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The nation’s one media firm focused exclusively on the state & local government and education markets
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POWER OF THE STATES AND LOCALITIES

- “The Devolution Revolution”
- “New Federalism”
- “Laboratories of Democracy”
POWER OF THE STATES AND LOCALITIES

- A $2.5 trillion market (1.5 times fed, non-defense spending)
- 19 million workers (7 times the # of federal employees)
- One of the largest markets for goods and services in the world

Source: GOVERNING Institute 2013
“State and local governments are in their best financial shape since the recession, giving them leeway to cushion the U.S. economy from federal budget cuts with spending and hiring of their own.”

• Growing expenditures and investment
• Tax receipts back to pre-recession levels
• New spending on parks, schools, roads
• Hiring numbers trending up
• State revenues projected to increase 3.9%

SOURCES: Bloomberg News; Moody’s Analytics; NASBO; U.S. Department of Commerce
# The Strongest Business Opportunities Are in the States & Localities

## State & Local Budgets Are Rebounding

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>State General Fund spending</td>
<td>has increased 2.2% over last year</td>
</tr>
<tr>
<td>Number of states</td>
<td>enacted higher general fund spending than 2012</td>
</tr>
</tbody>
</table>

## The Worst of the Recession Is Over

<table>
<thead>
<tr>
<th>Description</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Property taxes</td>
<td>are expected to increase in 2013 as housing market improves</td>
</tr>
<tr>
<td>State tax collections</td>
<td>projected to grow by more than 6% in 2013 and by nearly 7% in 2014</td>
</tr>
</tbody>
</table>

*Source: GOVERNING Institute 2013*
POWER OF THE STATES AND LOCALITIES

State General Fund Revenue Collections
And the Great Recession

Source: National Conference of State Legislators, 2013
# State & Local Governments Are Stabilizing

## Confidence Is Driving Business Opportunities

- Surveys of state and local leaders show increased optimism into 2013
- 61% of state and local hiring managers expect to add new positions in 2013

## Technology Spending Will Trend Up Slightly In 2013

- Overall state and local IT spending for U.S. state and local government will exceed $93 billion

Source: GOVERNING Institute 2013
<table>
<thead>
<tr>
<th></th>
<th>Issues To Watch In 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Expanding Medicaid</td>
</tr>
<tr>
<td>2</td>
<td>Return of Revenue</td>
</tr>
<tr>
<td>3</td>
<td>Federal Uncertainty &amp; Fiscal Shortfalls</td>
</tr>
<tr>
<td>4</td>
<td>Implementing Common Core</td>
</tr>
<tr>
<td>5</td>
<td>Workforce/Economic Development</td>
</tr>
<tr>
<td>6</td>
<td>Funding Infrastructure</td>
</tr>
<tr>
<td>7</td>
<td>Optimizing Technology</td>
</tr>
<tr>
<td>8</td>
<td>More Pension Tinkering</td>
</tr>
<tr>
<td>9</td>
<td>Talent in Government</td>
</tr>
<tr>
<td>10</td>
<td>Immigration</td>
</tr>
</tbody>
</table>
DRIVERS OF CHANGE

• $2 trillion is needed to repair infrastructure and make it smarter
• 50% of all HHS systems are “legacy systems” and need updating
• HHS costs will crowd out education if they aren’t tamed
• Pension systems are a huge obligation and long-term financial liability
• Governments are reinventing the way they engage with citizens and partners

Source: GOVERNING Institute 2013
THE YEAR OF THE UNDERCLASSMEN

Half of the nation’s legislators are freshmen or sophomores

A steep learning curve

POWER OF THE STATES AND LOCALITIES
FINANCE
Top 10 Market Opportunities & Challenges in 2013

1. Federal funding
2. Municipal bonds
3. Infrastructure funding
4. Restructuring
5. Economic development
6. Medicaid
7. Pensions
8. Transparency
9. Improving procurement
10. Tax reform
TRANSPARENCY, DATA AND THE SEARCH FOR MORE REVENUE

Washoe County, Nevada

- Unemployment 13%
- Lost 30-50% of assessed property value
- Successfully funded transportation initiatives of $18 million per year in new fees
- Citizen engagement
- Participatory budgeting

