

# EY Government State and Local 2025 Survey findings

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The EY Government State and Local 2025 Survey, commissioned by the EY Center for Government Modernization, asked 300 government IT employees with decision-making power at their agency about their perception of and experience with emerging technologies.

**This report outlines the five top findings.**

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# 1

## State and local government IT Decision Makers (DMs) are prioritizing fiscal responsibility and improving cybersecurity this fiscal year before tackling legacy system modernization in the next five years.

State and local government IT DMs say cost reduction and improving cybersecurity are among their agency's top priorities for this fiscal year, slightly preceding the modernization of legacy systems, which is expected to be a top priority in the next five years. Key challenges to both modernization and transitioning away from legacy systems include prohibitive costs.

- State and local government IT DMs say some of the top five priorities for their agency this fiscal year are reducing costs (56%) and improving cybersecurity (54%), while only 47% of state and local government IT DMs say that modernizing legacy systems is a top priority for their agency this fiscal year.
- However, modernizing legacy systems is one of the top priorities for state and local government IT DMs in the next five years (55%).
- About 7 in 10 (71%) state and local government IT DMs say it costs too much to modernize legacy systems, and the same amount (71%) say that it costs too much to transition out of legacy systems.

**54%**  
of state and local government IT DMs say that **improving cybersecurity** is a top priority for their agency this fiscal year.

**71%**  
of state and local government IT DMs say it **costs too much to modernize** legacy systems.

# 2

## Cybersecurity concerns, lack of funding and lack of skilled talent may hinder state and local government IT DMs' pursuit of private-sector partnerships.

State and local government IT DMs overwhelmingly believe that partnering with the private sector can create a mutually beneficial relationship with significant benefits, such as improved public services, faster technology adoption and enhancing the quality of life for citizens. However, these partnerships face notable hurdles, including cybersecurity concerns, skill gaps and funding limitations.

- The majority of state and local government IT DMs say partnering with the private sector can bring together the best of both worlds (private and public sector) (89%) and private-sector innovation can significantly improve their agency's mission outcomes (89%).
- of public services (60%), faster adoption of new technologies within government agencies (51%) and enhancing the quality of life for citizens (51%).
- Yet, state and local government IT DMs say some of the biggest challenges their agency faces in using private-sector innovations are concerns about cybersecurity (39%), lack of skilled employees (38%) and lack of funding (35%).
- According to state and local government IT DMs, the top benefits of government agencies effectively using private-sector innovations are improvement

**89%**  
of state and local government IT DMs say that **private-sector innovation** can significantly improve their agency's mission outcomes.

**39%**  
of state and local government IT DMs say **concern about cybersecurity** is one of the biggest challenges their agency faces in using private-sector innovations.

# 3

## State and local IT DMs fear obsolescence without private-sector partnerships, yet face significant barriers and need resources to navigate these partnerships.

State and local government IT DMs recognize the critical need for private-sector innovation to avoid becoming obsolete but find current partnerships too challenging to pursue. These leaders would be more likely to engage with private-sector innovations if fewer obstacles existed, with many citing the need for increased training and resources to navigate these partnerships and implement new technologies.

- About two-thirds (61%) of state and local government IT DMs say they worry that their agency will become obsolete if it doesn't partner with the private sector more, but 62%

also say partnering with the private sector is currently too challenging to be worth the effort.

- 79% of state and local government IT DMs say that if fewer barriers existed, their agency would be more likely to leverage private-sector innovations.
- About two-fifths of state and local government IT DMs say training and resources for agency staff on how to use innovative new technologies (44%) and training and resources on how to navigate partnerships with the private sector (42%) would make it easier for their agency to use private-sector innovations.

### 61%

of state and local government IT DMs say they **worry that their agency will become obsolete** if it doesn't partner with the private sector more.

### 44%

of state and local government IT DMs say **training and resources would make it easier** for their agency to use private-sector innovations.

