

GovWin
from Deltek

2023 SLED Government Contracting Forecast





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Executive Summary

The following are major takeaways from our state, local and education (SLED) forecast:

+1%
GDP in
2023

THE ECONOMY IS COOLING AND MAY CONTRACT IN THE NEXT 1-2 YEARS

After a strong rebound in economic activity in 2021 and a leveling out of GDP in 2022, economists are looking at another flat year with a decent chance of a slight recession. The consensus is that we will escape the greater pain of a severe recession and any slight downturn can help to moderate inflation and heal supply chains.

+7.4%
in 2022

2022 BIDS RETURNING TO NORMAL WITH STRONG SURGE IN OPPORTUNITIES

Following the +7.5% rise in bid volume coming up out of the -15% drop during the lockdowns, the SLED market in 2022 will mostly recover with another +7.4% year-over-year increase in 2022.

+0-1%
in 2023-24

2023-24 BIDS STABILIZE, RETURN TO HISTORICAL GROWTH

After back-to-back years of strong recovery, bids and RFPs should stabilize and resume growth in 2024 to historical normal levels of over 1% per year. This should further narrow the gap and help bring the market back to pre-pandemic levels.

9 of 12
Industries

MOST INDUSTRIES SHOULD FULLY RECOVER BY 2024

Nine of our 12 industries are expected to hit the 100% mark or surpass 2019 levels in the baseline series.

99%
of pre-
pandemic

FURTHER GROWTH SHOULD BRING MARKET TO NEARLY FULL VOLUME BY 2024

By 2024 the volume of SLED bids in the baseline forecast should return to 99% of the 2019 level.

+/-

FORECAST ALTERNATIVES AGAIN POINT TO RISKS, OPPORTUNITY

The alternate “low” and “high” forecasts (available in the appendix) simulate more pessimistic and optimistic outcomes. With highly favorable trending the market can potentially reach 104% on the high side or drop to 93%/94% if a severe recession hits.

Introduction

After a better-than-expected second year of post-pandemic recovery in 2022, our 7th annual forecast for the state, local and education (SLED) marketplace looks ahead at individual outlooks and trends affecting each of our 12 industries.

Focus on 12 Defined Industries

The primary focus of this analysis is to provide a forecast of total bid volume for the entire SLED market through 2024, as well as for each of the 12 major industry segments. These are regularly profiled in our quarterly State and Local Procurement Snapshot reports. Our intention is to offer additional clarity about trends and assist businesses with their sales and marketing strategies.

Timeframe

We provide full-year estimates for 2022 and a two-year forecast forward in time for calendar years 2023 and 2024.

Sources Utilized

In this study, we utilize a combination of several sources.

1. Procurement Data

The primary data series used is total bids and RFPs (which may simply be referred to as “bids”) issued at all levels of SLED government through Q3 2022 (drawn from [GovWin’s comprehensive market intelligence database](#)).

Annual estimates of 2022 in its entirety, as well as 2023-24, were produced using standard forecasting methods.

2. Economic Data (GDP)

We present a consensus economic forecast of four different respected economic forecasting organizations.

- OEDC
- Federal Reserve Bank of St. Louis
- Federal Reserve Board of Governors FOMC
- Northern Trust, Global Economic Outlook

3. Insights from GovWin’s Analysts (Sector Experts)

We leverage our team of subject matter experts at GovWin to bring clarity around current trends and expectations for our 12 major industries.

Interpreting the Baseline Forecast

The analysis and modeling provide a realistic view of where bid volumes are currently headed based on longer-term trends and cyclical patterns. The March 2021 stimulus for

SLED governments (worth \$350 billion) and the November 2021 Infrastructure Act (worth \$550B in net new spending) has affected the overall purchasing outlook and bid counts during recent quarters and will be reflected in the observed actuals for 2022 through Q3. Our forecasting model factors this in during the process of projecting 2023 and 2024 bid trends.

Alternate Forecasts Provided

The Appendix includes a “high” and a “low” separate forecast series to address the potential for better or worse conditions. The high version assumes optimal trending and the low version assumes more pessimistic outcomes, such as a severe recession occurring, that would force more dramatic changes and spending cuts.

NOTES:

Our forecasting approach and methods is explained further in the Appendix.

Percentages may not add to 100% due to rounding.

Overall SLED Forecast



The Economic Outlook

Growth Levels Out in 2022

After the pandemic-induced downturn in 2020, the U.S. economy showed very strong growth of nearly six percent in GDP in 2021. It has since given mixed signals in 2022. In the first half of the year, GDP was slightly negative but it was not declared a recession due to the continued strong labor market and record low unemployment. Q3 ended up balancing out the weak initial months with a +2.6% initial result, which helped provide reassurance that the economy is holding up better than many had feared under the weight of the Federal Reserve's large and frequent interest rate hikes. Overall, 2022 can be viewed as a leveling out of the rapid spending recovery of 2021. But with uncertainty remaining in the direction of the economy going forward, all eyes are now on 2023.

2023 Recession Inbound?

Those looking for evidence of a coming recession have had plenty of material to digest. This includes, for example, lower consumer confidence, layoffs announced by major tech and financial firms, yield curve inversions in bonds that typically predict a coming downturn, the war in Ukraine continuing to affect supply chains especially commodities like food and fuel, economic troubles in Europe and China,

multi-decade high inflation and credit card balances back to pre-pandemic levels after being paid off with stimulus money. There is an anticipation of higher unemployment and slowing in the economy for 2023 and beyond, which should help inflation to moderate somewhat (while remaining well above pre-pandemic levels). The main unknown is the extent of the slowing.

The Wall Street Journal surveyed economists who put the likelihood of a recession of some kind within the next year at a [63% probability](#). As widespread as the expectation of a recession is, there is an equally strong perception that it will be relatively mild and easy to navigate rather than deep or severe. Economists' forecasts continue to be mixed but the consensus is that we will avoid another Great Recession or 2020 Pandemic type of event. Recently, [CNN has reported](#) that the U.S. will enter into a "1990-style mild recession" in spring 2023.

Implications to SLED Funding and Demand

Despite the negative tilt of the economy, the SLED market has shown resiliency and confidence due to the quickly recovering economy and support of the stimulus funding. Multiple news outlets reported on state governments being 'flush with cash' after underestimating the economic

recovery coming out of the pandemic and then seeing the added benefits of stimulus money. 49 states have "reported fiscal 2022 general fund revenue collections are exceeding original budget forecasts" according to [analysis by NASBO](#). In some cases, state governments have been [handing out cash](#), while the New York Times reports some have even been talking about making permanent changes to [tax levels](#). Overall, states have been able to [increase reserves](#) to new healthy levels according to The Pew Charitable Trusts. Fully funded and mostly confident in their current fiscal outlook, these officials are returning to normal patterns of bids and have already passed previous peaks in spending dollars.

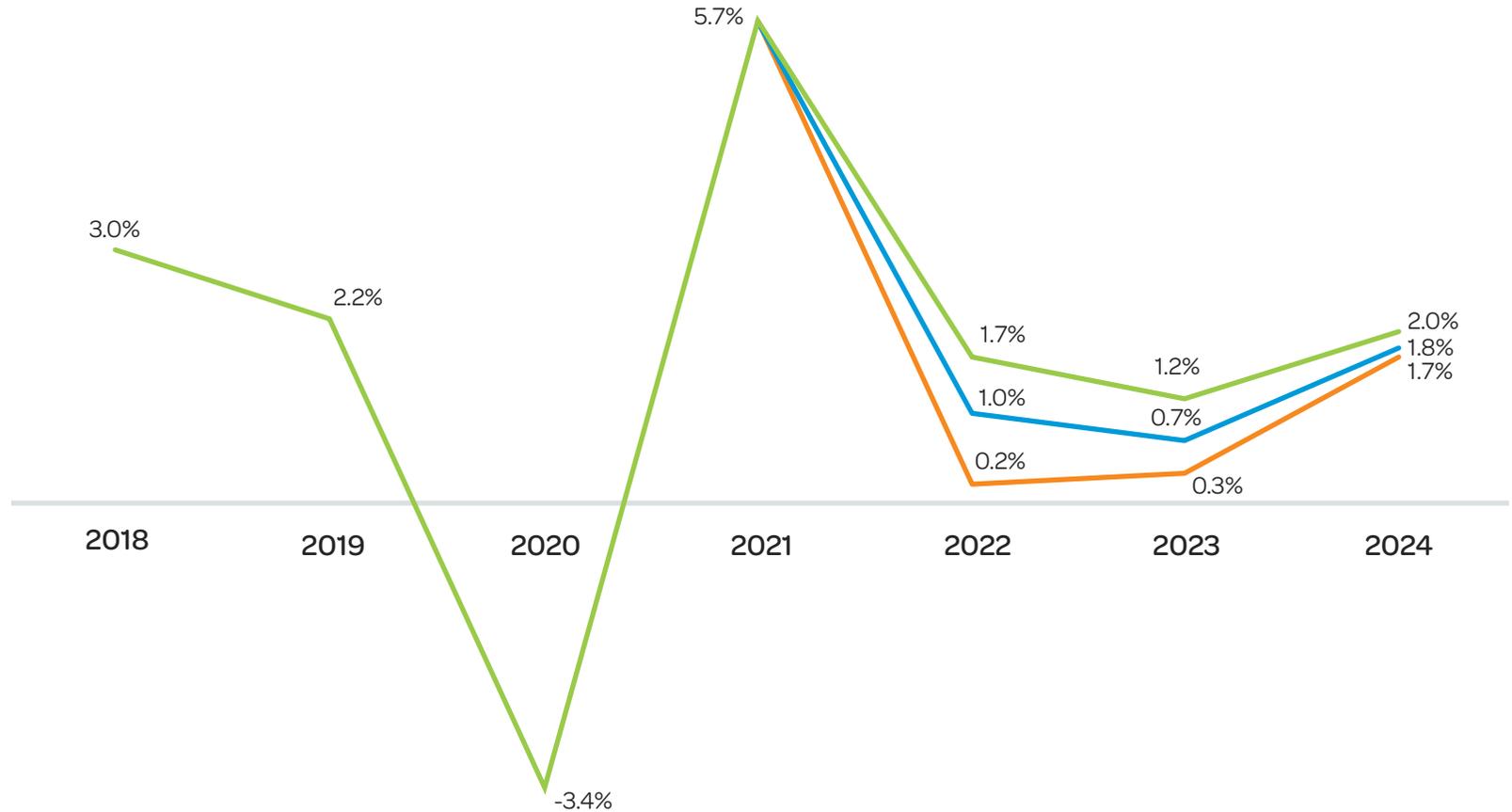
As a result of the Infrastructure Investment and Jobs Act (IIJA) and the American Rescue Plan Act (ARPA), SLED governments have billions of dollars at their disposal to replenish lost revenue, repair and replace infrastructure and further strengthen their various government systems. The funding provides a financial cushion for SLED governments to avoid the kinds of cuts seen in previous major downturns.

