



# State IT Funding Models: Trends and Perspectives

State of Vermont  
House Committee on Energy and Digital Infrastructure

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@NASCIO

# About NASCIO

- National association representing state chief information officers and information technology executives from the states, territories and D.C.
- NASCIO provides members with products and services designed to support the challenging role of the state CIO, stimulate the exchange of information, and promote the adoption of IT best practices and innovations.



# 2025 STATE CIO TOP 10 PRIORITIES

Priority Strategies, Management Processes and Solutions

**1** CYBERSECURITY AND RISK MANAGEMENT



**2** ARTIFICIAL INTELLIGENCE / MACHINE LEARNING  
/ ROBOTIC PROCESS AUTOMATION



**3** DIGITAL GOVERNMENT / DIGITAL SERVICES



**4** DATA MANAGEMENT AND ANALYTICS



**5** LEGACY MODERNIZATION



**6** BUDGET / COST CONTROL / FISCAL  
MANAGEMENT



**7** IDENTITY AND ACCESS MANAGEMENT



**8** CLOUD SERVICES



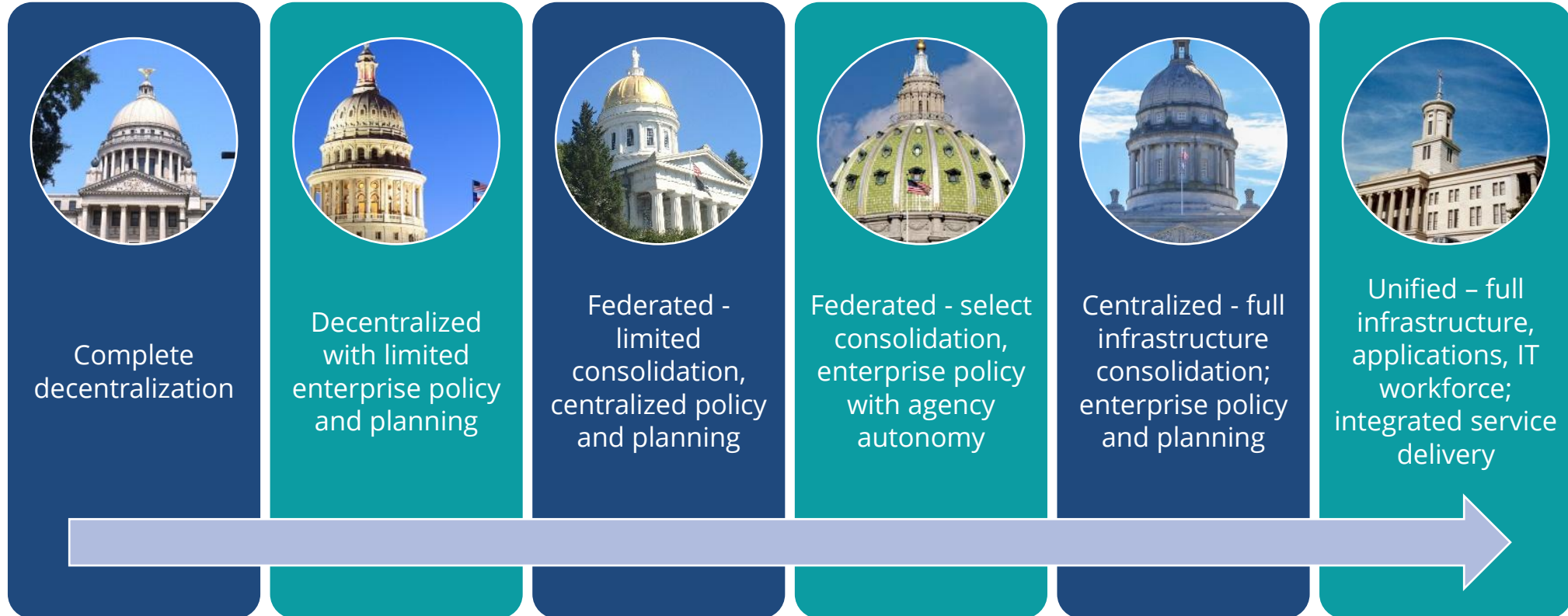
**9** WORKFORCE



**10** ACCESSIBILITY



# How are States Structured? It Depends...



States approach IT operating structures with different strategies, business drivers and models. There are variations on these themes depending on state CIO authority, financial posture, political will and the ability to absorb change.

