

# State & Local Government: Growth Signs Ahead

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Rishi Sood

Vice President, Government

Gartner

[rishi.sood@gartner.com](mailto:rishi.sood@gartner.com)

# Presentation Outline

## **SLG MARKET ENVIRONMENT**

### **STATE & LOCAL: GROWTH SIGNS AHEAD**

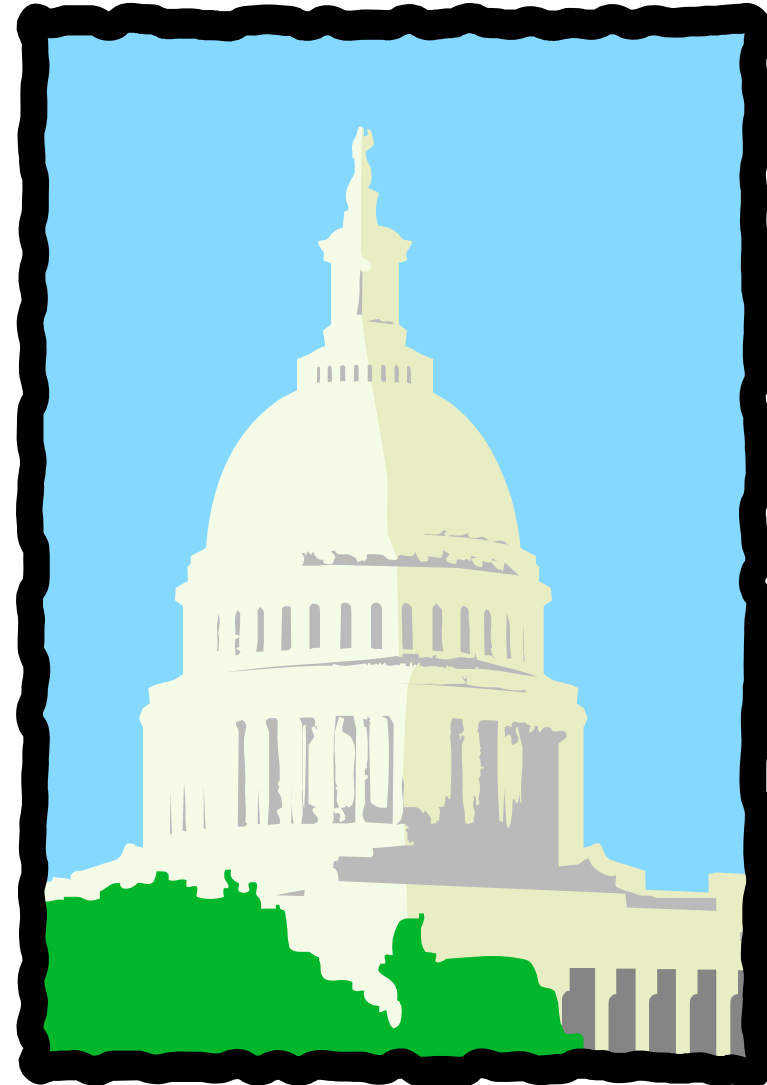
- FOUR MAXIMS OF STATE & LOCAL GOVERNMENT
- USER DATA: KEY BUSINESS ISSUES
- USER DATA: RANKING OF LEADING TECHNOLOGIES
- AGENCY OPPORTUNITY SUMMARIES (HHS, PSJ, TR)
- COMPETITIVE LANDSCAPE: PROGRESS OF TOP SLG VENDORS
- CXO MESSAGING: TARGETING THE DECISION MAKERS
- FEDERAL IMPACT ON SLG

## **MARKET FORECASTS**

- TOTAL SLG IT SPENDING
- TOTAL IT SPEND BY AGENCY

## **2007: A LOOK AHEAD**

- YEAR IN REVIEW & YEAR AHEAD
- GARTNER BOTTOM LINE



# Fast Fact: Government Is...

**Size:** Government is the second-largest vertical market in the United States in terms of total IT spending.

**Value:** IT is increasingly viewed as the key mechanism to spur change within government organizations and help meet new organizational objectives.

**Change:** Aging workforce, new mandates and evolving technology choices are rapidly reshaping the opportunity landscape for vendors.

