



National Association of State Technology Directors

STATE IT BUDGET Survey Summary

2026 RESULTS

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NASTD is a dynamic, member-driven association committed to advancing the effective use of information technology to achieve operational efficiency in state government.

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STATE IT BUDGET SURVEY SUMMARY

Introduction

The National Association of State Technology Directors (NASTD) consists of information technology (IT) directors and professionals who implement the strategies and policy directives set by state chief information officers. The NASTD Executive Board charged its Research Committee to survey the states on their central IT agency spending, expectations for future spending and how they are managing operations towards realizing optimization and efficiencies in serving state constituents and agencies.

Methodology

NASTD distributed an internet survey to 50 state central IT authorities in May 2026. Thirty-nine states and one United States territory responded to the survey: Alabama, Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Georgia, Illinois, Iowa, Kansas, Kentucky, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Jersey, North Carolina, North Dakota, Ohio, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virgin Islands, Virginia, Washington, West Virginia, Wisconsin and Wyoming.

Survey Findings

The survey results show that nearly two-thirds of respondents reported increased spending by central IT agencies in the past fiscal year. Respondents mentioned targeted appropriations for cybersecurity, as well as rising costs for cloud services, software licensing and enterprise technology platforms. Expectations for spending in

the new fiscal year are lower. Half of respondents report budget increases, but the rest expect flat or reduced spending.

Fifty-six percent (56%) of respondents believe their central IT agency is viewed as some variation of a strategic enabler for achieving cost savings and operational efficiency. Yet 28% believe their agencies are a cost center while the remaining 16% lean in neither direction.

States are focusing on cost optimization and operational efficiency. Respondents reported legacy system modernization, artificial intelligence (AI) or machine learning adoption and cloud migration as their top three optimization strategies currently in place. Several states indicated all eleven strategies listed were important and in use. Looking ahead, survey respondents indicated application rationalization, AI or machine learning and automation of manual processes as the top three optimization strategies they are planning on pursuing.

AI continues to be a key area of investment, with 74% of the states indicating that AI is being piloted or selectively deployed. The remaining states are evenly split, with 13% using AI as a primary driver in efficiency efforts and 13% exploring AI but not deploying it yet. One respondent commented that the state is emphasizing “responsible AI adoption through governance, risk management, workforce training and the identification of high-value use cases that can improve outcomes while reducing costs and administrative burden”.

The states identified shared and consolidated platforms, cloud computing and cloud-native architecture and AI and machine learning as the top three emerging technologies that could help their

states manage their IT spend. One respondent commented, "The best measure for keeping costs low is competition; states must be willing to test the waters and hold incumbent solutions accountable."

Improving service delivery remains a priority. Respondents identified process automation, AI-assisted service delivery and infrastructure modernization as the states' top three opportunities for improved service delivery.

The top three state approaches to balancing short-term budget constraints with long-term modernization needs are: leveraging shared services, prioritizing quick-win, low-cost improvements and breaking large modernization projects into smaller, budget-friendly increments. One state

found, "breaking larger modernization initiatives into small increments" has shown clear evidence that "smaller increments are far more likely to lead to a successful outcome."

Inflationary cost increases remain a challenge. Most states report absorbing cost increases within existing budgets while they renegotiate vendor contracts and leverage cooperative purchasing agreements. Some states have deferred or canceled projects to manage financial constraints.

The survey asked the respondents to detail what strategies the states are using to optimize service delivery while achieving cost savings. A sampling of the comments:

"By leveraging shared services, cloud technologies, centralized cybersecurity, and AI-driven capabilities, the state is streamlining operations and modernizing service delivery. This approach improves citizen experiences, increases organizational efficiency and reduces technology expenditures."

"We have a specific initiative to drive efficiencies and identify cost savings in IT spend through a systematic review and identification of opportunities for standardization, consolidation, optimization and renegotiation."

"We are focusing on designating key IT services as 'enterprise services,' which then requires the use of that service instead of allowing duplicative services to be stood up."

