, and VA, with clear modernization goals and programs, while HHS takes a more decentralized, programmatic approach to digital services supporting access, equity, and readiness.

The data is clear: technology funding in FY 2026 is rising across the board, not explosively, but deliberately, signaling that AI, cybersecurity, cloud, and digital infrastructure are now operational necessities.



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How to Leverage FY 2026 IT Opportunities with GovTribe



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