# Golden Rules of State & Local Government

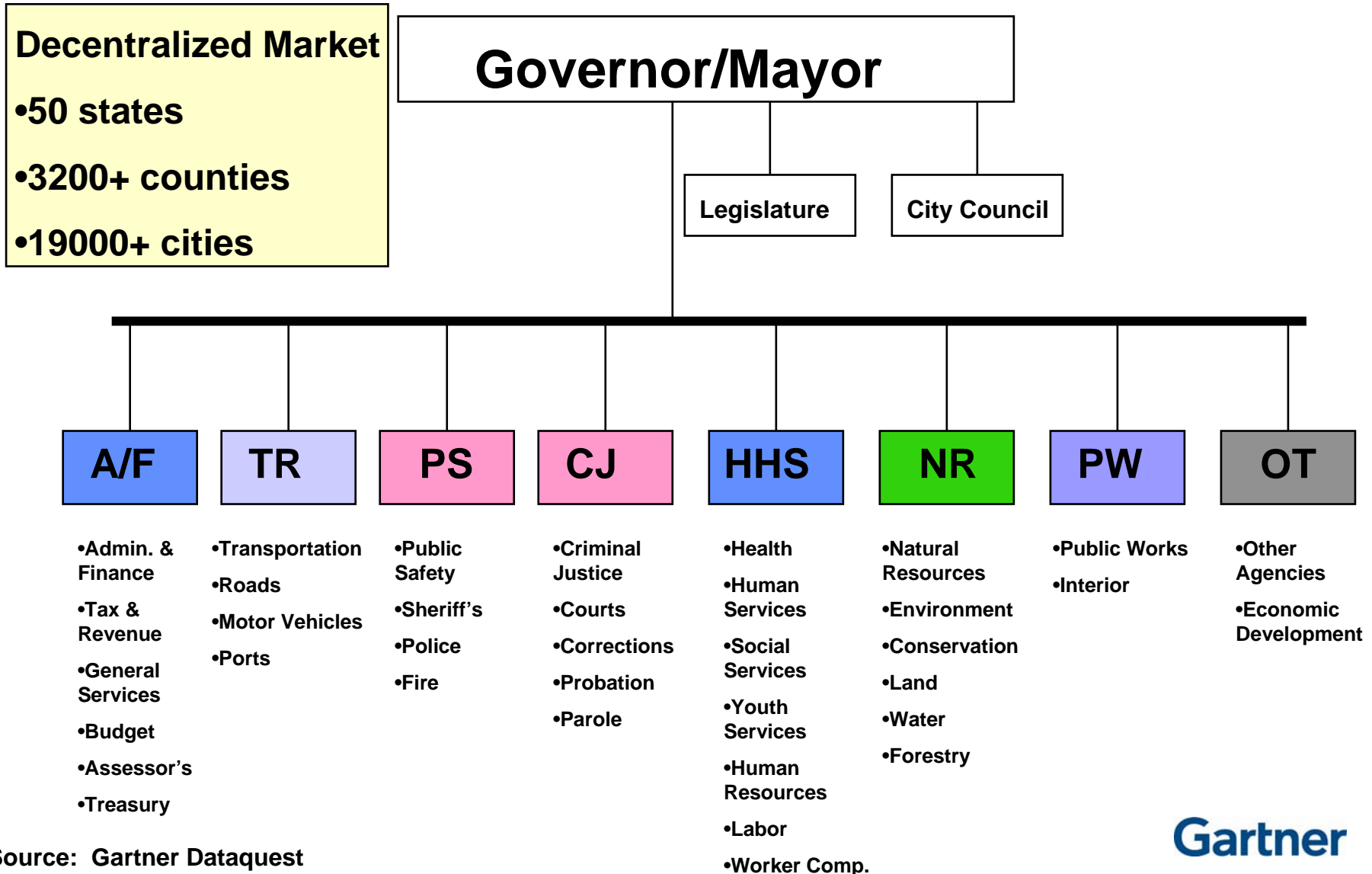
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**Golden Rule #1: Relationship-based Industry**