The Economic Outlook, Continued

Real GDP (Annual Estimates)

- Consensus
- Lowest Forecast
- Highest Forecast

Source: Bureau of Economic Analysis, consensus average of five economic forecasts (see Introduction)



The Outlook for Competitive Bids & RFPs

Outlook/Expectations

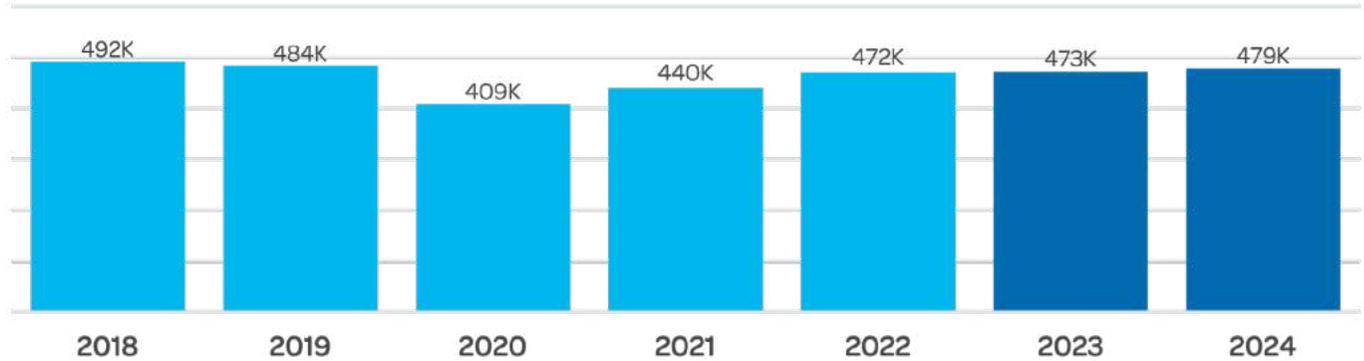
Coming out of the worst annual loss recorded since 2007 with the mid-2020 pandemic, the rebound in bids and RFPs during 2021 was a partial one, lifting volume from 409K to 440K with +7.5% growth. Last year we had predicted a multi-year recovery based on available data but 2022 has proven to be more robust than expected due to the calming effect of recent stimulus money. This influenced officials to return to normal modes of operation more quickly. As a result, the growth rate in 2022 was almost identical to '21 at +7.4%, taking the market up to 97.6% of pre-pandemic normal.

Our baseline forecast shown here calls for stability over the coming two-year period, with a flat result for 2023 and a more typical 1.2% for 2024. This relatively flat overall result doesn't describe every segment, of course, but provides a good sense of overall direction.

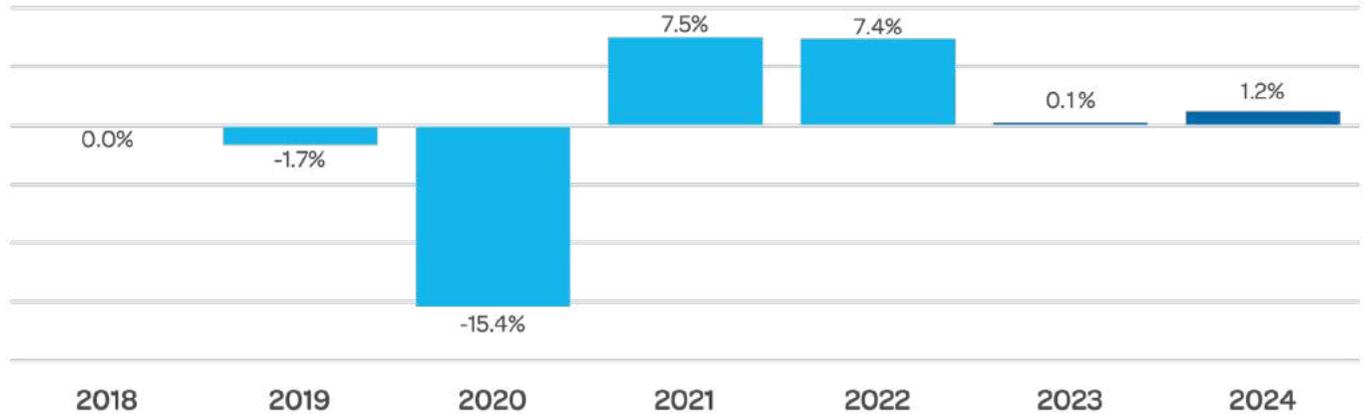
With a recession looming and heightened uncertainty, actual net losses in bid and RFP totals for an entire year are possible, but the two major 2021 stimulus packages promise to support budgets and help these organizations fare much better than they would otherwise.

Overall SLED Forecast - Baseline

Annual Bids & RFPs Issued



Annual Rate of Growth



The Outlook for Cooperative Purchasing

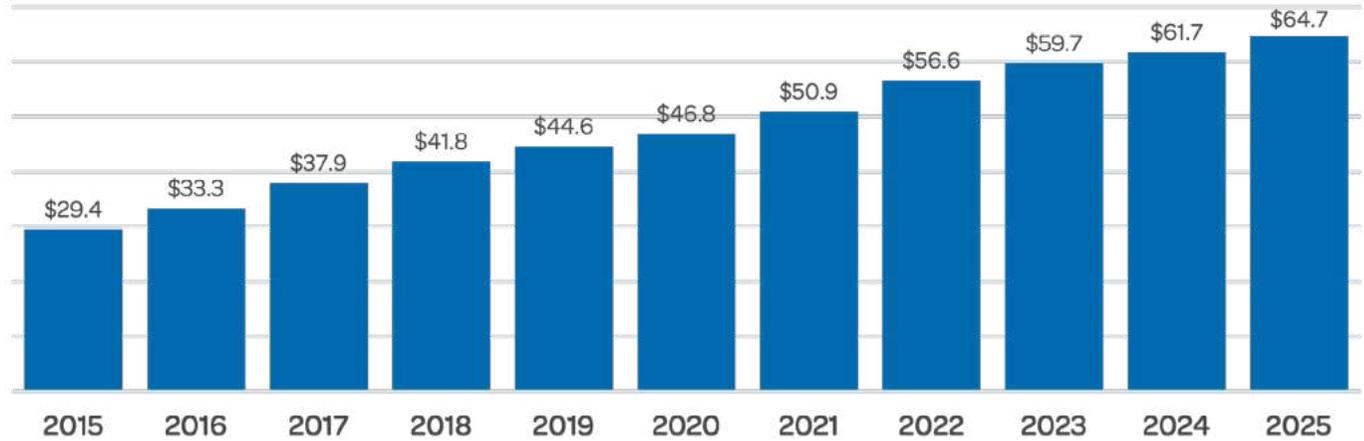
Outlook/Expectations

The outlook for cooperative purchasing remains bright in the SLED market as procurement managers and public officials continue to demand more efficiency in buying and are challenged by shortages and high levels of inflation. Defined as multiple buyers allowed to purchase from the same competitively sourced long-term contract, cooperative purchasing has helped solve problems, increase efficiency and add value particularly for commodities and standardized goods and services. For vendors, it has helped stabilize revenue and reduce marketing expenses on a per unit basis. With the lockdowns and furloughs of 2020, spending through co-ops—without needing a new bid—increased even as many types of traditional buying saw declines.

The US market for purchasing through national purchasing cooperative organizations recently passed the \$50 billion mark and continues to grow at a strong annual rate. The market size shown is based on an analysis of 13 leading national co-ops and factors in both known total sales figures as well as estimated sales based on samples of purchases made off of these contracts each year that

National Co-op Sales Trend & Forecast

Billions of Dollars



were self-reported on public websites and then obtained from GovWin’s comprehensive contracting database. Annual sales totals from co-ops with missing actuals were estimated based on applying ratios of the known co-op totals to these same organization’s reported purchases in our data set. More than half of the \$50B figure reflects known annual sales totals with the remainder derived from

the process just described. In addition to determining the approximate recent market size, a historical growth trend was developed using input from benchmark surveys on procurement spending by state and local governments done by NIGP. The forecast takes into account GovWin’s expectations for total SLED spending as well as input from the co-op space.

Individual Industry Forecasts



Architecture & Engineering

Definition: Architectural and engineering related work including project design, planning, inspection and surveying.

Summary of Recent Contracting Trends

Architecture and engineering (A&E) services was one of the fastest recovering industries coming out of the pandemic and has been the #1 growth sector in 2022. RFP volumes in '22 have already exceeded previous 2019 highs by about 11%--assisted by a massive infusion of funding for new activity from sources such as the Infrastructure Investment and Jobs Act (IIJA) and American Rescue Plan Act (ARPA). A&E firms will be called on for a large array of services such as building design, civil engineering, bridge and building inspections, and feasibility studies, among others.

This influx of new work has positioned the industry well to win business and increase firm revenues. The American Institute of Architects' (AIA) Architecture Billings Index [August update](#) details the continued positive momentum for architecture firms as business and billings continued to increase, while design contract values have increased at consistent rates. A concern does still remain around labor shortages, as the competition for hiring of skilled labor continues to drive salaries up, but that is unlikely to resolve in the near term as the applicant pool expects higher compensation and has new career goals.

As new projects are being planned and work gets under way on older pipeline projects, look to firms utilizing technology to further connect with their clients and enable a better customer experience. Digital tools continue to be a game-changer for collaboration, with new capabilities and services being explored in fields such as artificial intelligence, virtual reality and cloud platforms. Providing a more interactive experience with clients can better enable conversations on design, expectations and challenges to protect the bottom line, so look to digital tools to continue to grow in adoption for enabling A&E firms moving forward.

Environmental/social/governance (ESG) projects will continue to draw further attention, as the IIJA places a specific focus on climate-related work and resilient infrastructure. IIJA includes a number of tax credits to encourage investment in lower-carbon technologies and other ESG initiatives. Some of these initiatives include building a more resilient electrical transmission system, encouraging electric vehicle (EV) adoption, a carbon capture program and more. As investors branch out and follow funds across the states, consulting partners will help enable planning and design to ensure these projects are taking full advantage of these opportunities.