# How will the CIO organization serve customer agencies in the next 3 years? (select all that apply)



Develop & deliver infrastructure services to state agencies (**88%**)



Have a voice in state agency strategy & strategic initiatives (**75%**)



Ensure IT systems comply with security & regulatory requirements (**67%**)

Operate broker of services model	54%
Drive stabilization of operations	52%
Lead technology modernization efforts with an enterprise fund	44%
Proactively identify and remove obstacles that improve the delivery of projects and services	40%
Drive innovation with a dedicated program	29%
Link, monitor and report IT spend versus value delivered	27%
Improve program/project delivery metrics	13%



# How CIO Organizations are Moving to Deliver Services

*Respondents allowed to make multiple selections*

Consolidation of infrastructure	90%
Consolidation of services (e.g., help desk, training etc.)	69%
Centralization of IT project management and oversight under the CIO organization	63%
Responsibility for technology procurement within the CIO organization	60%
Consolidation of IT personnel under the central technology organization	48%
Consolidation of applications	46%
Consolidation of technology budget under a central IT organization	25%
More federation or decentralization of IT roles and personnel to agencies	8%
Divestiture of technology procurement responsibilities	6%

# How will the CIO organization serve customer agencies in the next 3 years? (select all that apply)



**96%**

Strategic  
direction and  
policy setting



**84%**

CIO as broker  
of services



**80%**

Infrastructure  
provisioning  
and operations  
management



**53%**

Selective  
outsourcing



**49%**

Increase IT  
employees in  
the state CIO  
organization  
(state employees)