"Continue with our consolidated approaches and utilize existing services first."

"Focusing on outcomes, investing in human-centered design to help ensure we are solving the right problems for the right users."

"Redefining our service delivery model and focusing on 'total cost of ownership' and rolling all costs for providing the service/capability into one package - consisting of all services and consumption costs."

"Re-evaluating existing projects and looking at how soon to be released RFPs for enterprise services can bring new technologies and improve services."

Summary

State IT operations are managing rising costs, tightening budgets and increasing expectations for digital services. Success will depend on balancing innovation with fiscal discipline, leveraging enterprise-scale efficiencies and strategically investing in technologies that deliver measurable value.

Acknowledgements

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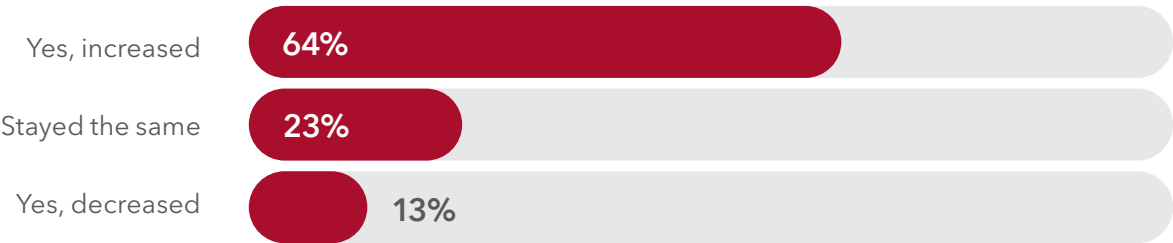
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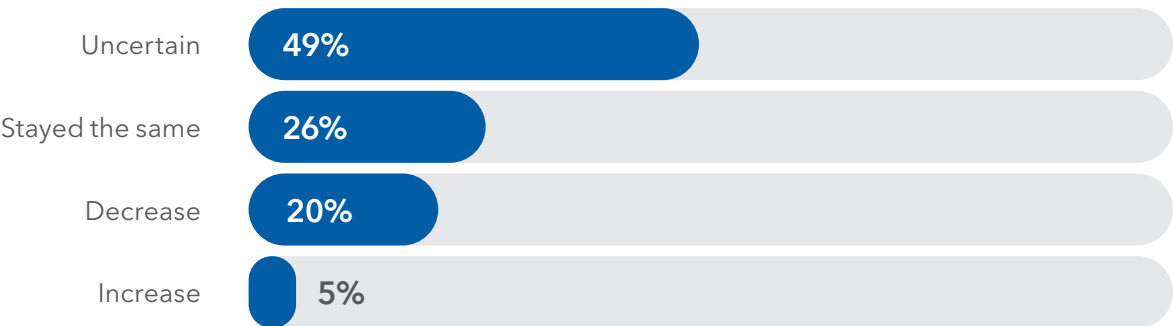
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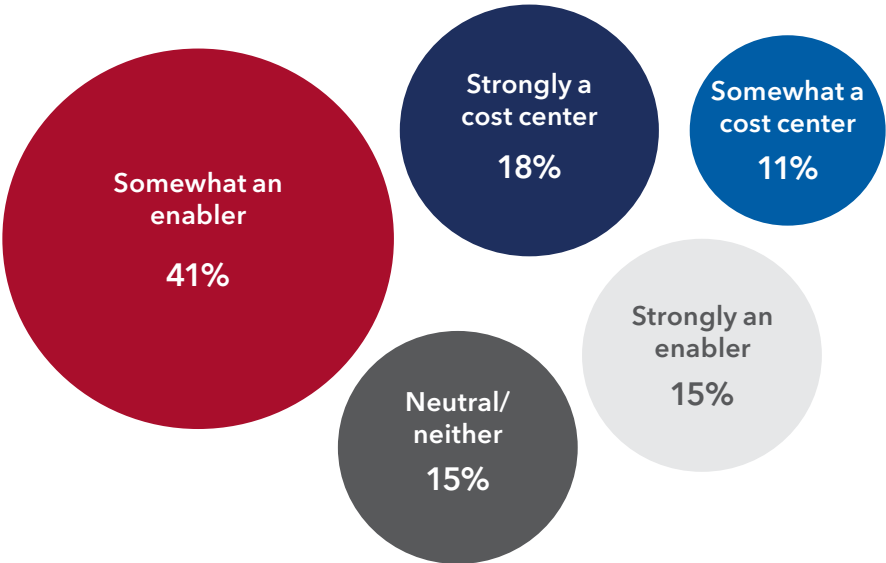
Has your state's central IT agency spend changed compared to the previous fiscal year?