TOTAL MARKET SIZE (bids and RFPs)

34,995 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

26.7% Q1

24.5% Q2

23.8% Q3

21.6% Q4

LEVEL OF GOV. SHARE OF BIDS

 City	41%
 County	16%
 Independent School District	8%
 College/University	6%
 Special District	13%
 State Government	15%



Architecture & Engineering, Continued

Outlook/Expectations

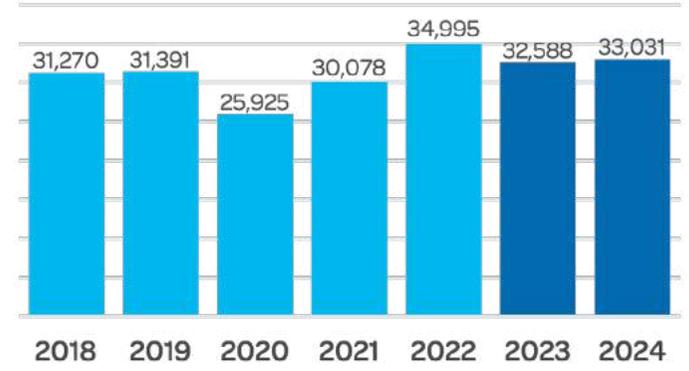
Architecture and engineering has continued its quick turnaround from pandemic operations and RFPs have already grown well past the previous 2019 high. New funding streams such as the American Rescue Plan and the Bipartisan Infrastructure Law have helped increase demand for A&E services in a wide range of locations and specialty fields. With such a large amount of funding flowing for the next five years, new projects and inquiries for future projects should continue to bolster market activity. AIA's [Consensus Construction Forecast Panel](#) notes that rising workloads have pushed up backlogs at architecture firms to near their highest level since before the Great Recession.

Contracting Forecast

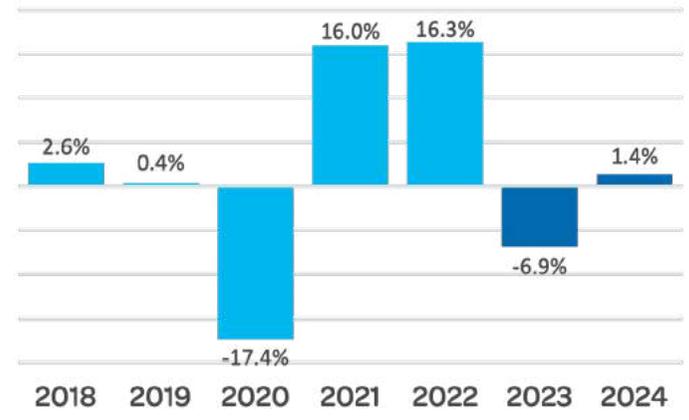
A&E services are in a situation where an unusually strong 2022 surge in bids and RFPs has led to our model predicting an offsetting reduction for 2023 settling back to more typical volumes. The 2022 totals came out to just under 35,000 total RFPs and bids, which was around 35% greater than the pandemic low in 2020, but also was 11% higher than the pre-pandemic levels in 2018 and 2019. Our model is forecasting a decrease to around 32,600 for 2023, followed by a 1.4% gain in 2024.

Architecture & Engineering Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Construction

Definition: The construction, expansion, replacement or enhancement of roads, buildings, structures or landscaping.

Summary of Recent Contracting Trends

Construction, as an industry, saw a slower recovery in 2021 from the pandemic operations than many other industries, including its counterpart in architecture & engineering services. However, 2022 saw a more notable return to pre-pandemic government bidding levels with 6.4% bid growth over 2021 levels despite facing a number of new market concerns, such as increasing supply chain costs and delays, hiring issues, and varied building material cost increases. The IIJA added nearly \$550B to already planned levels (i.e. the Surface Transportation Act, which is included in this bill). This included roads and bridges, transit, ports and waterways, power infrastructure and broadband infrastructure. Previously planned funding plus the new funding totals about \$1.1T mainly over five years.

IIJA is going to be a disrupter and transformer for the industry. About 2/3 of the funding will transfer to state, local and tribal governments, with the majority of funds doled out over the next five years. This includes approx. \$200B for new eligible state programs and approx. \$67B for new eligible local government programs. State funding is largely dominated by transportation projects and broadband

while local government has clean energy and power taking the largest slice of funding. One area for new potential projects noted by industry expert [Mary Scott Nabers](#) is new community center facilities. These locations help fill a need for sports and recreation centers while also serving as emergency gathering locations to provide shelter and safety for disaster events, such as recent Florida hurricanes. Beyond the primary infrastructure and modernization projects, many of the included grant programs are also looking to encourage innovative and modern approaches in areas such as broadband, smart technology, cybersecurity and other projects.

Rising building material costs continue to be a concern, but with a shift in the relative order from the previous year. Lumber and steel have fallen back down from 2021 highs but could see rising costs return as demand rises due to IIJA projects. Fuel, plastic, cement, and construction services have seen some of the sharpest recent price increases and appear poised to continue that into 2023. The Russian invasion of Ukraine has been a major source of disruption, as these two countries are major exporters of critical build materials. Impending demand from IIJA projects is likely to contribute to further cost increases in 2023.

TOTAL MARKET SIZE (bids and RFPs)

194,390 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

29.0% Q1

29.2% Q2

23.5% Q3

19.8% Q4

LEVEL OF GOV. SHARE OF BIDS

 City	37%
 County	16%
 Independent School District	10%
 College/University	6%
 Special District	13%
 State Government	18%



Construction, Continued

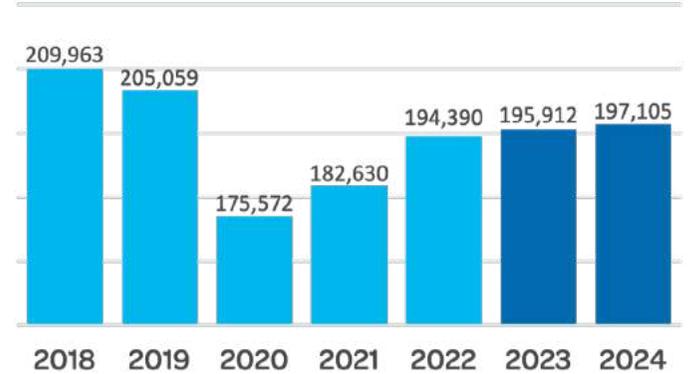
Outlook/Expectations

Construction is looking to be in a stronger position over the next few years, but there will still be challenges to navigate. IIJA’s [announced funding by state](#) so far has a strong relation with state population, but new projects will arise outside the heavier urban locations, as a specific goal of the bill was for an equitable distribution of funding. Supply chain issues, rising material costs and inflation are straining profit margins but firms are looking to improve their ability to forecast requirements and orders. Labor concerns are also expected to continue with IIJA fueling an even greater need for specialty laborers. The Bureau of Labor Statistics’ (BLS) [employment information](#) shows steadily increasing openings from early 2021 to mid-2022, consistent with the recovery in bid volumes.

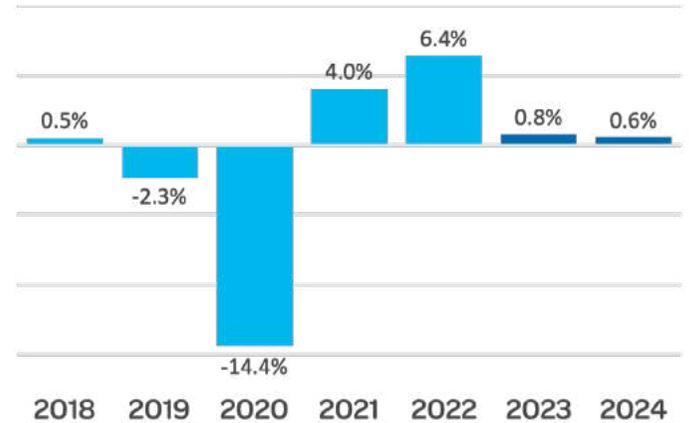
Contracting Forecast

Grappling with inflation, construction has been one of the slower recovering industries in bid volumes, although in dollars spending on structures improved since 2019. After falling approx. 15% during 2020, bid numbers in 2022 were at about 95% of normal. Our model is estimating under 1% growth per year in 2023-24, reaching 96% of pre-pandemic bid totals.

Construction Forecast
Annual Bids and RFPs Issued



Annual Rate of Growth



Educational Products & Services

Definition: Includes products and services intended specifically for the educational market such as textbooks, education software and education consulting.

Summary of Recent Contracting Trends

One of the smallest and most specialized sectors, the education products and services industry saw a significant decline in 2020 when remote learning became the norm as both K-12 and colleges closed their physical classrooms. This resulted in an 18% year-over-year drop in advertised bids and RFPs. Despite this, by 2021 the education sector was one of the top-performing categories, with bids exceeding pre-pandemic levels by almost 2%. Coming off of a rapid one-year recovery, we estimate modest additional growth of 2.5% in 2022, which further improves the outlook.

This success can be attributed to the unprecedented influx of federal funding from the American Rescue Plan Act (ARPA). ARPA provided \$122.7 billion for K-12 schools to help with reopening and learning recovery. K-12 institutions have utilized this funding to cope with student learning loss. School districts and charter schools that have not spent ARPA funds by January 2023 can now apply for a fourteen-month extension, which will likely contribute to stable bid volumes for education products and services in 2023.

Prior to the pandemic, professional services such as education training, STEM services and education consulting were showing growth in the industry. As the demand for professional services continues, there has been an increased need for services centered around closing student learning gaps. K-12 institutions are prioritizing learning loss through increased student assessments, curriculum consulting, tutoring services and after-school programs to help children catch up on core curriculum.

The hybrid learning model for K-12 and higher education has established a permanent hold on the education industry. EdTech will continue to be a key player in student learning, as it rapidly evolves to keep up with the ever-changing needs of students and school faculty. Subscription-based learning platforms, learning management systems and digital classroom tools will continue to shape hybrid learning.

There is a broad range of products and services tracked in this category. Historically, the larger procurement areas have been books, printed materials, published materials, educational services and periodicals.

TOTAL MARKET SIZE (bids and RFPs)

6,528 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

26.3% Q1

30.6% Q2

22.3% Q3

19.2% Q4

LEVEL OF GOV. SHARE OF BIDS



City

10%



County

8%



Independent School District

44%



College/ University

16%



Special District

3%



State Government

19%



Educational Products & Services, Continued

Outlook/Expectations

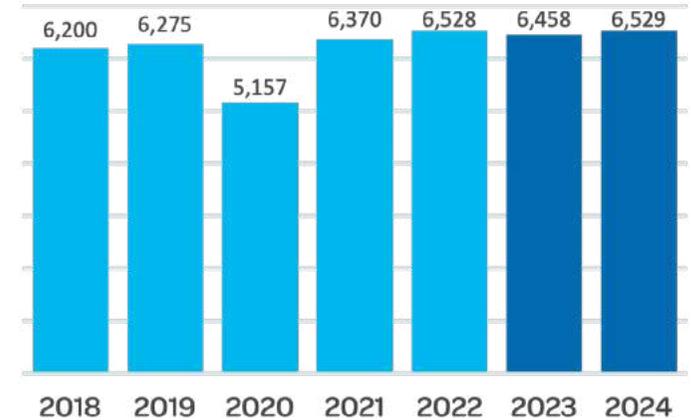
The education products and services category will continue to see historically high volumes of purchases as ARPA funding continues to buoy the industry. Successful pilot programs implemented during the pandemic will likely see continued funding in 2023 as ARPA funds continue to be spent. This will contribute to the success of the professional services part of the industry as many of these programs include learning centered around mental health, social and emotional learning, and diversity and inclusion. EdTech will continue to grow as educational institutions continue to require new hardware and software for daily operations.