Source: GOVERNING Institute 2013
TRANSPORTATION & INFRASTRUCTURE

Top 10 Market Opportunities & Challenges in 2013

1. Crumbling infrastructure
2. Rise of P3s
3. Tolls and VMTs
4. Managing water resources
5. Energy policies
6. Renewable energy
7. “Internet of Things”
8. Fleet management
9. Livable communities
10. Resiliency
Transportation Funding Power Shift
- Federal shortfall $30 billion annually
- 35% cut in federal funding likely

States Taking Action
- 10 states raised fuel taxes
- West Coast Infrastructure Exchange
- MI: proposed %-based fuel tax
- VA: proposed sales tax increase
- MA: proposed tax & fee increases
- MD: indexing gas tax to inflation

Source: GOVERNING Institute 2013
WORKFORCE
Top 10 Market Opportunities & Challenges in 2013

Public Sector Workforce Issues
1. Pension reform & OPEBs
2. Employee healthcare costs
3. Delayed retirement
4. Retention & Morale
5. Employee engagement; call to public service

Training & Economic Development
6. Competitive workforce
7. K12 education
8. Higher-ed / training issues
9. Immigration
10. “Diabetes belt”
POWER OF THE STATES AND LOCALITIES

61% of state and local hiring managers expect to add new positions in 2013.

Only 11% anticipate reductions in 2013, a sharp reduction from 2012.

Source: GOVERNING Institute 2013
States and Localities Taking Action

Making Healthcare Less Costly, More Sustainable

81% employee healthcare costs # 1 stress on city budgets

Wellness Programs Driven by Data

- Chattanooga, TN: in-house clinic, pharmacy and wellness program; healthy living incentives
- CT: surcharges for failure to participate
- RI: healthy outcome credits

Sources: National League of Cities; Governing
HEALTH & HUMAN SERVICES
Top 10 Market Opportunities & Challenges in 2013

1. Affordable Care Act
2. Health insurance exchanges
3. Healthy living
4. Health IT infrastructure
5. Big data
6. Partnerships
7. Case management
8. Workforce shortages
9. “Silver Tsunami”
10. Mental health services
THE SILVER TSUNAMI IN THE U.S.

- By 2030, 1/5 Americans will be 65+
- In next 20 years, 65+ population will increase by 79%
- And the number of those 75-84 will increase by 89%

STATE AND LOCAL NEXT STEPS

- “Complete Streets”
- “Aging in Place”
- Age-Friendly Communities

Source: GOVERNING Institute 2013
MEDICAID FACTS

• Medicaid spending has increased over 250 percent since 1990.

• Experts estimate that Medicaid will cost American taxpayers $459 billion in 2012.

• Annual Medicaid spending now exceeds Wal-Mart’s worldwide annual revenue.

Source: GOVERNING Institute 2013
PROMOTING HEALTH EXCHANGES: STATES GET CREATIVE

Up to 20 million Americans expected to enroll in exchanges for 2014 ... if they find out about it

- CA: $900,000 contract to market the HIE
- WA: Ads on Pandora radio stations
- OR: Printing notices on coffee sleeves

Source: GOVERNING Institute 2013
TECHNOLOGY
Top 10 Market Opportunities & Challenges in 2013

1. Return of revenue
2. Shared services
3. Cybersecurity
4. Cost control
5. E-government
6. Healthcare
7. Broadband
8. Cloud computing
9. Big data
10. “Internet of Things”
TECHNOLOGY AND EFFICIENCY RULE STATES AND LOCALITIES

- Smarter government begins with technology
- Cloud, mobility and shared services are here to stay
- HHS and integrated eligibility will drive spending for years
## 2013 Estimated State and Local Government IT Spend

**$93.1 Billion**

<table>
<thead>
<tr>
<th>Largest IT Spenders</th>
<th>2013 Estimated IT Spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health and Human Services</td>
<td>$22.9 billion</td>
</tr>
<tr>
<td>Transportation</td>
<td>$9.5 billion</td>
</tr>
<tr>
<td>Finance and Administration</td>
<td>$8 billion</td>
</tr>
<tr>
<td>Criminal Justice/ Public Safety</td>
<td>$7 billion</td>
</tr>
</tbody>
</table>

Source: GOVERNING Institute 2013
“It’s time for Washington to show a little humility. There are a thousand sparks of genius in 50 States and a thousand communities around the Nation. It is time to nurture them and see which ones can catch fire and become guiding lights.”


POWER OF THE STATES AND LOCALITIES
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