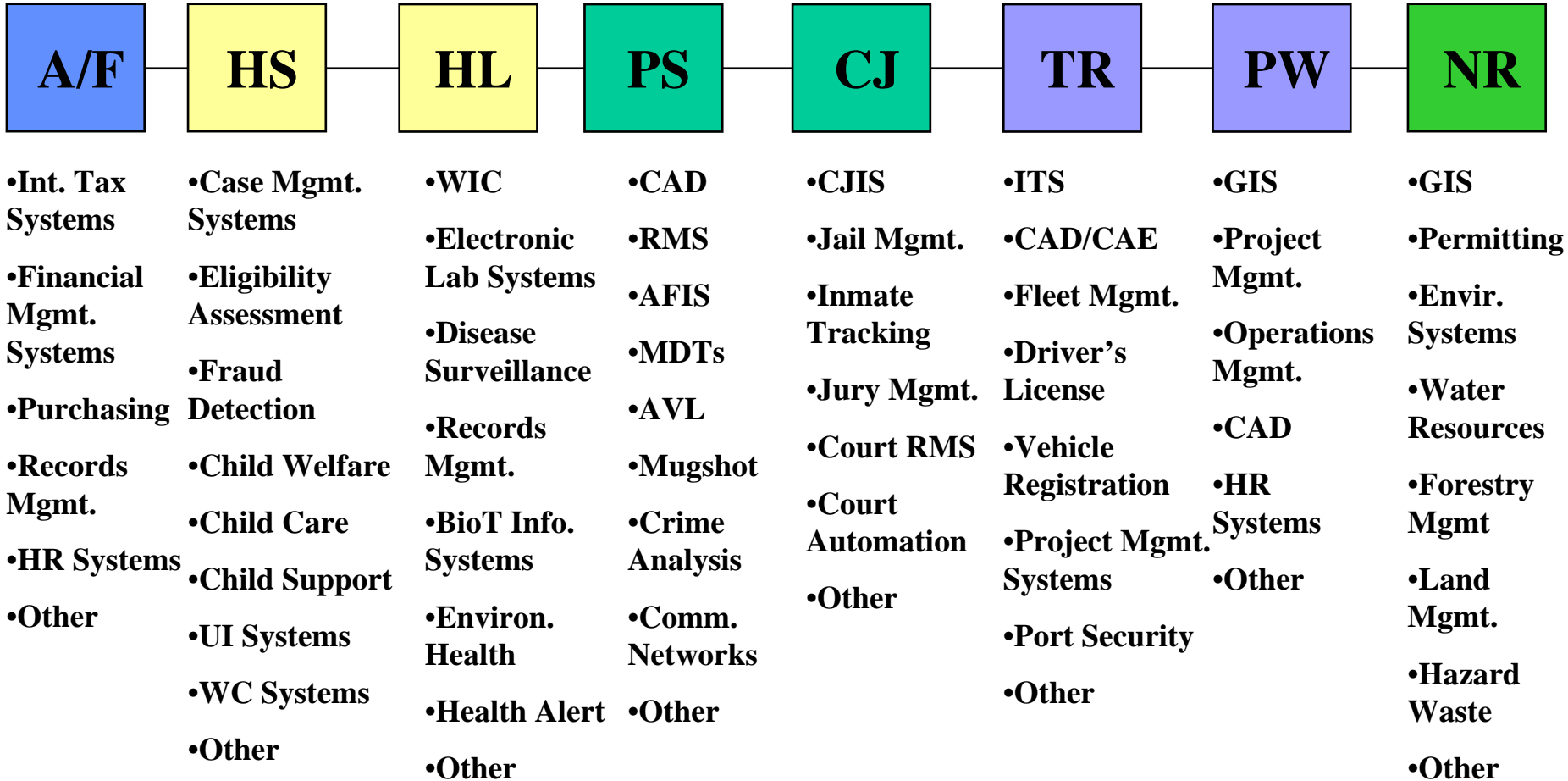
**Golden Rule #2: Repeatability Drives Margin**

**Golden Rule #3: Follow the Money Trail**

# State & Local Government: Market Segmentation



# State & Local Government: IT Solutions Map



# SLG: Traditional Tiering Strategies

Tier I	Tier II	Tier III	Tier IV	Tier V
Top 30 States	States 31-50	No States	No States	No States
Top 10 Counties	Counties 11-50	Counties 51-150	Counties 151-350	Remaining Counties
Top 10 Cities	Cities 11-50	Cities 51-150	Cities 151-350	Remaining Cities

Tier I	Tier IA	Tier IB	Tier IC
Top 30 States	States 1-4	States 5-14	States 15-30
Top 10 Counties	Counties 1-3	Counties 4-7	Counties 8-10
Top 10 Cities	Cities 1-3	Cities 4-7	Cities 8-10