Contracting Forecast

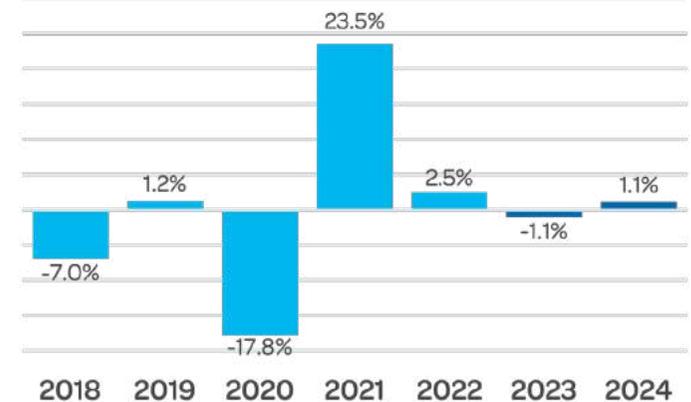
Bolstered by the American Rescue Plan Act (ARPA), Education Projects and Services will likely continue to exceed pre-pandemic levels with a sideways trend in total bid volumes through 2024. In other words, the surge in bids and RFPs seen in 2021-22 will manage to continue at that elevated level even with the uncertain economy.

Educational Products & Services Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Environmental Services

Definition: Includes testing and measurement services such as: environmental consulting, environmental testing, wildlife/stream/soil assessments, scientific research and GIS mapping.

Summary of Recent Contracting Trends

The environmental services industry has gone through a recovery period since the onset of the pandemic, as the emphasis on the need for these services has increased and grown to reflect policy and regulation changes. Strategic planning initiatives have started to place environmental services at the forefront of community development and planning. Environmental services range from products such as technical equipment used for wildlife studies to services like environmental consulting in assessments and impact studies.

Environmental services bids initially saw a decline of 13% in 2020 as the COVID-19 pandemic forced governments to focus on maintaining basic operations and under lockdowns consulting and forward-looking planning was curtailed. 2021 saw a partial recovery of 6.3% over 2020, which placed the industry on a multi-year path to full recovery in contracting activity.

Reviewing 2022, related bids and RFPs are estimated to account for a 5% increase over 2021, helping to close the gap with pre-pandemic levels. As federal funding became more available over 2021 and 2022 thanks to ARPA, bids for bids for services such as environmental assessments increased significantly. This includes geospatial technologies like geographical mapping and visualization for surveying and navigation to achieve governments' environmental planning goals.

IIJA allocated \$47 billion to environmental resiliency efforts addressing flood mitigation, wildfire prediction and forecasting, drought, coastal resiliency and ecosystem restoration. While there can tend to be overlap with other industries, environmental services includes both technologies and professional type services that directly address the environmental concerns and priorities included in the legislation.

Environmental consulting services are also set to rise as governments are looking to implement practices reflecting the EPA's principles of climate and environmental justice from the [FY 2023 Budget Overview](#).

TOTAL MARKET SIZE (bids and RFPs)

13,418 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

26.5% Q1

27.3% Q2

24.5% Q3

21.9% Q4

LEVEL OF GOV. SHARE OF BIDS



City

34%



County

15%



Independent School District

4%



College/ University

11%



Special District

14%



State Government

22%



Environmental Services, Continued

Outlook/Expectations

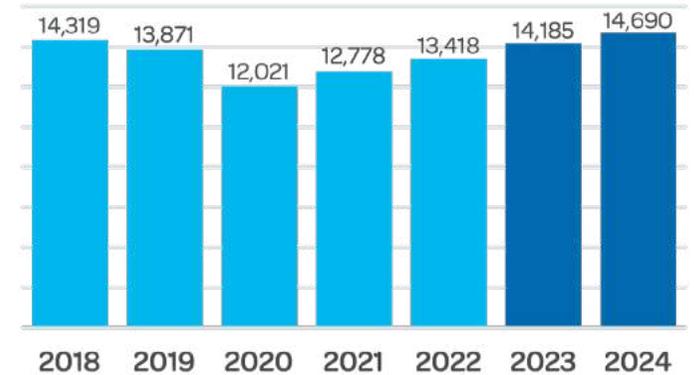
While not every government requires the same intensity of environmental services and spending as a share of all purchases, we can anticipate a variety of needs continuing and growing, reflecting both universal issues and key regional challenges. Impacts from climate change, natural disaster resiliency and environmental remediation are expected to be studied and new contracts addressing these areas of interest will likely be needed as a result of the findings.

Contracting Forecast

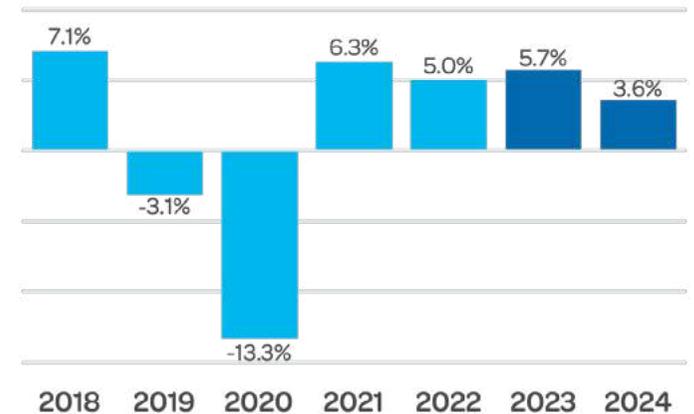
Environmental services are anticipated to increase at a robust pace by 5.7% during 2023 and another 3.6% in 2024. This growth in bid volume above 2019 or pre-pandemic levels suggests a steady pipeline of need from governments and broad-based public support for them. While the policy outlook appears quite favorable over the long-term—and federal funding is currently set aside to help in some areas—this positive trend is conditional on funding continuing to be made available and policies enacted to protect the environments of local communities and states.

Environmental Services Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Financial Services & Insurance

Definition: Products and services related to banking, investments, retirement, insurance, payroll, billing, accounting or auditing.

Summary of Recent Contracting Trends

The financial services & insurance industry saw a significant downturn with the disruption caused by the coronavirus pandemic, falling by about 17% in bidding activity in 2020, and faces a different landscape upon emerging back to a semblance of normal. While a base level of contracting will always be required in financial and insurance services, much of the value proposition for these firms revolves around collaboration, partnership and enabling clients to make better financial and fiscal decisions—things that are easier when government staff are back from furlough and working in the office again.

As governments plan for near- and long-term financial prospects, there is growing concern across the nation [regarding rising interest rates and inflation](#) and the risk of a recession hitting still-vulnerable markets. SLED governments saw a rapid increase in tax revenues since the initial onset of the pandemic from both income and sales taxes. The fresh lessons of the pandemic and importance of preparation has led to more cautious use of the increased tax revenue, as governments look to replenish rainy-day funds and pay down debt. Continued diligence

will be a focus here moving forward, with governments relying on their partners and financial tools to protect against future downturns.

Financial services will be bolstered in 2023 and beyond by the massive amounts of federal funding flowing to state and local governments from the IJA and ARPA funding pools. As details emerge on the various programs and their eligibility and application processes, financial consulting services will see an uptick as firms can help enable their government partners to best utilize these sources. Alongside those consulting services, auditing will also see an uptick as regulators monitor the federal funds and look to ensure proper use by awardees.

Looking forward, continuing adoption of digital technology will also allow firms to differentiate themselves and provide more comprehensive service to their clients. Mobile payment applications, identity verification tools, smart contracts and more all can provide a better and more trusted user experience while protecting payments and assets. Artificial intelligence is another expanding field, as tools develop new capabilities for customer service and security beyond existing analytical tools and chatbots.

TOTAL MARKET SIZE (bids and RFPs)

12,124 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

27.3% Q1

28.4% Q2

24.1% Q3

24.2% Q4

LEVEL OF GOV. SHARE OF BIDS



City

32%



County

16%



Independent School District

12%



College/ University

7%



Special District

17%



State Government

16%



Financial Services & Insurance, Continued

Outlook/Expectations

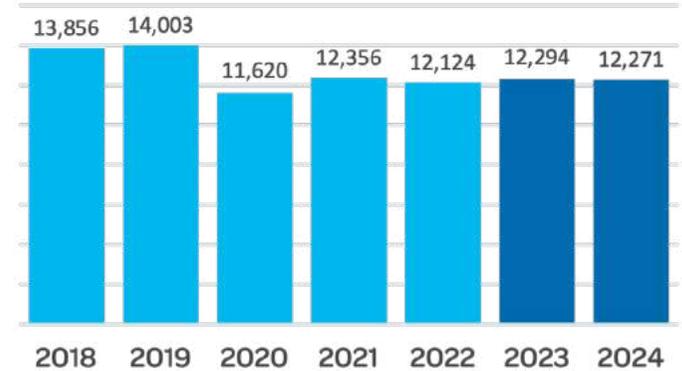
The financial services and insurance market continues to operate at a lower activity level than prior to the pandemic but has reason for optimism despite a new host of challenges. New opportunities for consulting and auditing requirements will continue to pop up, especially in relation to large new sums of federal funds from sources such as ARPA, IIJA and more. ESG (environmental, social and governance) regulation and compliance will continue to draw attention, crypto assets are being explored for potential use cases, and further digital migration and transformation can be expected as firms look to both better protect their clients and provide a better customer experience with tools such as new analytics and cloud platform capabilities.

Contracting Forecast

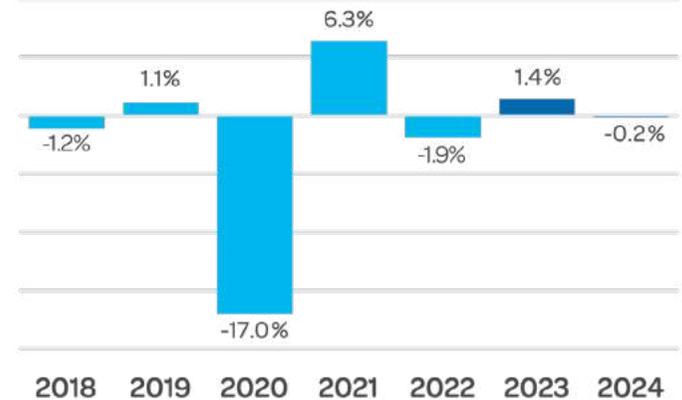
Annual bids and RFPs issued took a sizeable hit from the pandemic, falling approximately 17% from the 2019 high to reach 11,620 releases in 2020. While the industry had an initial partial recovery in 2021 of +6.3%, the growth in bids has yet to catch up with the lost volume in a significant way—showing a sideways pattern. 2022 is expected to show a slight decrease, and the model then calls for a 1.4% increase for 2023 followed by flat growth in 2024.