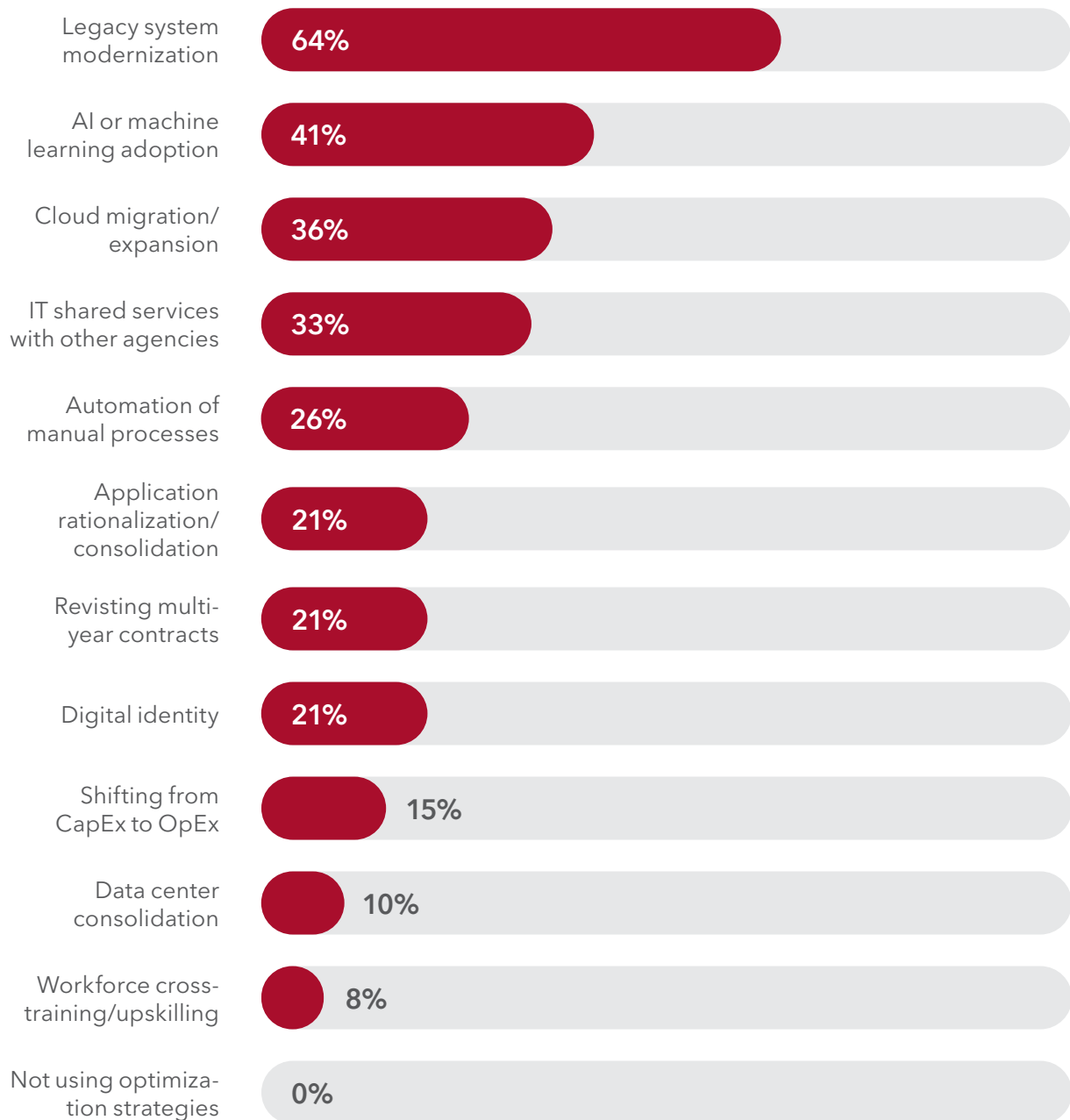
What does your state's IT agency anticipate for next fiscal year's spend?