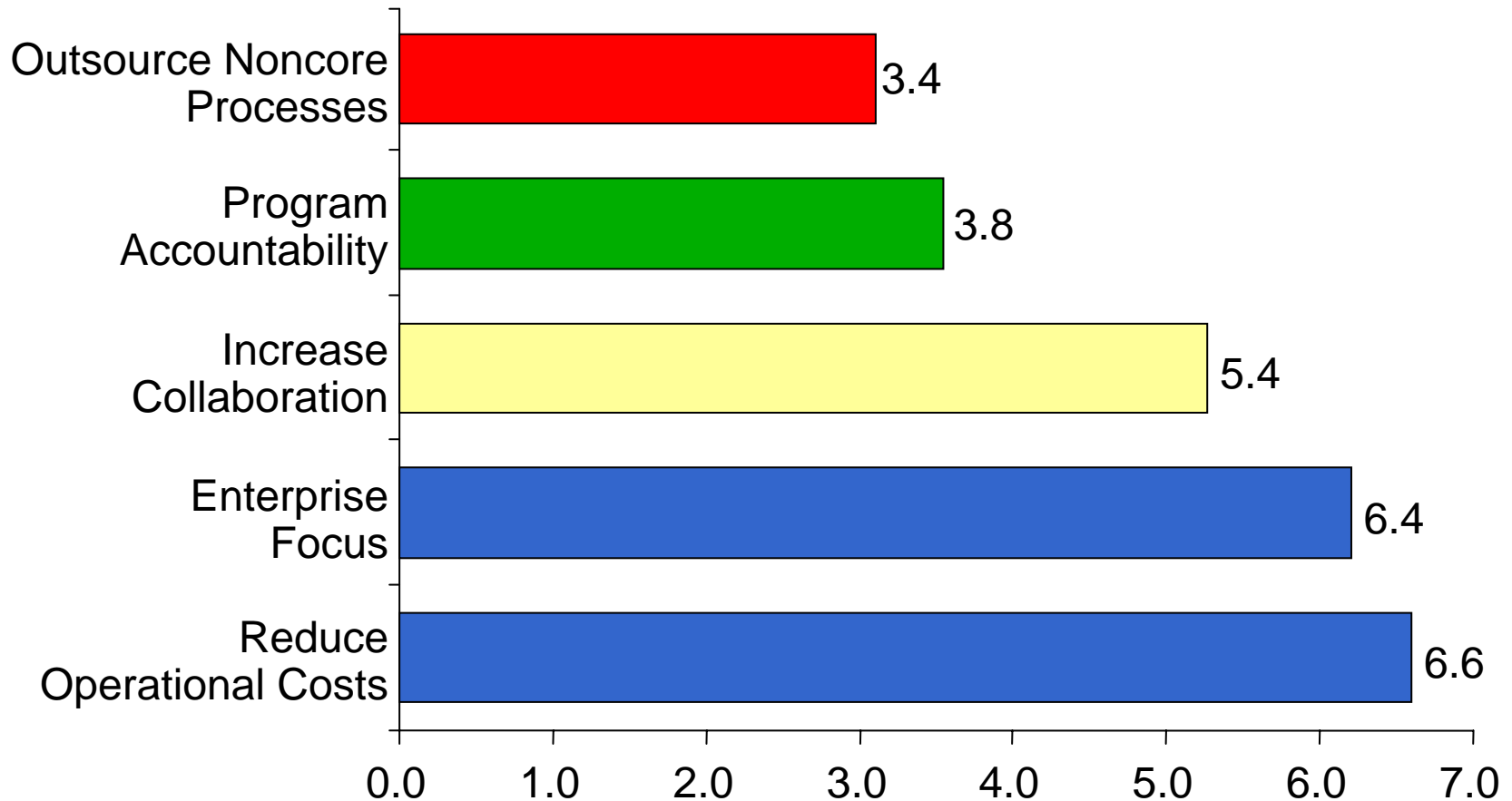
Source: Gartner Dataquest

# STV: The New Maxims of SLG

<p><b>1. Cost Containment</b></p> <ul style="list-style-type: none"><li>•Financial Mgmt. Systems (ERP)</li><li>•Budget Projection &amp; Decision-Making Tools</li><li>•Outsourced Services</li></ul>	<p><b>2. Cost Avoidance</b></p> <ul style="list-style-type: none"><li>•Eligibility Verification &amp; Fraud Detection</li><li>•Medicaid Cost Recovery</li><li>•Technology Consolidation</li></ul>
<p><b>3. Revenue Maximization</b></p> <ul style="list-style-type: none"><li>•Integrated Tax &amp; Auditing Sys.</li><li>•Toll/Ticket Collection Services</li><li>•HHS Reimbursement Practices</li></ul>	<p><b>4. Revenue Generation</b></p> <ul style="list-style-type: none"><li>•E-Government: G2B</li><li>•Economic Development Services</li><li>•Self-Service Systems</li></ul>