Financial Services & Insurance Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Healthcare

Definition: Healthcare services, supplies and equipment, as well as mental health and social services.

Summary of Recent Contracting Trends

As the COVID-19 pandemic era approaches a close, government contracting related to the healthcare sector has experienced strong growth and recovery, and by 2022 has exceeded pre-pandemic 2019 bid volumes by a full 6%. SLED governments were the initial beneficiaries of grants and increased federal funding for healthcare and social services initiatives (including stimulus funding). The declining threat of the coronavirus has lessened pandemic-specific health spending in 2022, and many state and local governments are taking the opportunity to improve their existing healthcare systems and services across the full spectrum of areas.

Finally moving past crisis mode, SLED governments are especially interested in modernizing aging systems that, under the heavy burden of increased use during the pandemic, were revealed to be in desperate need of updating. The COVID-19 pandemic accelerated digital transformation in healthcare spaces, increasing attention to digital contracting, improving and investing in technology needed for remote healthcare services, and updating cybersecurity requirements.

One of the top stories of the industry has centered on issues with the healthcare workforce. Many SLED governments are applying the additional federal funding to shore up healthcare staffing services—technically a professional business services function that is integral to how this sector operates. There is an increasing demand for temporary staffing for medical professionals, due to the rising number of elderly Americans as well as a decrease in skilled nursing staff. The increasing number of traveling nurses, or per diem nurses, has also driven rising healthcare spending on staffing, as traveling nurses are commonly compensated at much higher rates.

Additionally, the hardships experienced by medical staff during the pandemic has pushed many into pursuing early retirement, further exacerbating the lack of skilled medical staff. In 2022, the [White House](#) announced that \$120 million in funding from ARPA will be provided for the purpose of reducing burnout, addressing the mental health needs of workers, and providing improved patient care. This reflects a growing attention paid to these issues and a search for solutions.

TOTAL MARKET SIZE (bids and RFPs)

15,999 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

25.6% Q1

28.3% Q2

22.3% Q3

20.4% Q4

LEVEL OF GOV. SHARE OF BIDS

 City	18%
 County	25%
 Independent School District	12%
 College/ University	9%
 Special District	9%
 State Government	27%



Healthcare, Continued

Outlook/Expectations

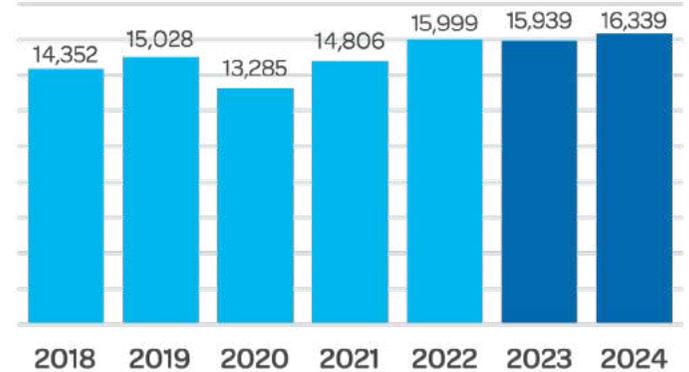
The slow end of the pandemic has drawn increased attention to applied government funding related to both a continuing focus on addressing the needs of frontline medical providers and updating and modernizing healthcare systems. While the pandemic drove the initial push to increase state and local spending on healthcare needs, the increased use of the healthcare system revealed ongoing requirements to apply technological advancements to existing systems. Healthcare systems and workers have a stable and constant need for funding and social services have experienced similar attention throughout the past few years. ARPA has finally made needed funds available for state and local governments, and thus, spending for healthcare and social services in the next few years is likely to increase.

Contracting Forecast

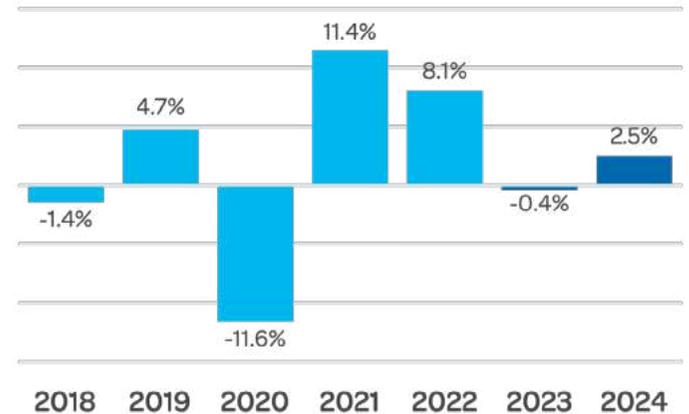
Competitive opportunities for the healthcare space are showing a solid increase for 2022, with projected bid totals meeting pre-pandemic numbers. After that, healthcare bids will likely plateau in 2023 with further growth potentially coming again in 2024.

Healthcare Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Operations & Maintenance

Definition: A broad range of ‘operations’ functions that are typically purchased in multi-year renewable contracts such as: cleaning, waste, infrastructure and grounds maintenance, uniforms, food and facilities supply orders.

Summary of Recent Contracting Trends

Operations & maintenance is consistently a major area of state and local government purchasing. Historically, GovWin data shows that O&M makes up the second largest industry segment in the SLED market, trailing only Construction in total bid volume. This market sees steady bid totals each year, typically numbering around 100,000 annually. These numbers consistently put the total bid volume for O&M at around 21% of the entire SLED market.

O&M, like the entire SLED market, saw a contraction during 2020 due to the pandemic, with bid total dropping by about 15%. However, bid numbers for O&M rebounded faster than the market as a whole in 2021 and totals for 2022 are projected to again outpace the total SLED market, with an expected growth rate of approximately 10.5% vs. 7.4% growth anticipated for the market in its entirety.

The O&M segment is largely composed of basic services and commodities required to keep government operations afloat. As such, this market is typically less susceptible to massive swings in buying trends, as indicated by the steady bid totals year over year.

Products and services in this category cover a broad range, but there are some prioritized areas that typically make up a bulk of the bid volume. Year by year, the main procurement areas in O&M fall into industrial products, waste removal, cleaning supplies and services, and various food commodities and services. Looking at bids released to date for 2022, these priority areas again make up the bulk of all procurement activity in this market lining up numbers seen in prior years.

Given the somewhat basic nature of operations and maintenance products and services, procurement in this area tends to be fairly streamlined and efficient. State and local governments often utilize large statewide term contracts with multiple vendors, long term single buyer supply contracts, or other cooperative purchasing arrangements to allow for a relatively straightforward process.

TOTAL MARKET SIZE (bids and RFPs)

103,410 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

26.3% Q1

29.3% Q2

23.8% Q3

20.5% Q4

LEVEL OF GOV. SHARE OF BIDS

 City	30%
 County	15%
 Independent School District	14%
 College/University	6%
 Special District	16%
 State Government	19%



Operations & Maintenance, Continued

Outlook/Expectations

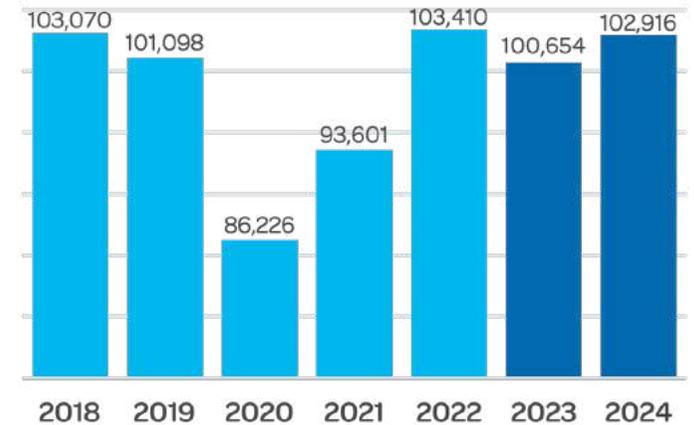
Composed of essential commodities and highly standardized services, O&M is historically one of the more stable segments and we are seeing a “reversion to the mean” where volumes will soon normalize. Stability is supported by the use of longer-term supply or service contracts involving a schedule of regular deliveries or service tasks for individualized needs. O&M procurement can also be handled with large multi-vendor contracts that cover a range of commodities and services. Based on the composition of bidding in 2022, we can expect that the typical high-volume areas such as cleaning, food and waste will again make up the bulk of procurement activity.

Contracting Forecast

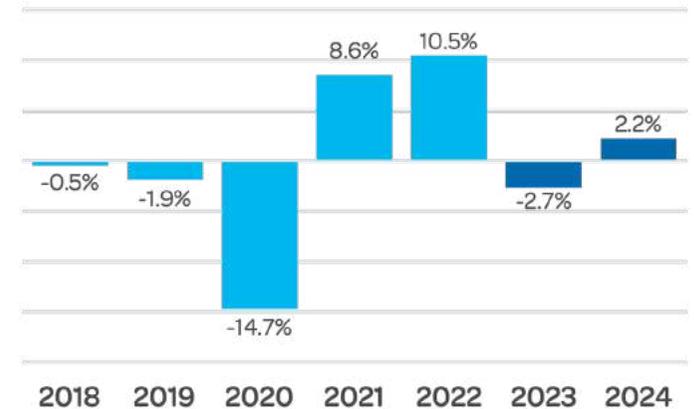
Preliminary numbers for 2022 indicate that there will likely be a modest decrease in 2023 after two years of strong recovery. Even so, bids for O&M should stabilize at around 100-103,000 per year, consistent with pre-pandemic levels.

Operations & Maintenance Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Professional Business Services

Definition: Services and consulting in areas such as administrative, employment, economic, legal, professional, business and printing/publishing.

Summary of Recent Contracting Trends

Professional business services include both day-to-day or routine services as well as custom one-time planning and consulting engagements. These often require a lot of collaboration and in-person meetings between service providers and their public sector clients. Both the routine and strategic types of contracts have seen strong growth and a return toward historically typical levels after being initially hit hard by the office closures and reduced staffing of the pandemic months. As these entities re-opened and staffing returned to normal, this industry grew by 14.3% in 2021 after losing -24.6% during 2020. It's estimated to grow another 6.5% in calendar year 2022—taking it to 92% of normal.

Federal stimulus has strengthened budgets and helped encourage a strong rebound in planning related contracts. SLED governments are now looking at long-range outcomes and are considering ways to improve, rethink and restructure systems and services to keep up with evolving needs, prepare for emergencies and reduce risks. A [Harvard Business Review](#) article about government preparation for the next pandemic advises that in order to succeed in an environment marked by high uncertainty, governments' strategic approaches should build in the

capacity to be nimble. State and local governments have a unique opportunity to make the most of funding initiatives and to proactively prepare to handle major emergency events as they occur.

