

Good news details: All-state IT budget vertical analysis (2010-2013)

Posted At : September 22, 2011 3:04 PM | Posted By : Chris Cotner

Related Categories: Homeland Security, Social Services, Education, Procurement, Community Development, Public Finance, Health Care, Fiscal Update, Justice/Public Safety & Homeland Security, Forecasts & Spending, Transportation, State & Local, Policy & Legislation

As part of our analysis of state IT budget data, Deltek has published vertical analyses and projections of [health care](#), [social services](#), [justice](#), [public safety](#), and [homeland security](#). Also, we have published vertical IT budget analyses of some of the larger states ([California](#), [New York](#), [Texas](#), [Florida](#), [Pennsylvania](#), [Ohio](#), [Massachusetts](#), [Illinois](#), [North Carolina](#), [Michigan](#), and [Virginia](#)). However, we have yet to publish overarching analyses and projections of IT verticals across all states. In fact, even with all of our budget publications, we have yet to focus any articles in their entirety on state IT. As part of Deltek's all-state budget analysis series, this article launches a sub-series of all-state IT budget vertical analysis and projection.

Previous analyses and projections (linked above) have demonstrated several key points. 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 in FY 2013, with budgets flattening and then beginning an upward trend. With these key points on overall budgets in mind, the picture of overall all-state IT budgets becomes clearer. Importantly, IT budgets for FY 2012 show an increase of 3.12 percent. To be succinct, this is fantastic news for the IT vending community (see table 1).

Table 1: All State Budgets Vertical Comparison FY 2010-2013

| Vertical | FY 10 | FY 10 % of Tot. |
|------------------------|-----------------------|-----------------|
| Comm. Devo. | 14,283,381 | 0.11% |
| Econ. Devo./Regulation | 783,043,001 | 5.78% |
| Ed. (Higher) | 694,394,945 | 5.12% |
| Ed. (PK-12) | 1,398,154,937 | 10.32% |
| Gen. Gov. | 5,652,781,789 | 41.71% |
| Health Care | 1,581,103,255 | 11.67% |
| Homeland Sec. | 268,100,092 | 1.98% |
| Just./Pub. Safety | 1,114,169,489 | 8.22% |
| Nat. Res./Env. | 125,604,567 | 0.93% |
| Pub. Fin. | 853,841,171 | 6.30% |
| Soc. Serv. | 815,894,053 | 6.02% |
| Trans. | 250,723,286 | 1.85% |
| Total | 13,552,093,966 | 100.00% |

| Vertical | FY 11 | FY 11 % of Tot. | % of Tot. | |
|------------------------|-----------------------|-----------------|--------------|---------------|
| | | | % Δ FY 10-11 | % Δ FY 10-11 |
| Comm. Devo. | 11,326,074 | 0.07% | -31.34% | -20.70% |
| Econ. Devo./Regulation | 693,125,673 | 4.43% | -23.36% | -11.48% |
| Ed. (Higher) | 912,081,078 | 5.83% | 13.73% | 31.35% |
| Ed. (PK-12) | 1,130,044,801 | 7.22% | -30.02% | -19.18% |
| Gen. Gov. | 6,507,262,068 | 41.58% | -0.33% | 15.12% |
| Health Care | 1,802,568,026 | 11.52% | -1.29% | 14.01% |
| Homeland Sec. | 361,559,400 | 2.31% | 16.77% | 34.86% |
| Just./Pub. Safety | 1,035,409,109 | 6.62% | -19.54% | -7.07% |
| Nat. Res./Env. | 133,012,498 | 0.85% | -8.31% | 5.90% |
| Pub. Fin. | 1,305,236,035 | 8.34% | 32.36% | 52.87% |
| Soc. Serv. | 1,529,617,389 | 9.77% | 62.33% | 87.48% |
| Trans. | 230,581,731 | 1.47% | -20.37% | -8.03% |
| Total | 15,651,823,882 | 100.00% | | 15.49% |

| Vertical | FY 12 | FY 12 % of Tot. | % of Tot. | |
|------------------------|-----------------------|-----------------|--------------|--------------|
| | | | % Δ FY 11-12 | % Δ FY 11-12 |
| Comm. Devo. | 10,243,583 | 0.06% | -12.37% | -9.56% |
| Econ. Devo./Regulation | 562,326,825 | 3.48% | -21.40% | -18.87% |
| Ed. (Higher) | 555,301,469 | 3.44% | -41.01% | -39.12% |
| Ed. (PK-12) | 1,098,734,260 | 6.80% | -5.80% | -2.77% |
| Gen. Gov. | 7,291,247,551 | 45.13% | 8.56% | 12.05% |
| Health Care | 2,415,595,797 | 14.95% | 29.84% | 34.01% |
| Homeland Sec. | 345,086,773 | 2.14% | -7.53% | -4.56% |
| Just./Pub. Safety | 1,043,642,363 | 6.46% | -2.34% | 0.80% |
| Nat. Res./Env. | 145,097,344 | 0.90% | 5.69% | 9.09% |
| Pub. Fin. | 1,087,162,205 | 6.73% | -19.30% | -16.71% |
| Soc. Serv. | 1,362,871,274 | 8.44% | -13.67% | -10.90% |
| Trans. | 237,441,589 | 1.47% | -0.23% | 2.98% |
| Total | 16,154,751,032 | 100.00% | | 3.21% |