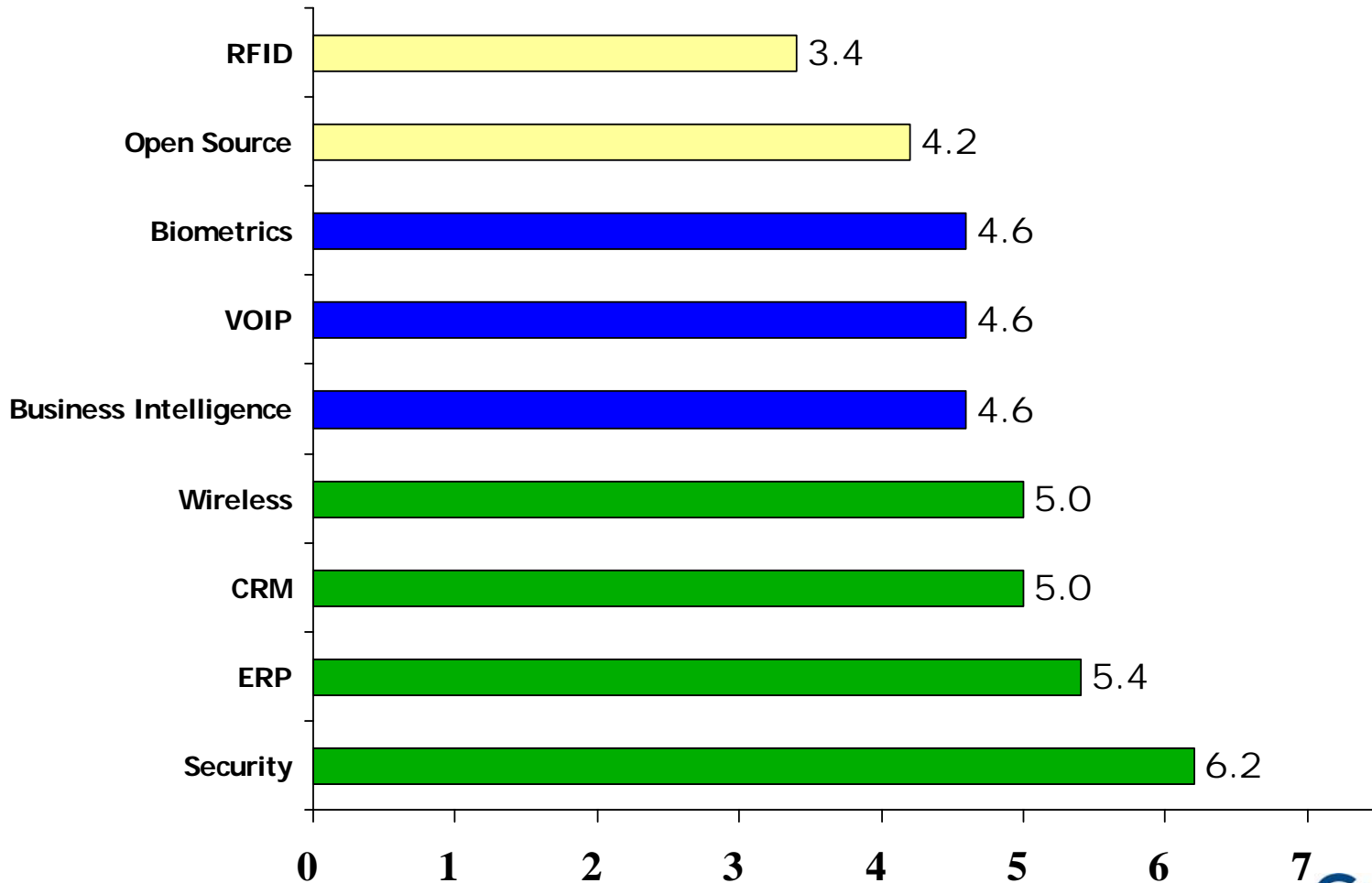
# State & Local: Priority of Major Business Objectives

Question: What is the level of priority for each of these business issues for your organization (scale 1-7, with 7 = highest priority, 1 = lowest priority)?