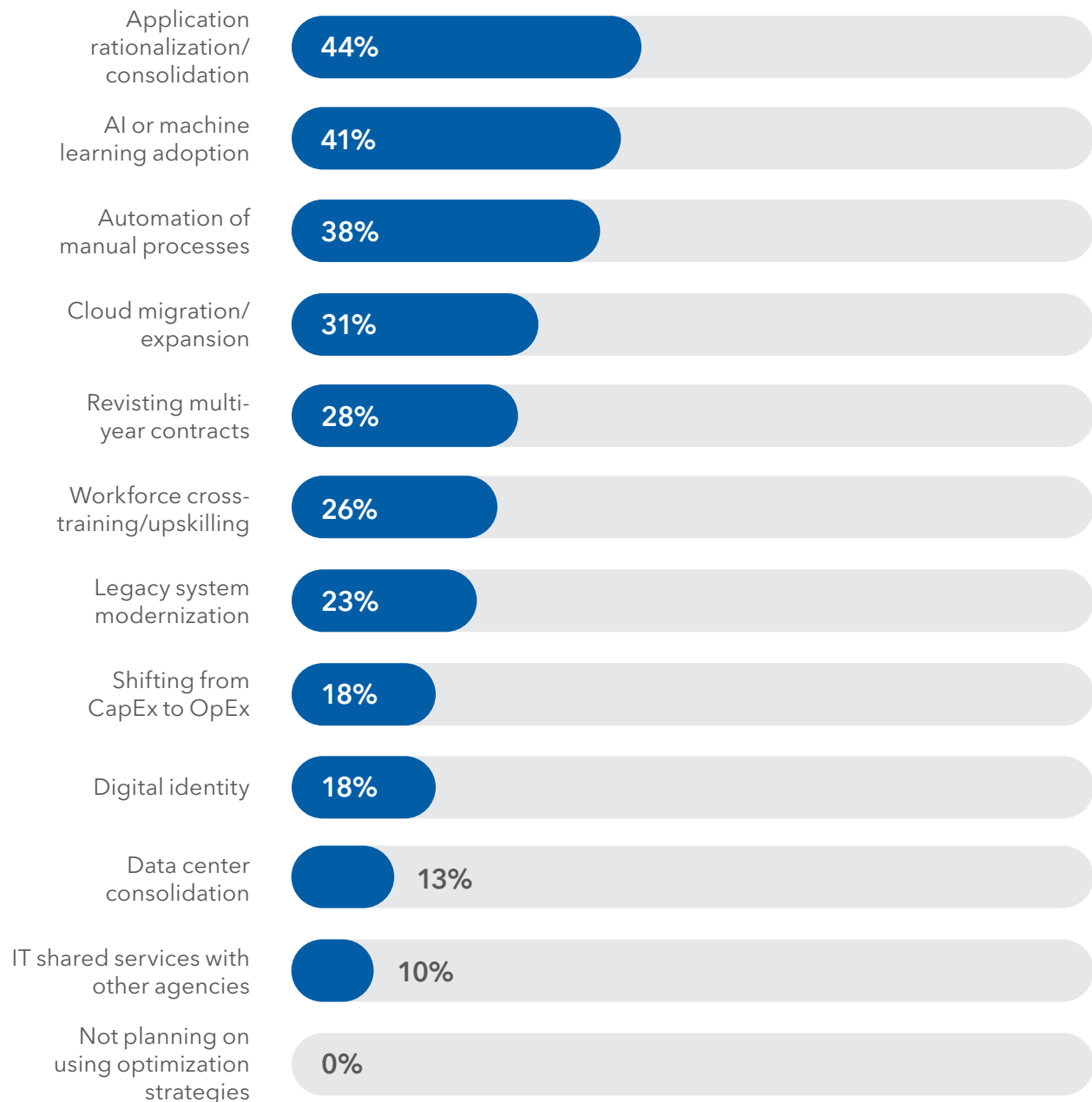
To what extent do you believe the central IT agency in your state is seen primarily as a cost center or as a strategic enabler for achieving cost savings and operational efficiency?