| Vertical | Sum of FY 13 | FY 13 % of Tot. | % of Tot. | |
|------------------------|---------------|-----------------|--------------|--------------|
| | | | % Δ FY 12-13 | % Δ FY 12-13 |
| Comm. Devo. | 0 | 0.00% | -100.00% | Unknown |
| Econ. Devo./Regulation | 98,152,316 | 1.79% | -48.54% | Unknown |
| Ed. (Higher) | 207,728,633 | 3.79% | 10.29% | Unknown |
| Ed. (PK-12) | 212,362,137 | 3.88% | -43.02% | Unknown |
| Gen. Gov. | 2,815,531,864 | 51.38% | 13.85% | Unknown |
| Health Care | 402,204,091 | 7.34% | -50.91% | Unknown |
| Homeland Sec. | 22,100,466 | 0.40% | -81.12% | Unknown |
| Just./Pub. Safety | 305,282,108 | 5.57% | -13.76% | Unknown |
| Nat. Res./Env. | 109,032,354 | 1.99% | 121.55% | Unknown |
| Pub. Fin. | 269,576,826 | 4.92% | -26.89% | Unknown |

| | | | | |
|-------------------|----------------------|-----------------------|---------|----------------|
| Soc. Serv. | 874,070,985 | 15.95% | 89.09% | Unknown |
| Trans. | 163,296,173 | 2.98% | 102.76% | Unknown |
| Total | 5,479,337,954 | 100.00% | | Unknown |
| Legend: | | Lowest # in Category | | |
| | | Highest # in Category | | |

Note: FY 2010 missing Arizona, Hawaii, Michigan, Nevada, and Ohio; FY 12 is missing Oklahoma; FY 13 includes data from 21 states (Arkansas, Connecticut, Florida, Hawaii, Indiana, Iowa, Maine, Michigan, Minnesota, Montana, Nebraska, Nevada, New Hampshire, New York, North Carolina, North Dakota, Ohio, Oregon, Texas, Washington, and Wisconsin). Subscribers have access to more complete data and analysis, [here](#).

Analyst's Take:

- With some data missing from FY 2010 and FY 2013, making direct, year-to-year comparisons is difficult. The best year-to-year comparisons are from FY 2011 to FY 2012.
- The best news for FY 2012 IT is an overall 3.12 percent growth rate. This is great news in an otherwise down budget year.
- Similarly to overall budgets, the community development vertical is the smallest IT budgetary expenditure for all states in each of the fiscal years included (from 0.11 percent to 0.00 percent). It also shows the largest losses in FY 2012 (similarly to overall budgets). While community development funding can do wonders for future economic growth, it is clear that many states have reduced its importance in shorter-term economic planning.
- Higher education is the biggest vertical decrease (-39.12 percent) for FY 2012. As states looked for any and all ways to save money, higher education was on the block in many budgets. It is likely that the decrease in higher education was seen as a trade-off between keeping other essential IT expenditures and reducing higher education IT functioning that may have been viewed as less critical.
- General government services is the largest percentage of state IT budgets for each year included (from 41 to 51 percent). This is not surprising, since GovWin classifies many budgeted enterprise IT functions, management, and infrastructure costs as part of this vertical. Look for GovWin to provide more detail on this general government IT data moving forward.
- Social services is the largest gainer (+87.48 percent) in FY 2011. Again, this is difficult to judge, as FY 2010 is missing some data. However, it is still important as states move toward creating and/or updating Medicaid management information systems (MMIS), WIC (Women, Infants, and Children program), and EBT (electronic benefit transfer) to improve service delivery and efficiency. As the state economies continued to struggle downward and public assistance rolls swooned in FY 2010 and 2011, it is also likely that states continued to prioritize IT spending to increase efficiency in social services.
- Health care is the largest gainer (+34.01 percent) in FY 2012. This is no surprise, as there are many federal grant deadlines for health insurance exchanges (**HIX**) in 2011 and 2012. States will continue to update/create **HIXs** and **MMISs** as they race toward various federal deadlines. Look for IT spending to continue at significant levels through 2013/2014 as the ACA deadline approaches.

Final Analysis

While FY 2012 is generally a down year for state government budgets, states will still procure the goods and services they need. In terms of IT spending, the best news is that FY 2012 is projecting gains from 3.31 to 13.97 percent. Compared to the 3.18 percent overall budget losses projected for FY 2012, this is a good sign for an improved contracting environment moving forward. While the projected picture for FY 2013 and forward is still somewhat unclear, even with projected losses for the sample of states in table 2, all sources combined point to continued IT spending gains in FY 2013. So, while some vendors may be considering withdrawing from the state market as they are unable to weather the more-competitive recessionary market, many more will stay put. Vendors who remain will be very well-positioned for the coming recovery.

For subscribers, this article contains additional analysis of the 21 states with actual FY 2013 data, compared and contrasted to illustrate trends and projections, [here](#).

Follow all of the GovWin State and Local Top Opportunities, Reports, and Podcasts, [here](#).

Follow Chris Cotner on Twitter, [here](#).