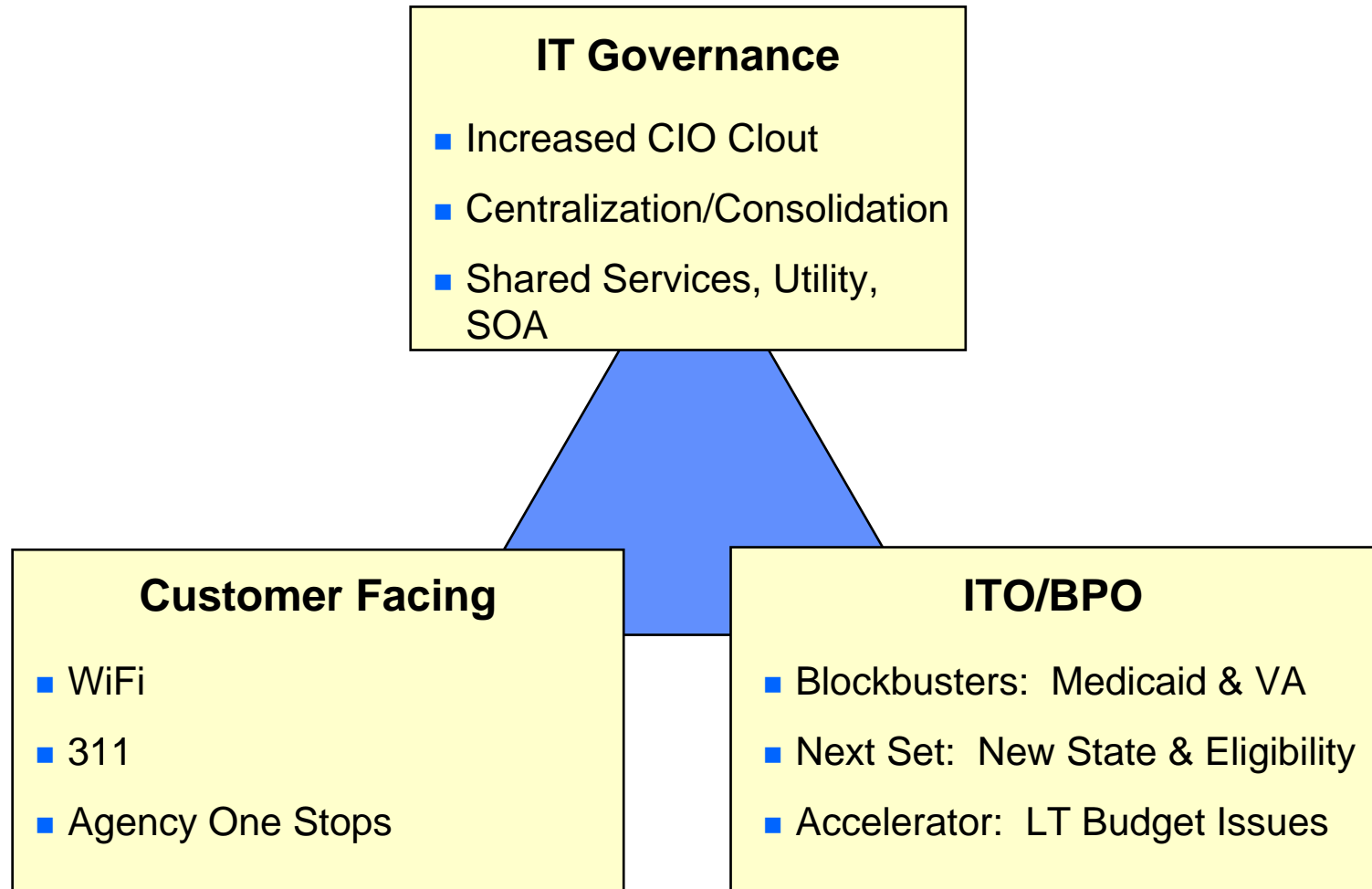


# Key SLG Technology Priorities

**Q: What are the most important technology priorities for your organization (7=most important, 1=least important)?**



# SLG: Changing Market Dynamics



# Agency Snapshots: Key Issues

## HHS

- State Driven & County Operated Opportunities
- Rich Agency: Major Federal Matching Funds
- KI: Medicaid Modern. & MITA Certification
- KI: Enterprise Case, & New Fed Matching
- KI: Eligibility BPO
- Messaging: Fraud Detection, Case Efficiency, Outcomes and Policy Driven Implementation

## PS & J

- Local Gov Driven Market
- Rich Agency: e-911, Crime, and New Court Fees
- KI: Interoperability & Fusion
- KI: Major communications modernization programs
- KI: Major Cuts to Fed Funding & DHS twilight
- KI: Increased video surveillance and biometrics
- Messaging: Save Lives, Business Process Centric, One Data

## Transportation

- State Driven Opportunity
- Rich Agency: Fed Funding & Gas Tax
- KI: ITS Reauthorization
- KI: Real ID Act/Biometrics
- KI: Port Security
- Messaging: Improve citizens daily lives, intermodal connectedness, new terrorism requirements, next generation driver's license

# SLG: CXO Messaging Map

Title	Key Business Issues	Technology Trends
<b>Governor Mayor &amp; County Manager</b>	<ul style="list-style-type: none"> <li>•Citizen Facing Government</li> <li>•Crime and Budgeting</li> <li>•Homeland at the Homefront</li> </ul>	<ul style="list-style-type: none"> <li>•E-Government Services</li> <li>•Wireless Initiatives</li> <li>•CRM Initiatives (311, One Stop, etc.)</li> </ul>
<b>Finance Manager/ Agency Director</b>	<ul style="list-style-type: none"> <li>•Performance dashboards</li> <li>•Operational and business process redesign</li> </ul>	<ul style="list-style-type: none"> <li>•Focus on greater financial mgmt. tools</li> <li>•Embed technology into business process</li> <li>•Align agencies for integrated applications</li> </ul>
<b>CIO</b>	<ul style="list-style-type: none"> <li>•Internal Skills Shortage</li> <li>•Reliance on legacy systems</li> <li>•Siloed or Dual Systems</li> </ul>	<ul style="list-style-type: none"> <li>•Enterprise technology frameworks</li> <li>•Centralization, Consolidation, Rationalization</li> <li>•New round of agency modernization</li> </ul>

# SLG: Key Influencers Map

## University Research

- Harvard
- Brown
- Michigan
- Purdue

## Govt. Organizations

- APWA
- NASBO
- AASHTO
- AAMVA
- NACO
- NGA

## Technology Groups

- NASCIO
- NASTD

**Government  
Decision Makers**



## Publications

- Governing
- Government Executive
- Government Computer News
- Government Technology
- Washington Technology

## Industry Conferences

- Gartner Symposium
- Gartner G-Con
- GTC: Austin, Sacramento, Albany
- State Technology Conferences