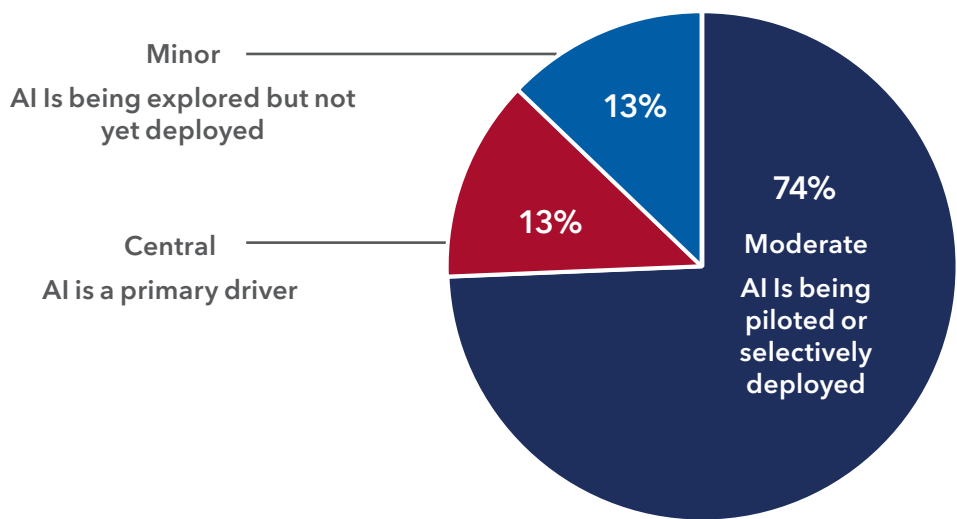
Which of the following optimization strategies is your state currently pursuing? (Select top three)