Employment has been a particularly important area since 2020. The pandemic severely impacted supply chains, staffing and employee retention across SLED government. This has been a primary driver of the resurgence of demand for HR and staffing related tasks and processes, but it also ends up affecting demand for other areas that help maintain smooth routine operations. 51% of respondents to a 2022 survey indicated that the top exit interview response was that compensation was not competitive. Within the category of human resources, attracting and retaining talent remains a vital element of business management in state and local government.

Beyond this is the continued focus on process automation and technology to increase output and efficiency. Business management systems are changing with improvements to technology, increasing automation, and in response to an increasingly virtual world. These improvements will require more focus on cybersecurity.

TOTAL MARKET SIZE (bids and RFPs)

33,034 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

26.3% Q1

27.4% Q2

25.2% Q3

23.2% Q4

LEVEL OF GOV. SHARE OF BIDS

 City	32%
 County	15%
 Independent School District	10%
 College/University	9%
 Special District	14%
 State Government	20%



Professional Business Services, Continued

Outlook/Expectations

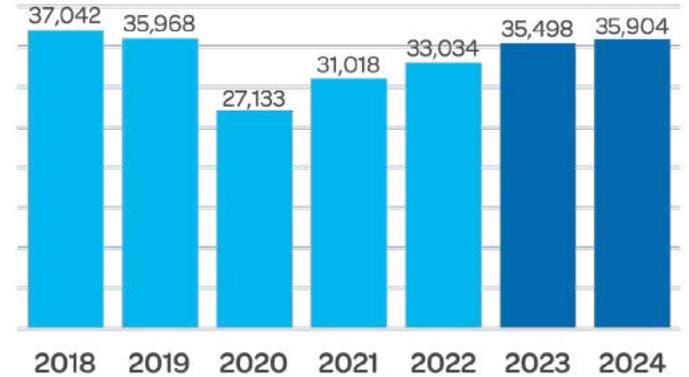
After experiencing the single worst decline of the 12 industries from the 2020 pandemic lockdowns and furloughs, professional business services has seen strong recovery to date but has further ground to cover given the low starting point. Available evidence points to continued growth in the types of strategic and tactical consulting services that can assist SLED governments of all types in navigating through the coming period of economic and political uncertainty. A return to relative stability in the fiscal outlook from increased taxes and federal stimulus has helped these entities to re-focus on the future and making the kind of adjustments and improvements to their systems and policies that were simply not possible during the earlier months of the pandemic.

Contracting Forecast

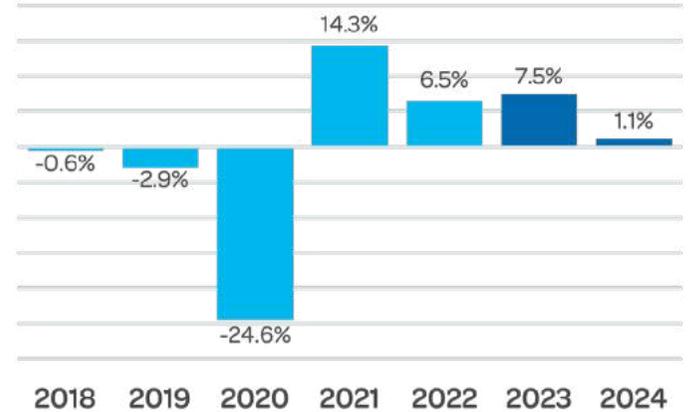
Following the 2020 decline, the industry rose by +14.3% in 2021 and then another +6.5% in 2022. Our model is forecasting a similar but slightly higher growth of +7.5% in 2023. At this point, the volumes of RFPs would have nearly equaled pre-pandemic levels and the trend line should then normalize to a more typical longer-term rate of around one percent in 2024.

Professional Business Services Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Public Safety

Definition: Products and services specific to police, fire, emergency, security, corrections or military uses.

Summary of Recent Contracting Trends

Public safety covers a wide range of topics and is impacted by a variety of leading societal and political trends. These affect public support for law enforcement as well as other key functions and help to inform priorities and funding levels. Contracting activity can be influenced by traumatic and high-profile events, inflation and economic security, crime rates and natural disasters. Recently, there has been a large movement in both police accountability and combating mass shootings.

While there was a slight decrease in public safety bids from 2020 to 2021, we estimate a sizeable 4.7% growth by the end of 2022 and continued growth in the near future. Public interest seems to have risen in making investments in and strengthening this area of government, with revised policy agendas and new spending. This largely follows political trends, with items like body-worn police cameras becoming a mainstay across police forces everywhere and increased funding (including federal) being allocated to both preventing mass shootings and ramping up recovery efforts for those traumatized.

Along with significantly higher inflation has come much higher crime rates. The first half of 2022 saw roughly a 20% increase in crime, a worrisome indicator that has been shown to be highly correlated with inflation. As one analyst [commented](#) recently, “Rampant inflation has momentous effects on public trust, social order, and political stability.” There has been movement by many SLED governments to address crime. One example is in New York City, where there has been a push to fit every subway train with state-of-the-art security cameras to monitor and combat subway crime. As long as inflation, and in turn crime rates, continue to be elevated, there will be further demand for these types of solutions.

Some examples of products and services that have been increasing in demand include the previously mentioned body-worn cameras and updated security equipment in general, increased use of security guard services, prison security monitoring, and inmate rehabilitation and reentry services and programs.

TOTAL MARKET SIZE (bids and RFPs)

10,569 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

25.3% Q1

28.2% Q2

24.9% Q3

22.3% Q4

LEVEL OF GOV. SHARE OF BIDS

 City	31%
 County	21%
 Independent School District	9%
 College/University	6%
 Special District	13%
 State Government	20%



Public Safety, Continued

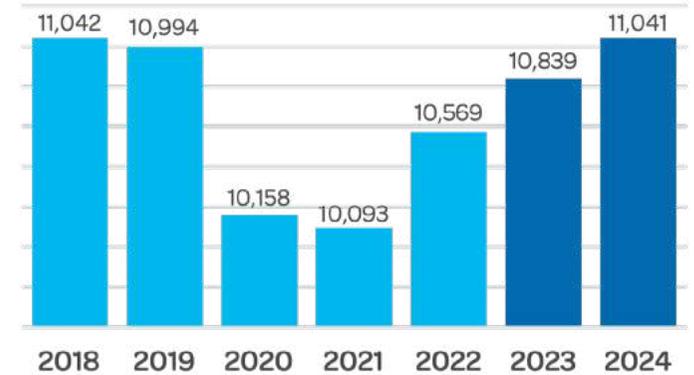
Outlook/Expectations

While the rise of inflation and crime are negatives for society in general, the outlook for public safety is more favorable than it has been over the past two years. There will likely be increased demand for security equipment, specialized software as well as security guard services until crime rates begin to normalize. The nature of the randomness of natural disasters dictates that the environmental part of public safety services will always be difficult to predict. There has also been a movement recently in support of prison reform, resulting in an influx of dollars allocated to third-party programs for inmates—which can help add to total demand for this industry.

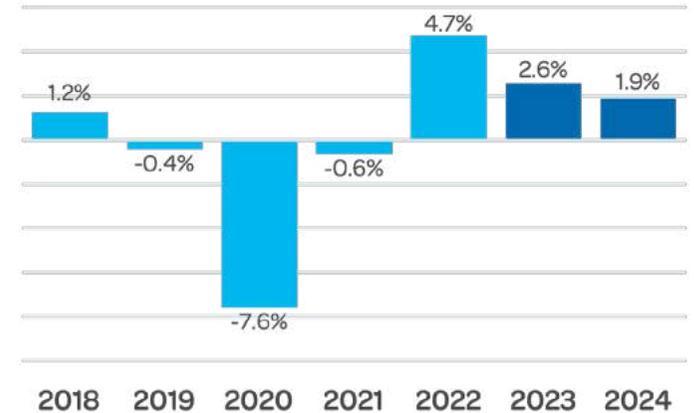
Contracting Forecast

Following a solid gain in 2022 of 4.7% in bidding opportunities, another noticeable increase of 2.6% in 2023 is expected. SLED governments are expected to be playing “catch up” in their responses to the growing crime rates, while continuing to support other key functions such as corrections, fire and natural disaster planning. Additional growth of around 2% is expected for 2024.

Public Safety Forecast
Annual Bids and RFPs Issued



Annual Rate of Growth



Technology & Telecom

Definition: A broad range of technology and telecommunications products and services such as hardware, software, wireless, cloud or IT consulting.

Summary of Recent Contracting Trends

Technology and telecom is historically a relatively consistent industry with steady bid volume. Many of the bids released in this space are typically for standard technology products, such as hardware and software, as well as various IT services. There are, however, more niche products and particular services sought as well with unique needs in different industry areas.

As with the entire SLED market, the bid volume for technology and telecom took a hit in 2020. However, bid numbers rebounded in 2021 and we're measuring another year of growth for 2022. Although growth rates in 2021 and expected growth in 2022 are lower than the overall SLED market, total bid counts in 2022 are projected to be near or above pre-pandemic levels.

Looking back over recent years, several key trends have emerged on the tech and telecom front: legacy system modernization, cloud migration and implementation, and digital government services have all gained traction at the state and local government level. Initiatives such as these are still on the agenda for SLED governments, as they continue looking for ways to effectively manage operations and efficiently provide services.

One additional area of interest in the SLED market for technology and telecom that may be especially prevalent is cybersecurity. It has been a top priority of [NASCIO](#) for years, however there are some external factors that may have a significant impact on the SLED procurement landscape in the near future.

As a part of the IIJA Act, the [State and Local Cybersecurity Grant Program \(SLCGP\)](#) will make \$183.5 million in funding available for states, territories and localities in FY 2022, with additional funding totaling \$1 billion allocated over the next four years. Additionally, some states are planning on using funds from the [ARPA](#) to bolster technology systems and operations, including cybersecurity initiatives and improvements.

With this influx of funding making its way to SLED governments, there may be an uptick in procurement activity on the horizon. GovWin bidding data indicates a particular strength in cybersecurity procurement, suggesting a possible shift in priorities that will be worth watching in the years to come.

TOTAL MARKET SIZE (bids and RFPs)

32,822 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

26.8% Q1

26.9% Q2

22.9% Q3

23.0% Q4

LEVEL OF GOV. SHARE OF BIDS

 City	22%
 County	15%
 Independent School District	16%
 College/University	14%
 Special District	13%
 State Government	19%



Technology & Telecom, Continued

Outlook/Expectations

Large amounts of funding are making their way down to state and local governments through various funding programs, such as the IJA and ARPA, and some of this funding will likely be used to support technology initiatives.

