

Good news snapshot: All-state IT budget projections (2010 - 2020)

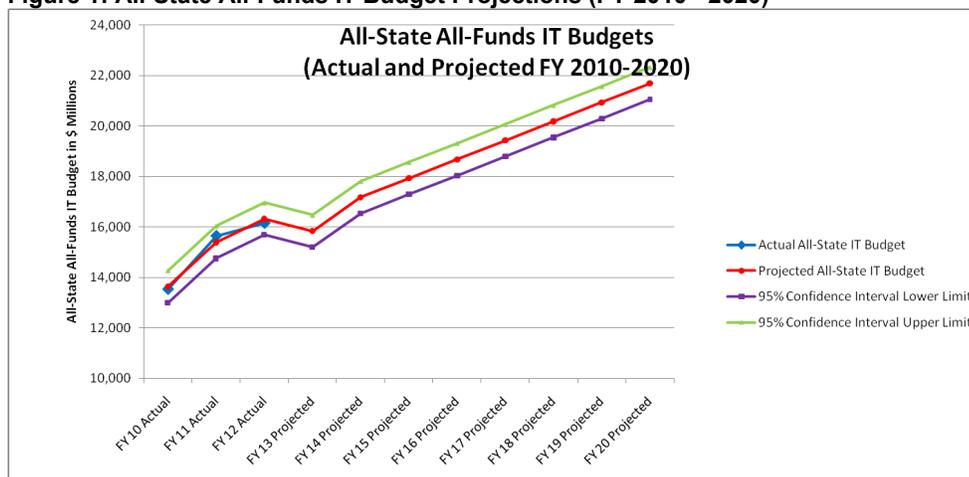
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Previous Deltek analyses and projections have demonstrated several key points with regard to state budgets. First, from FY 2009-2011, state budgets (all-funds, overall budgets) increased at an abnormal rate. Second, FY 2012 is the first projected overall state budget loss since Deltek began tracking in FY 1987. Third, and most promising for the business community, all indicators show that bloodletting should stop for overall budgets in FY 2013, with funds flattening and then beginning an upward trend.

With this in mind, the picture of overall all-state IT budgets becomes clearer. Importantly, actual IT budgets for FY 2012 show an increase of 3.32 percent. To be succinct, this is fantastic news for the IT vending community currently struggling with the economy (subscribers have access to a detailed data table, [here](#)). However, IT budget projections for FY 2013 indicate an overall loss of -2.98 percent. While admittedly not the best news for the overall projected recovery, this is really considered a minor bump in the road. It is likely that IT projects remained funded, with cuts lagging somewhat behind the overall FY 2012 cuts for most states. So, some projects may have been cut in 2013 as a way to offset other cuts from 2012 (creative state budget math). However, looking further forward, the projections are more positive, with an indicated overall growth rate of 8.37 percent for 2014 and an average 4.60 percent annual growth rate from FY 2013 to FY 2020 (subscribers detailed table, [here](#) and figure 1, below).

Figure 1: All-State All-Funds IT Budget Projections (FY 2010 - 2020)



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The projections outlined in figure 1, above, are solid (based upon sound data and a robust model). However, since much of the 2013 IT budget data has yet to be released (21 out of 51 reporting), it is possible that early projections are coming in lower than the actual numbers. FY 2013 overall budgets are indicating a recovery, after the overall losses of 2012. So, it is possible that this same recovery will bear out for IT budgets in 2013.

Analyst's Take

As always, even with a sound, significantly correlated model, projections are always the victim of the myriad of ethereal variables that can possibly affect them. With our current projections of an overall IT budget loss for FY 2013, vendors should not be overly concerned. If a loss is eventually realized, it is relatively small and mitigated by gains in previous and subsequent years. Even with a loss, IT budgets should be back on track and growing by 2014. However, as discussed above and looking at the 95 percent confidence interval, 2013 could show flat growth or even a slight increase. For vendors used to budget cuts, project delays, and other economic challenges, the projection range of a slight increase to a slight decrease for FY 2013 should have minimal impact. Most IT business prospects should remain relatively consistent with some of the cuts experienced so far. Looking beyond 2013, the picture becomes clearer and projections more positive.

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