# 4

## State and local government IT DMs embrace artificial intelligence (AI) now and in the future by prioritizing upskilling employees as well as developing integration strategies.

AI is already a fundamental technology in many state and local government agencies, with about half of DMs saying their agency currently utilizes the technology while also predicting a slight increase in use in the next five years, along with generative AI. State and local agencies' AI priorities this fiscal year include upskilling staff, developing robust implementation/usage strategies and building public trust, while future efforts will emphasize cross-agency collaboration on best AI practices and continuing to craft comprehensive AI strategies.

- AI is a leading technology for state and local government IT DMs today, with 45% of state and local government IT DMs reporting its use. Generative AI is also prevalent, with 39% reporting their agency using the technology today.

- State and local government IT DMs expect this usage to continue into the future, with AI (48%) and generative AI (45%) expected to be among the top technologies used in the next five years.
- State and local government IT DMs say some of the top priorities related to AI for their agency this fiscal year are:
  - Upskilling/training employees on AI (49%)
  - Developing a comprehensive AI implementation/usage strategy for the agency (49%)
  - Building public trust in government use of AI (48%)
- State and local government IT DMs prioritize both collaboration with other agencies on AI practices (47%) and developing comprehensive AI implementation/usage strategies (46%) as some of the top priorities related to AI for their agency in the next five years.

### 39%

of state and local government IT DMs report that their agency is **using generative AI** technology today and 45% expect this usage to continue in the future as a top technology in the next five years.

### 46%

of state and local government IT DMs consider **developing comprehensive AI implementation/usage strategies** as a top priority for their agency in the next five years.

## State and local government IT DMs grapple with AI's regulatory vacuum and security risks while still implementing proactive cybersecurity defenses.

The absence of clear regulations for AI development and usage leaves state and local government IT DMs concerned as they navigate an increasingly complex technological landscape. In addition to this "regulatory void," these leaders express concerns about sophisticated AI-driven cyber attacks and cybersecurity threats outpacing their agency's defenses. Despite these anxieties, agencies are proactively fighting back by implementing safeguards like AI-specific cybersecurity staff trainings, cross-agency collaboration on best AI practices and data encryption/access controls for AI data.

- State and local government IT DMs are concerned about the lack of clear regulations/government standards for AI development (78%) and AI usage (77%).

- About 4 in 5 state and local government IT DMs are concerned about cyber attacks becoming more sophisticated due to AI (82%), AI systems being manipulated by malicious actors (79%) and AI cybersecurity threats evolving faster than their agency can keep up with (78%).
- State and local government IT DMs say the top measures their agency has implemented to address potential cybersecurity risks include AI-specific cybersecurity training for staff (59%), collaboration with other government agencies on AI cybersecurity best practices (59%), and data encryption and access controls for AI data (57%).

### 78%

of state and local government IT DMs are concerned about **AI cybersecurity threats evolving faster** than their agency can keep up with.

### 59%

of state and local government IT DMs say one of the top measures their agency has implemented to address potential cybersecurity risks include **AI-specific cybersecurity training** for staff.



### Scott Smith

Principal, EY US Government and Public Sector (GPS) Cybersecurity Leader

Ernst & Young LLP

[scott.smith5@ey.com](mailto:scott.smith5@ey.com)

To learn more about our GPS Cybersecurity team, please visit [ey.com/govcyber](https://ey.com/govcyber)

## Summary

In collaboration with a third-party vendor, M Booth conducted an online survey among n=300 US full- and part-time government IT employees who have primary/shared decision-making power in state and local government agencies. There are n=150 state IT decision-makers and n=150 local/municipal IT decision-makers. The sample was balanced based on gender; age, race/ethnicity and region were natural fallout. The survey was fielded between February 15 and February 28, 2025. The margin of error (MOE) for the total sample at a 95% confidence interval is +/- 6 percentage points (ppts).

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