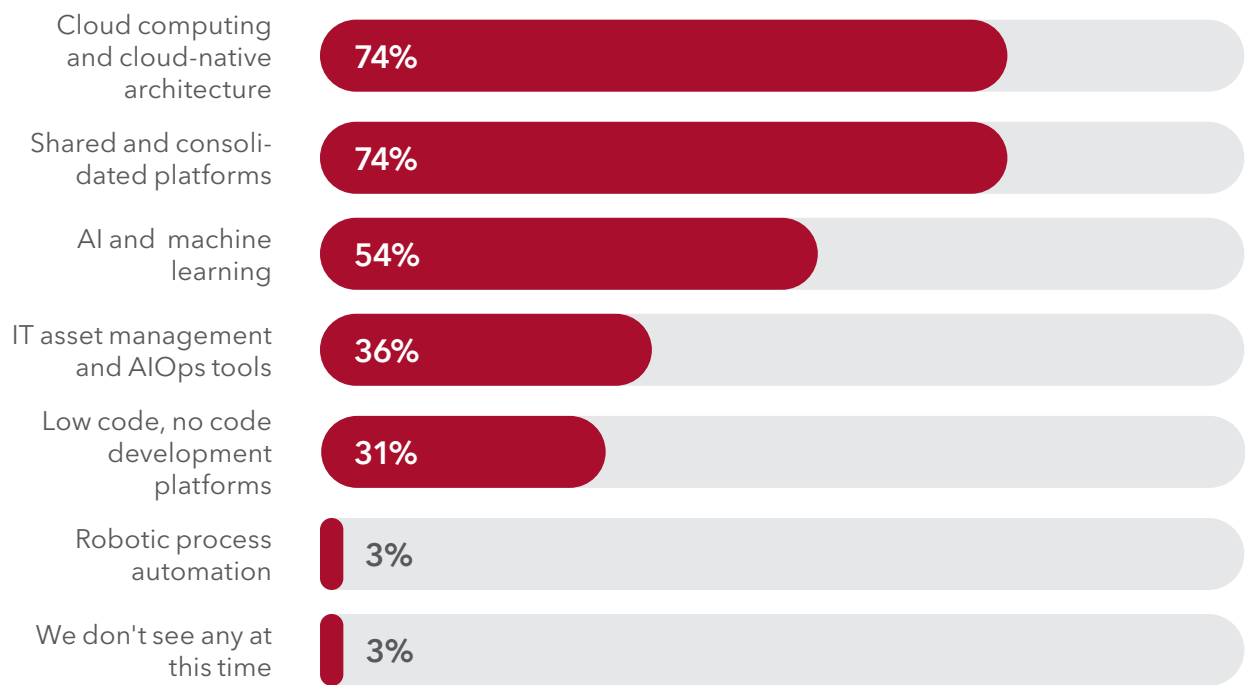
Which of the following optimization strategies is your state planning to pursue? (Select top three)



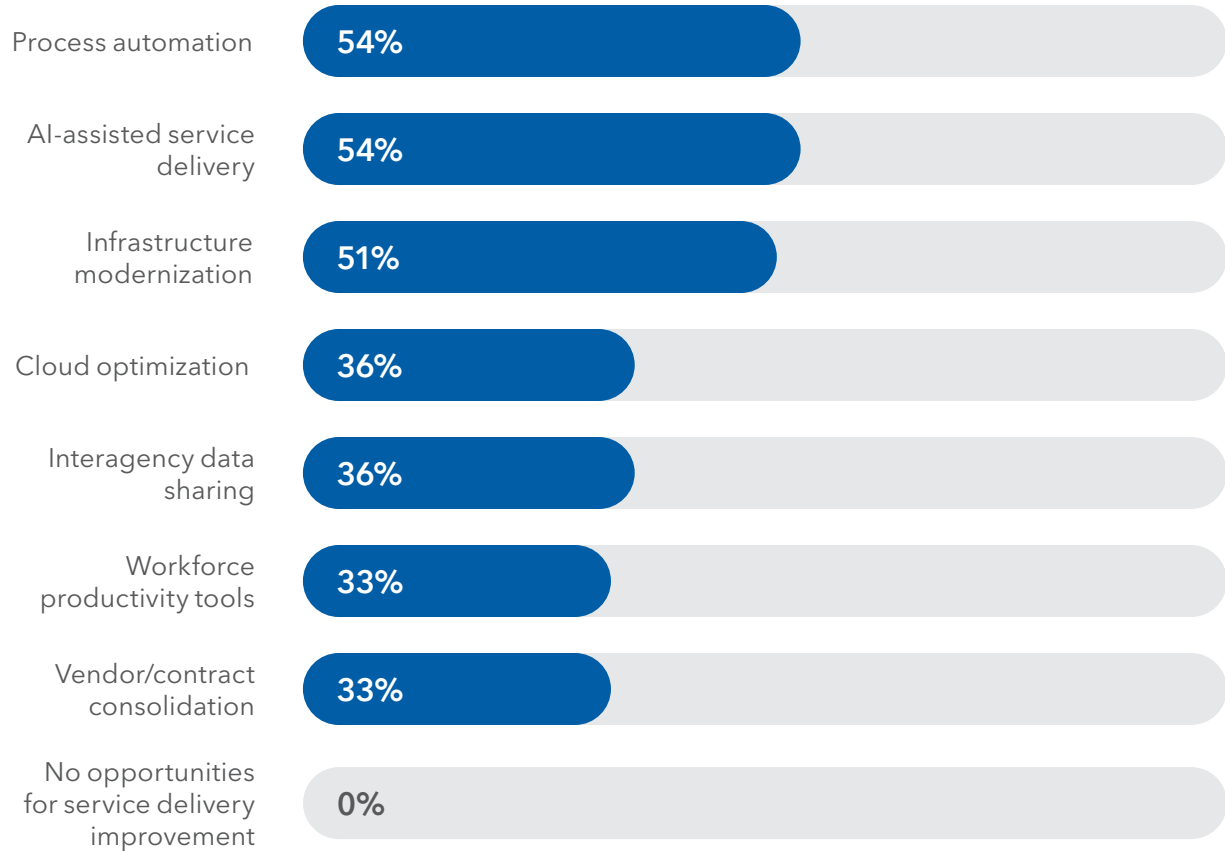
Is artificial intelligence (AI) playing a role in your state's efficiency efforts?