## Research Firms

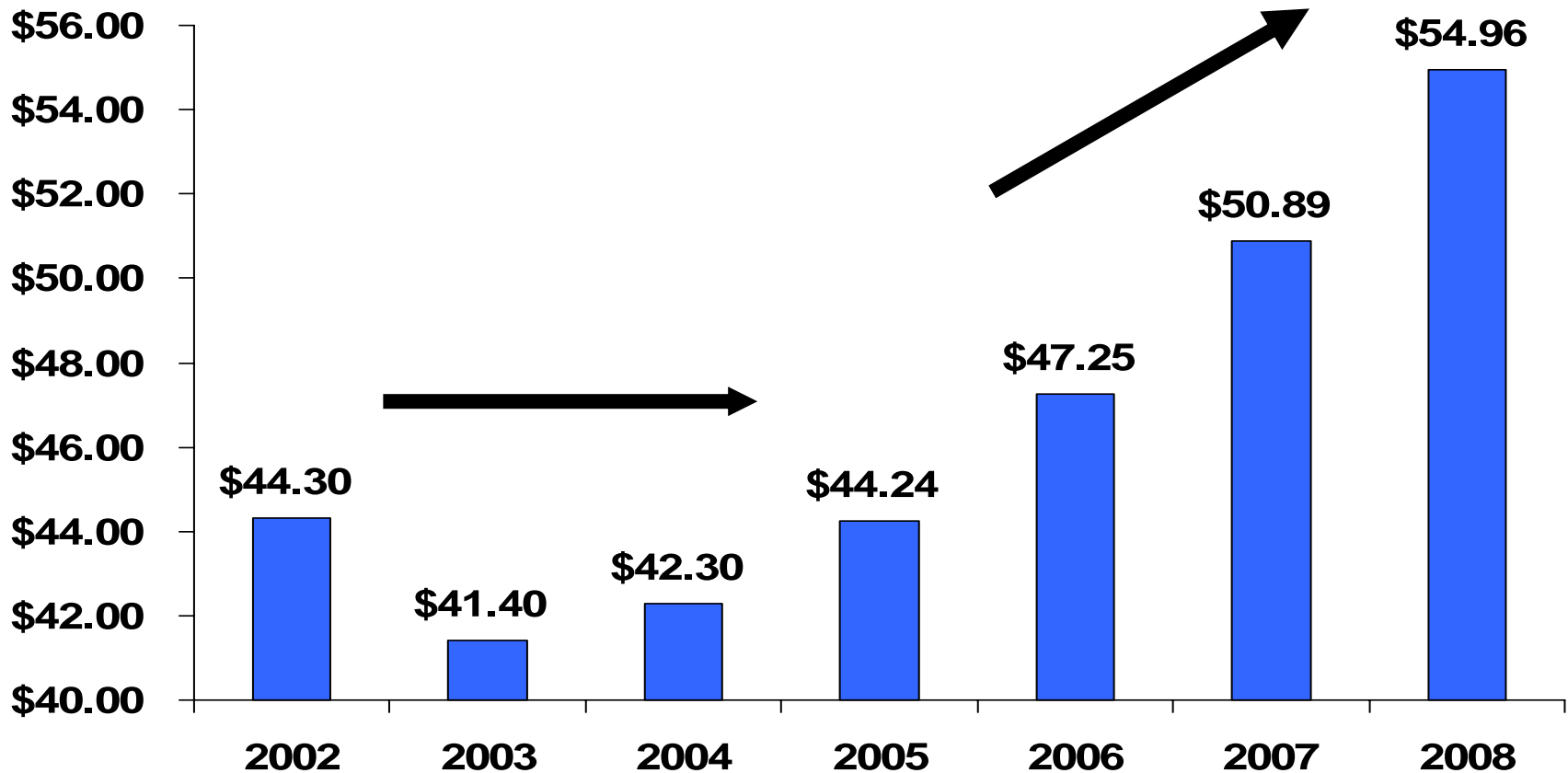
- Forrester Research
- Gartner Group
- IDC Corp.
- Input