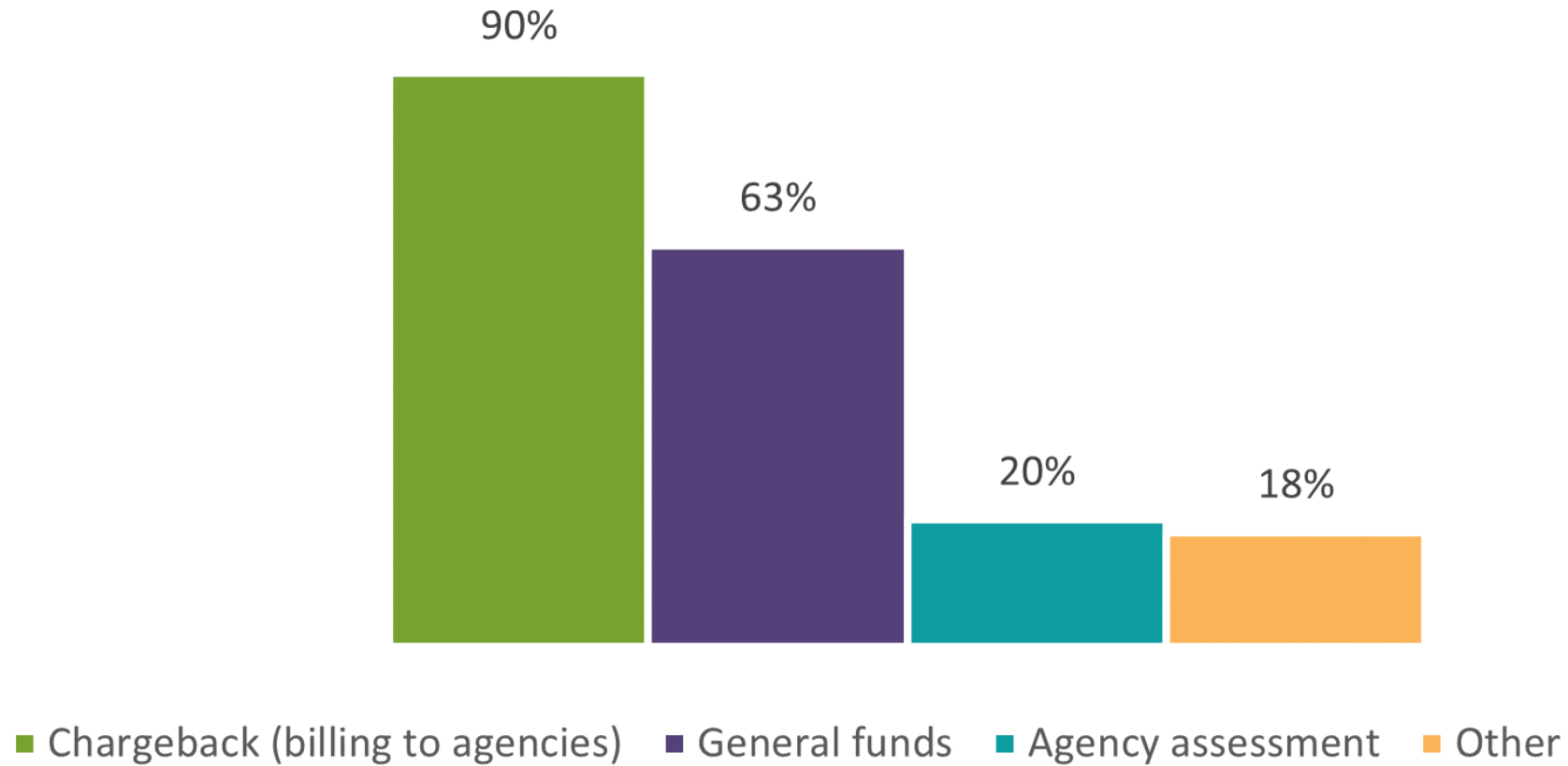
**10%**

Total outsourcing  
/ managed  
services



# How is the state CIO organization funded?

(select all that apply)





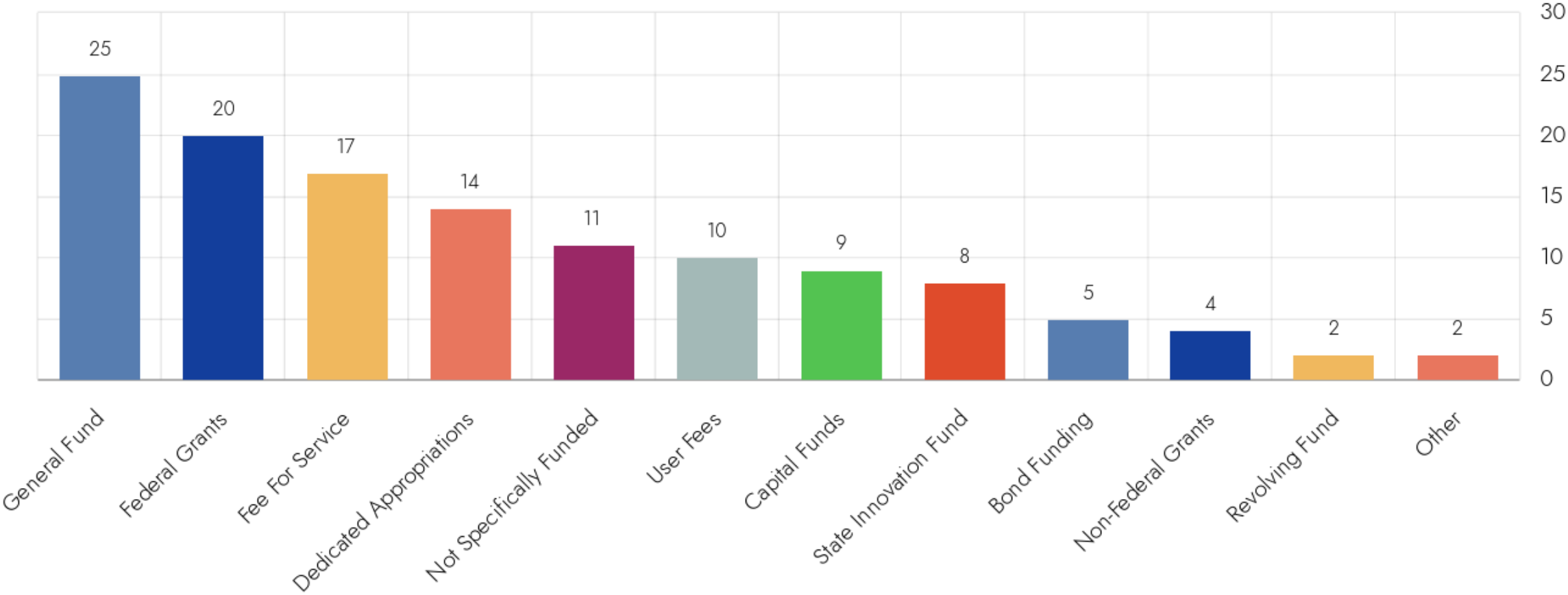
# Options for State IT Funding

- Bonds for Information Technology
- Certificates of Participation
- Cooperative Purchasing Fees
- Data Sales
- External Grant Funding
- Investment Funds
- Innovation Fund from Appropriation
- Leasing & Financing
- Modernization Fund from Appropriation
- Performance-Based Contracting
- IT Procurement Assessments
- Public-Private Partnerships
- Share in Savings with Vendors
- User-fee Revenue