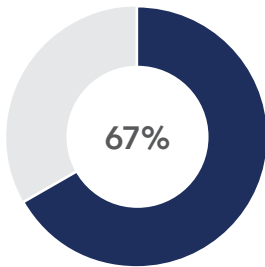
Which emerging technologies offer the most promise for helping your state manage its IT spend? (select top three)



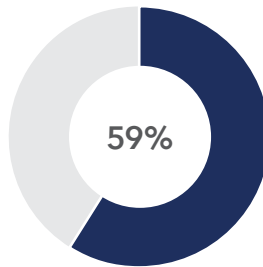
Does your state see opportunities for improved service delivery?
If so, where? (select top three)



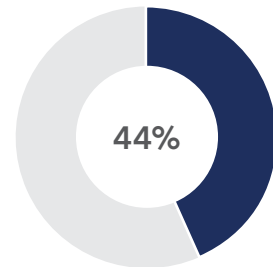
How is your state balancing short-term budget challenges with longterm modernization needs? *(select top three)*



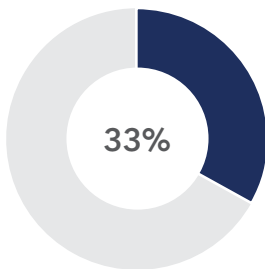
Leveraging shared services and inter-agency consolidation to reduce redundant costs



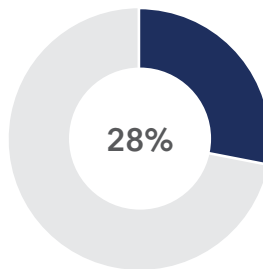
Prioritizing quick-win, low-cost improvements (e.g., process automation, SaaS migrations)



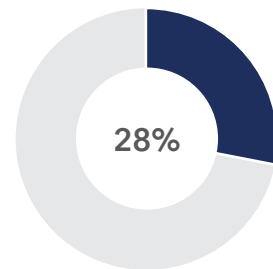
Breaking large modernization initiatives into smaller, budget-friendly increments



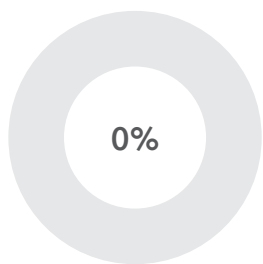
Partnering with vendors through outcome-based or as-a-service contract models



Keeping legacy systems operational until additional funding is available



Securing multi-year capital funding or federal grants for modernization



We see no budget challenges at this time

How has your state managed inflationary cost increases? *(select top three)*