# Federal Impact on SLG

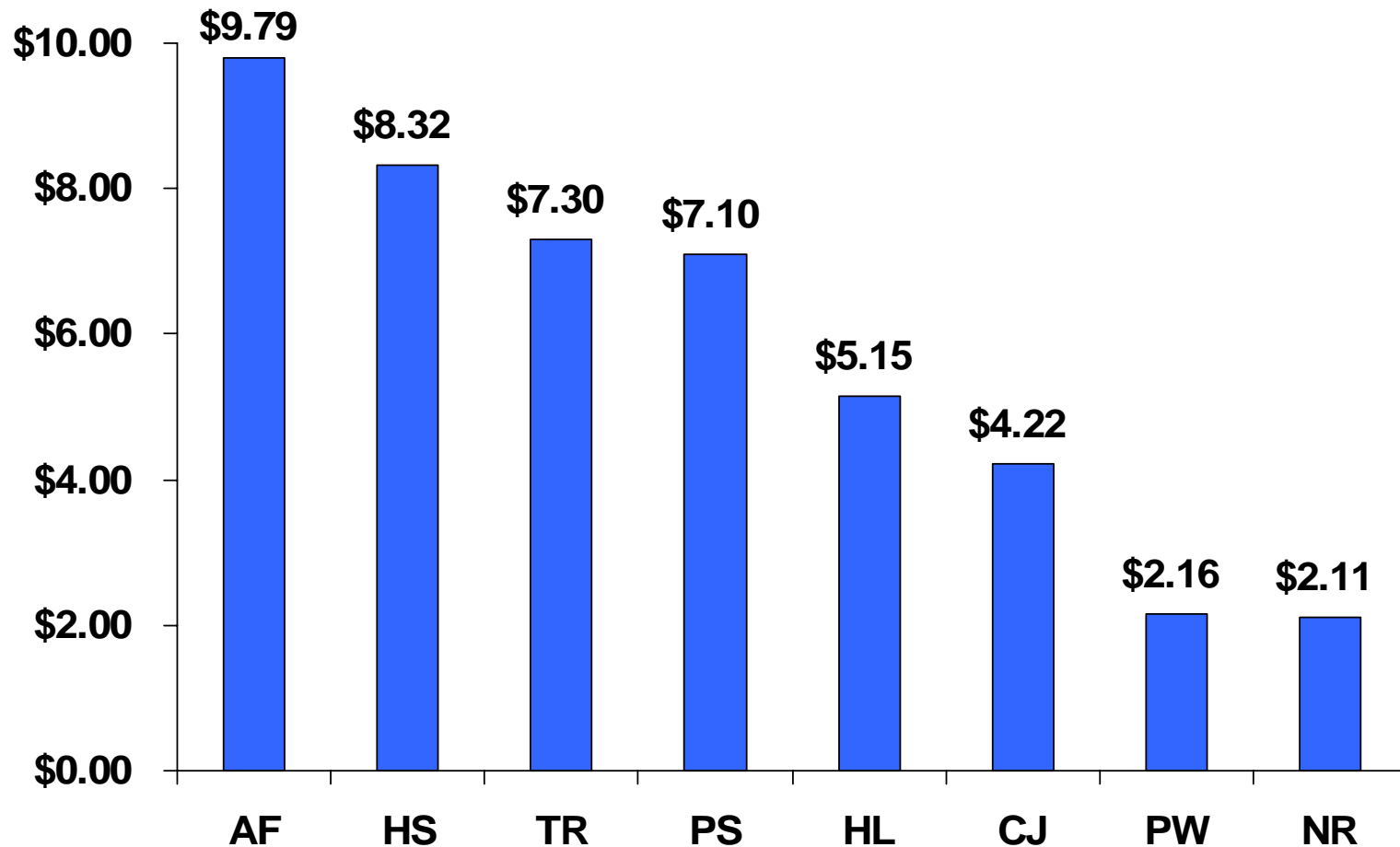
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- Divided Government Slows Spending
- Federal Tech Matching in Select Segments: Health and Human Services and Transportation
- Increased Unfunded Mandates
- Major Push to Get Programs Modernized Before Anticipated Slowdown (Medicaid)
- Greater Flexibility in Federal Policy Enables New Technology Management Practices

# State & Local Government Total IT Spend, 2002-2008



# Total IT Spend By Agency, 2006



# Top SLG Vendors, 2006

<u>SLG</u>	
1. ACS	↓
2. IBM	↔
3. Accenture	↔
4. EDS	↑↑
5. Unisys	↔
6. Northrop Grumman	↑↑
7. CGI-AMS	↑
8. Deloitte Consulting	↔
9. BearingPoint	↔
10. Maximus	↔

# State & Local Government: A Look Ahead

## Key Growth Areas

- Cost Containment & Cost Avoidance
- Major Agency Modernization (TR, HHS, PS)
- BPO Services
- Infrastructure Outsourcing
- Case Management, Tax Systems, ITS, CJIS, & Driver's Licensing

## Who Wins

- BPO Expertise
- Deep Domain Expertise in Major Agencies

## Issues to Watch

- ERP Push into Agencies
- Rise of Federal Integrator
- Future Fiscal Issues

# State & Local Government

## Gartner Views

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### Short Term View

- Four maxim methodology will continue to be an important framework to prioritize technology projects
- Medicaid modernization and related BPO services are key spending areas over the short term

### Long Term View

- State & Local Government is poised for growth in IT spending, driven by initiatives in Human Services (Case), A&F (Tax), DMV (License) and Public Safety (wireless, info-sharing)
- Completion of current ITO/BPO contracts and launch of new initiatives will accelerate total IT spending
- Looming fiscal issues and lack of clarity in federal funding represent a potential obstacle to continuous growth

### Bottom Line

- State & Local Government is an excellent vertical market, with loyal client base, large scale modernization requirements, and relative transparency in funding.
- Repeatability of solution offerings represents major margin opportunity within the State & Local Government market.
- Access to CXOs continues to be a key differentiator in vendor penetration and success