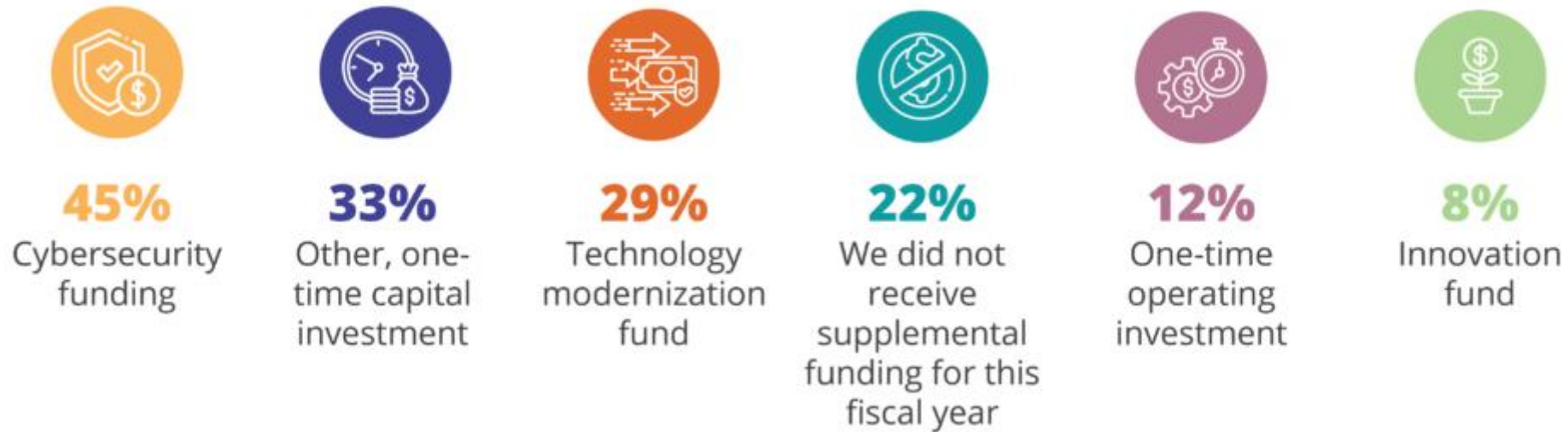


# Funding Sources for Application Modernization

(select all that apply)



# Has the CIO organization received supplemental funding for the current fiscal year? (select all that apply)



# Why Have a Technology Modernization Fund?

- Make strategic investments to replace or upgrade technology
- Provide financial support for projects that utilize technology to address critical needs
- Address the lack of capital funds from the agencies
- Improve digital services and citizen experience
- Accelerate the deployment and adoption of enterprise or program wide (shared) IT systems and services
- Address a critical security risk
- Modernize a business process
- Support migration to cloud services
- Generate cost savings through modernization
- Improve resiliency, operational efficiency, and/or risk reduction
- Facilitate research, prototyping, and piloting of emerging technologies



# Top Challenges for Application Modernization Initiatives



1. **Funding**



2. **Dedicating Staff Time**



3. **Large Legacy Systems**



4. Significant Business Process Redesign



5. Agency Resistance to Change



6. Lack of Enterprise Insight



7. Procurement



8. Technical Know How



9. Shadow IT



10. Maintaining Current Enterprise Architecture



11. Cybersecurity



# How are Modernization Funds Established?

- Dedicated Technology Modernization Fund
- Directed Technology Modernization Funds
- Bond Funding for Technology Modernization
- Technology Modernization Fund Supported by Fees or Assessments
- Technology Modernization Fund from External Sources



# How are Modernization Funds Structured?

- **Recurring Funds:** under a legislative appropriation, states have established a specific fund to support IT modernization projects. Fund has a multi-year horizon. May require a direct or in-kind match from the agency.
- **One Time Funds:** states have created a modernization fund directed at targeted opportunities for investment: public safety, corrections, human services or court modernization. May require a direct or in-kind match from the agency.
- **Capital Investment Funding:** based on an enterprise-wide strategy focused on creating systems that are interoperable and involve shared services and applications.
- **Revolving Funds with Loans:** IT modernization funds are provided to agencies as a loan with a required repayment schedule
- **Competitive Funding:** Agencies compete for modernization/innovation funding under a solicitation model. Agencies are invited to pitch projects to a governance body. May require a direct or in-kind match from the agency.





# What Do We Know? Patterns of Success



**Enterprise IT Leadership and Governance**



**Statewide Enterprise and Solutions Architecture**



**Enterprise Security and Risk Management**



**Consolidation and Optimized IT Spending**



**Enterprise Project, Portfolio & Investment Management**



**Business Transformation Enabled by Technology**