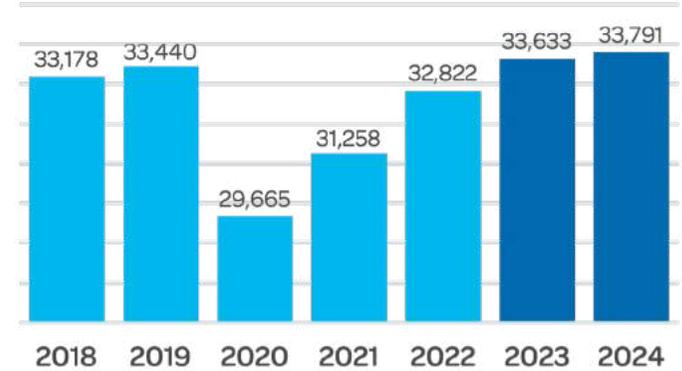
There will likely be a continued need for basic technology goods, such as prepackaged software and hardware, as well as products and services to support cybersecurity efforts and broadband expansion. Looking at GovWin bid data for 2022, cybersecurity products and services are already pacing well ahead of prior years, indicating an increased priority for state and local governments.

Contracting Forecast

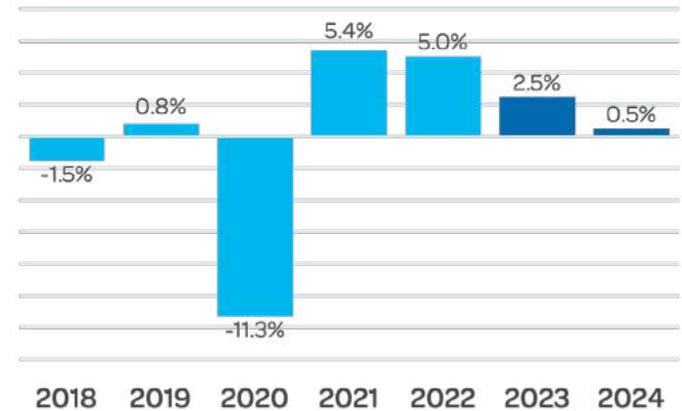
Technology and telecom bids are expected to reach numbers close to those from pre-pandemic years. Growth in bids is projected to be approximately 5% for 2022, with additional modest growth predicted for 2023 of 2.5%. In 2024 we anticipate very slight growth of 0.5%.

Technology & Telecom Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Transportation

Definition: Vehicle purchases and equipment, as well as transportation services such as intelligent transportation systems equipment and consulting.

Summary of Recent Contracting Trends

Transportation in 2022 continued its strong recovery trend, expanding an estimated 6.9% over 2021. As the world continued its return to a new normal and pre-pandemic bid levels, public ridership in transit went up and as a result revenue increased. This was a positive for mass transit as it has suffered constant financial setbacks since 2020. However, it is important to keep in mind that a lot of revenue increase was the result of coronavirus relief funds to replace lost revenue.

2022 saw the continued push toward EV infrastructure implementation. As initiatives across the country for going green become more common, governments are releasing more bids to install EV infrastructure. The increase in gas prices in 2022 has also resulted in increased government and citizen interest in electric vehicle acquisition.

We see the continued push and adaption of technologies within the transportation space. These include smart transportation systems, automated vehicles, connected vehicles, telematics, artificial intelligence, transportation management systems and the internet of things to name a few. These technologies are looked at as the future of

transportation, and typically have a long implementation process resulting in longer budget to award cycles. These continue to be a priority for SLED based on their consistent presence in purchasing.

The operations and maintenance side of transportation was impacted by a continued shortage in truck drivers and vehicle technicians. These losses have led to an emphasis on providing training opportunities for truck drivers and vehicle maintenance with hiring incentives involved. It has also put more emphasis on the acquisition of automated trucks to replace the loss of truck drivers. SLED governments have continued to provide relevant data and demonstrations through federal government grants in order to make automated trucks a viable option.

The biggest win for transportation in 2022 has been the bipartisan infrastructure bill. This has resulted in giving SLED governments the ability to confidently plan, purchase and implement technologies, repairs, replacements and other various transportation related projects. These are projects that SLED has either not had the budget to work on or were moving on a slower timeline as a result of a smaller budget.

TOTAL MARKET SIZE (bids and RFPs)

45,368 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

27.2% Q1

26.7% Q2

25.8% Q3

22.3% Q4

LEVEL OF GOV. SHARE OF BIDS



City

30%



County

16%



Independent School District

8%



College/ University

4%



Special District

22%



State Government

20%



Transportation, Continued

Outlook/Expectations

2023 is shaping up to be another unique year for transportation. With a looming recession and inflation, ridership in mass transit may see a bit of a decline depending on downtown employment in urban areas. We are also likely to see considerable labor shortages in transportation even with capacity still below earlier levels.

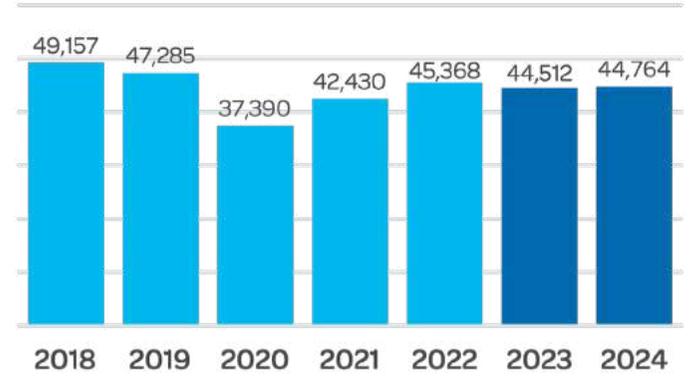
However, given all of this, the infrastructure bill will continue to provide SLED with the funds it needs to continue investing in infrastructure projects. One area of funding that has attracted attention is EV infrastructure. The infrastructure bill's significant EV funding will encourage bid growth in this area, and implementation will follow. The future for transportation agencies is looking more automated, electric vehicle-oriented, and digital. Anticipate more processes to go digital or in the cloud. Look for more bids within the EV space and expect to see previously manual processes be overhauled with new digital processes and automated software.

Contracting Forecast

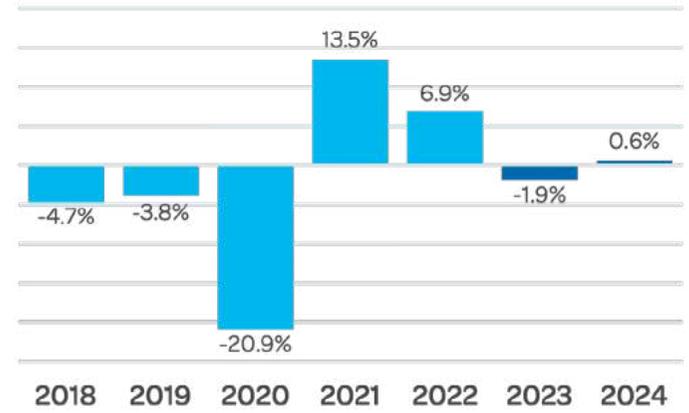
After large increases in 2021 and 2022, transportation is anticipated to see a slight -1.9% decrease in bids through 2023, which would then be followed by a leveling out and slight 0.6% increase for 2024.

Transportation Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Water & Energy

Definition: Construction or expansion of water or energy infrastructure, as well as consulting, equipment and supplies.

Summary of Recent Contracting Trends

Water and energy has seen continued growth throughout 2022, up 4.7% in bids over 2021. This increase is a return to normal maintenance activities amongst an increased use in various utility systems.

The water industry faced several challenges in 2022. With droughts due to lack of rainfall and overuse of water, the industry has promoted water reuse and looked for ways to emphasize its importance. Water utility companies and special districts have also been working hard toward making sure that clean drinking water is getting to each and every home.

With another water crisis in 2022 occurring in Jackson, Mississippi as a result of infrastructure failure and river flooding, pre-empted by an existing water crisis in Jackson, the emphasis on water infrastructure repair, replacement and maintenance is as strong as ever. The treatment plant for the Jackson area was already running on backup pumps prior to the river flooding and infrastructure failure. In order to avoid and prevent such further disasters from happening, SLED governments are prioritizing investment in water systems.

For example, over \$200 billion in ARPA money is being distributed to states, and as of late 2022 over \$5 billion has already been allocated to clean water, drinking water, and other water and sewer initiatives.

The general consensus today is that a switch to renewable and alternative sources of energy will be a benefit to society and our planet's climate as a whole. One area of investment has been in using AI to forecast energy consumption. It can be used to report real-time data to users to make them aware of the environmental impacts of their usage and show them what beneficial impacts they can make if their energy consumption is altered.

While AI is a great way to mitigate and manage current energy usage, the main goal is to move away from dependence on fossil fuels and toward increased renewable energy distribution and consumption. These efforts are continuing at the SLED level with tax exemptions even being offered for residents to utilize certain types of renewables. Solar energy continues to be the most dominant type of energy adoption.

TOTAL MARKET SIZE (bids and RFPs)

22,375 (2022)

AVERAGE QUARTERLY SHARE OF ANNUAL BID ACTIVITY (total=100%)

26.4% Q1

28.4% Q2

24.7% Q3

20.9% Q4

LEVEL OF GOV. SHARE OF BIDS

	City	47%
	County	15%
	Independent School District	4%
	College/University	3%
	Special District	19%
	State Government	12%

Water & Energy, Continued



Outlook/Expectations

ARPA will provide a large and consistent amount of funding for water and sewer related initiatives in 2023. This safety net of money will lead to many opportunities for infrastructure repair and replacement. ARPA is also providing funding for cybersecurity to safeguard utility systems from hackers. This will become a priority as utilities are more often becoming a target for such attacks.

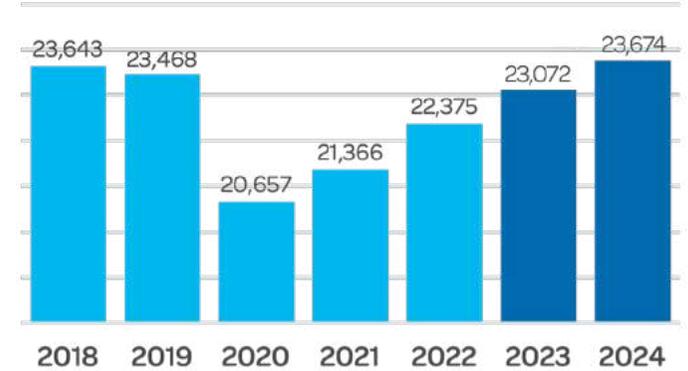
The war in Ukraine has created a global conversation about energy sourcing and resilience. This has only renewed the interest and desire for countries to become energy independent via domestic renewable energies sooner than ever. SLED entities will continue their push toward providing citizens with incentives for switching to renewables and looking at ways to mitigate reliance on fossil fuels.

Contracting Forecast

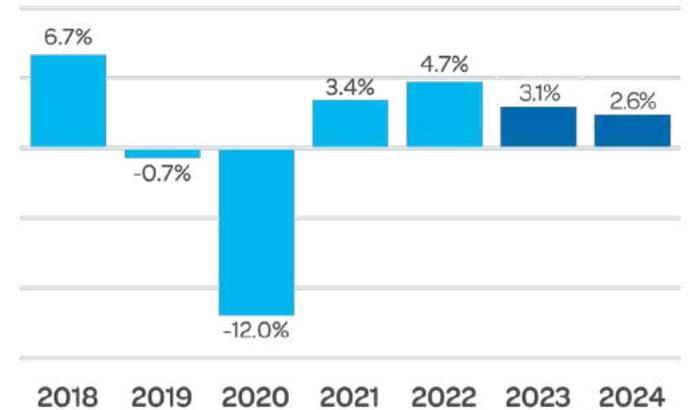
Water and Energy is setting itself up for continued growth of 3.1% in 2023 and another 2.6% for 2024. This is consistent with the ongoing federal relief funds provided to SLED in these categories. Examples include \$5 billion declared for water and sewer projects from ARPA funds and Infrastructure Act funding for clean water and power grid improvements.

Water & Energy Forecast

Annual Bids and RFPs Issued



Annual Rate of Growth



Summary of the 12 Industries

The 12 industries each experienced a significant decline in bid volume in 2020 due to the pandemic, and there has been substantial growth and progress since. Recent patterns seen and the timing of recovery have depended to a large part on factors such as inflation and the extent to which the products and services involved are standardized and routine or more custom in nature.

In the table we show baseline forecasted bids for each industry as a percentage of the start year (2019), highlighting the years where a given industry reaches at least 100%.

- Overall, the SLED market should reach 99% of its initial level by 2024 after a sideways trend in 2023.
- In 2023, six industries are expected to reach 100% status, while in 2024 the count will be nine (all but three of the 12).
- The industries expected to remain at only 88-96% by 2024 include financial products & services, transportation and construction.

2022, 2023 and 2024 Bids & RFPs as a Percentage of the Starting Year (2019)

Industry	2022	2023	2024
Architecture & Engineering	111%	104%	105%
Construction	95%	96%	96%
Educational Products & Services	104%	103%	104%
Environmental Services	97%	102%	106%
Financial Services & Insurance	87%	88%	88%
Healthcare	106%	106%	109%
Operations & Maintenance	102%	100%	102%
Professional Business Services	92%	99%	100%
Public Safety	96%	99%	100%
Technology & Telecom	98%	101%	101%
Transportation	96%	94%	95%
Water & Energy	95%	98%	101%
SLED MARKET OVERALL	98%	98%	99%

Appendix – Methods & Alternate Industry Forecasts

Bottom-Up Methodology Explained

Bottom-Up Model

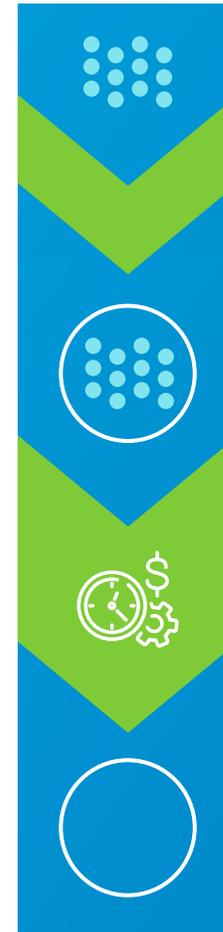
Total based on the 12 individual industries (1 = 12)

Starting last year, GovWin's annual SLED forecast employs a "bottom-up" methodology using exponential smoothing. Simply put, the market total is built on the separate individual forecasts for each of our 12 industries.

Our ability to accurately forecast at the level of the industry has increased due to use of a longer-term data set at the industry level as well as more time having passed since the initial pandemic-inflicted downturn began in Q2 2020.

This provided important clues into how these purchases have been impacted and how quickly they will return to normal.

As a cross-check, we also ran our model just based on the overall counts for the SLED market as a whole. The results were similar enough to give us confidence that in using the bottom-up method we were not sacrificing overall accuracy.



Trend each industry separately

Sum the 12 Industries

Apply standard factor adjusting for overlap of industries

Estimate Total SLED Market

Total SLED Bids – Baseline & Alternate Forecasts

Comparing Alternatives

In addition to the baseline forecast for total SLED bids, we developed two alternate forecasts. These can help readers appreciate the range of potential outcomes.

Baseline Forecast

The baseline forecast shows bids reaching 98% of 2019 levels in 2022 followed by a similar 98% in 2023 and 99% in 2024. This trend line points to a steady market supported by stimulus funds with sufficiently high minimum tax revenues based on a scenario where the economy slows but a major recessionary downturn is sidestepped.

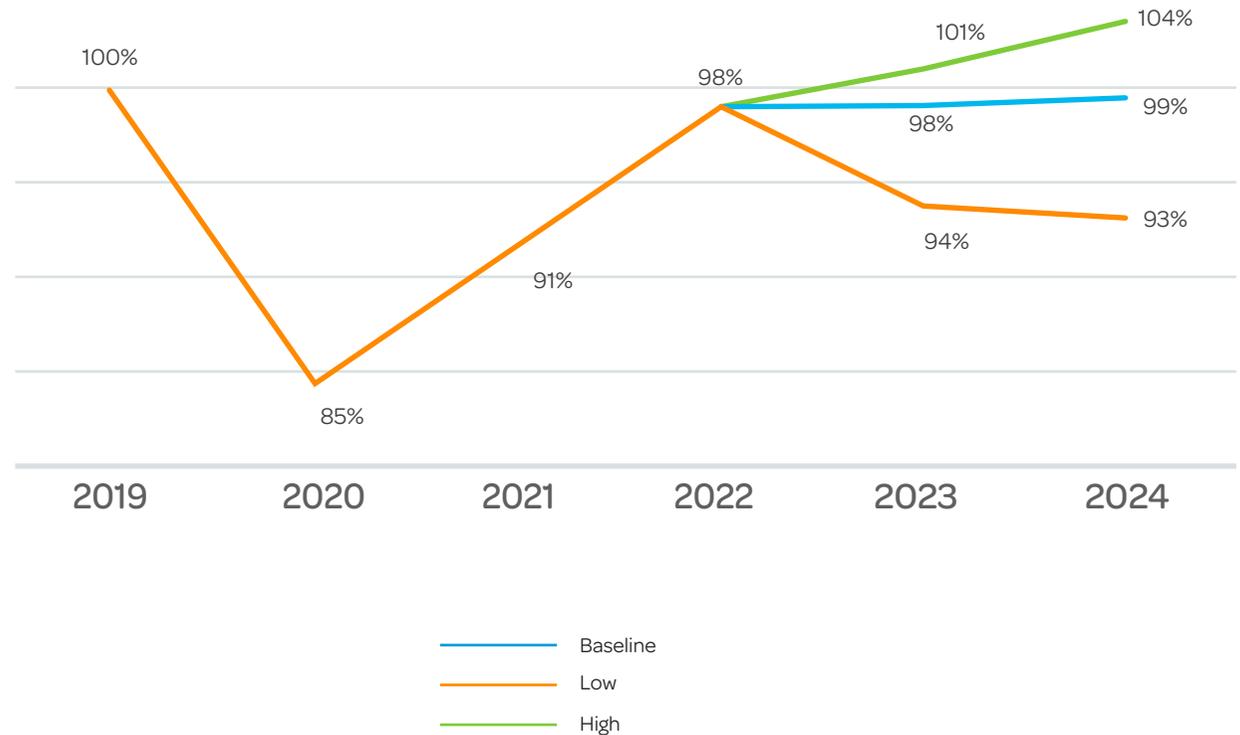
High Alternative

The “high” forecast reaches 101% of pre-pandemic levels in 2023 overall and then improves further to 104% in 2024. It assumes the best possible fiscal and economic conditions with no recession occurring.

Low Alternative

The “low” alternative assumes very pessimistic conditions in the economy and SLED government, such as a severe recession in 2023. This would cause officials to pull back on advertised bids and RFPs to around 93-94% of normal. For comparison, the worst year of the Great Recession was -4% in bids—similar to the shift here in the low scenario from 98% to 93% of normal.

Total SLED Bids as a % of Starting Year (2019)



Total SLED Bids – Baseline & Alternate Forecasts, Continued

The tables show the estimated bid counts per year for both alternate forecasts.

HIGH Forecast	2022	2023	2024
Architecture & Engineering	34,995	33,956	34,787
Construction	194,390	201,366	204,953
Educational Products & Services	6,528	6,746	6,901
Environmental Services	13,418	15,038	15,893
Financial Services & Insurance	12,124	12,773	12,960
Healthcare	15,999	16,547	17,152
Operations & Maintenance	103,410	103,712	106,360
Professional Business Services	33,034	37,457	38,423
Public Safety	10,569	11,214	11,579
Technology & Telecom	32,822	34,562	34,986
Transportation	45,368	46,797	48,049
Water & Energy	22,375	24,080	25,204
SLED MARKET TOTAL	472,272	489,555	501,248

LOW Forecast	2022	2023	2024
Architecture & Engineering	34,995	31,020	30,989
Construction	194,390	187,847	185,520
Educational Products & Services	6,528	6,170	6,157
Environmental Services	13,418	13,332	13,487
Financial Services & Insurance	12,124	11,815	11,583
Healthcare	15,999	15,331	15,525
Operations & Maintenance	103,410	96,872	96,974
Professional Business Services	33,034	33,539	33,385
Public Safety	10,569	10,465	10,503
Technology & Telecom	32,822	32,704	32,596
Transportation	45,368	42,227	41,479
Water & Energy	22,375	22,063	22,611
SLED MARKET TOTAL	472,272	452,797	450,482

Defining the 12 Industries

The following listing provides a brief description of each of the 12 major industries profiled in this report.

 Architecture & Engineering Architectural and engineering related work including project design, planning, inspection and surveying	 Construction The construction, expansion, replacement, or enhancement of roads, buildings, structures or landscaping	 Educational Products & Services Products and services intended specifically for the educational market such as textbooks, education software and education consulting services	 Environmental Services Testing and measurement services such as: environmental consulting, environmental testing, wildlife/stream/soil assessments, scientific research and GIS mapping
 Financial Services & Insurance Products and services related to banking, investments, retirement, insurance, payroll, billing, accounting or auditing	 Healthcare Healthcare services, supplies and equipment, as well as mental health and social services	 Operations & Maintenance A broad range of 'operations' functions that are typically purchased in multi-year renewable contracts such as: cleaning, waste, infrastructure and grounds maintenance, uniforms, food, and facilities supply orders	 Professional Business Services Services and consulting in areas such as administrative, employment, economic, legal, professional, business and printing/publishing
 Public Safety Products and services specific to police, fire, emergency, security, corrections or military uses	 Technology & Telecom A broad range of technology and telecom. products and services such as hardware, software, wireless, cloud or IT consulting	 Transportation Vehicle purchases and equipment, as well as transportation services such as intelligent transportation systems equipment and consulting	 Water & Energy Construction or expansion of water or energy infrastructure, as well as consulting, equipment and supplies



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