GovWin
from Deltek

2024 SLED Government Contracting Forecast

Table of Contents

< 2 >

Executive Summary

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

+1.3%
GDP in 2024

THE ECONOMY FACES A SLOWDOWN AND A POSSIBLE CONTRACTION IN THE COMING YEARS

The economy avoided a slump, maintained a slow GDP in 2023, and economists foresee another year of minimal growth with a reasonable chance of a slight decline.

7 of 12
Industries

SEVEN OF THE INDUSTRIES ALREADY RECOVERED IN 2024 WHILE OTHERS CONTINUE TO ADVANCE MORE SLOWLY

Seven of our leading industries will surpass 100% by 2023 while the other five will likely return to normal after 2025.

+1.7%
in 2023

2023 BIDS MARK THE RETURN TO NORMAL

The SLED market had a more typical yearly growth of 1.7% in 2023, following a 7.7% increase in bids in 2022 that largely completed the two-year rebound from 2020.

101%
of pre-pandemic

FURTHER GROWTH WILL BRING OVERALL MARKET TO SURPASS FULL VOLUME BY 2025

By 2025 the volume of SLED bids in the baseline forecast should reach 100.6% of pre-pandemic volume.

+0-1%
in 2024-25

STABILIZED BIDS IN 2024-25 REVERT TO HISTORICAL GROWTH PATTERN

After two years of significant growth and 2023 marking a return to normal levels, 2024-25 will look to return to the long-term average annual trend of around 1% growth in bids per year.

+/-

ALTERNATIVE FORECASTS GIVE INSIGHT INTO OUTCOMES

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 105% on the high side or drop to 95% if a significant recession hits.

Introduction

Looking at the prospects and patterns for each of our 12 industries, our 8th annual forecast projection for the state, local and education (SLED) market follows a solid third year of post-pandemic recovery in 2023 that surpassed expectations.

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 2025, 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 2023 and a two-year forecast forward in time for calendar years 2024 and 2025.

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 2023 ([drawn from GovWin's comprehensive market intelligence database](#)).

Annual estimates of 2023 in its entirety, as well as 2024-25, were produced with standard forecasting methods. Our

forecasting approach and methods is explained further in the Appendix.

2. Economic Data (GDP)

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

- OEDC
- Federal Reserve Bank of St. Louis
- Federal Reserve Board of Governors FOMC
- Northern Trust, Global Economic Outlook
- Congressional Budget Office (CBO)
- Morgan Stanley
- Allianz

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 actuals for 2023 through Q3. Our forecasting model factors this in during the process of projecting 2024-25 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 major recession, 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

Consistency Wins in 2023

After the impacts of the 2020 pandemic, inflation, geopolitical stress and interest rate hikes, many expected a challenging year in 2023 with a potential recession beginning in the first or second quarter, but the economy beat expectations and evaded this scenario. Some economists speculated that a gentle recession could still occur in late 2023, but that too has been avoided so far—producing a year that was marked by caution but ultimately was known for consistency.

Will the Recession Happen in 2024?

Experts and economists now eye 2024 as a possible year for a recession. They are unsure whether the US can avoid it completely, but they think if it happens it would probably be mild and low-impact, which would in turn be a positive outcome for the SLED market of purchasing. Economists have different views on this issue, ranging from optimistic to cautious, but no one can predict 2024 with a high degree of confidence. Instead, we are left to follow the clues, appreciate the risk factors and track the patterns of forecasts.

One of the experts sharing a prediction for 2024 is Angelo Kourkafas, Senior Investment Strategist at Edward Jones.

He made the following statement recently in reference to 2024:

> "There is a higher-than-average chance of a recession next year (50%) as the Fed rate hikes filter through the economy. While we see a cooling in growth to below trend, we may avoid a traditional recession of consecutive quarters of negative economic growth. Instead, we could see some form of a rolling downturn as parts of the economy stabilize, like manufacturing and housing, while other parts may soften, like service sectors. In terms of what may drive the slowdown, it will likely be slower consumer spending."

The recession question will no doubt linger well into 2024. Economists are divided because the current set of economic conditions are unprecedented and therefore very difficult to predict. Some type of very slow growth or minor borderline recession seems fairly safe and easy to predict, while neither a Great Recession-style major decline nor a booming economy on the other side seems likely. Forecasts through 2025 of annual GDP do show a slight upward trend with weaker-than-normal growth under 2% in a "soft landing" type scenario. As the next page shows, a significant recession is currently not expected, however, the sense of elevated risk persists and economists admit the possibility of a "hard landing" recession scenario cannot be ruled out.

Implications to SLED Funding and Demand

In general, a slow growth environment without a major financial/economic crisis or significant recession would be favorable for SLED government purchasing. Because of the positive impact of stimulus on SLED budgets and fiscal confidence, decision-makers are generally not proactively delaying projects or cutting back in recent months. In the absence of conclusive evidence of a recession beginning, SLED governments are focused on returning to status quo operations and funding levels that had been disrupted earlier with the pandemic.

We maintain that this market is well-positioned regardless of the outcome. In the event a significant recession does arrive, stimulus support should help it avoid the kinds of deeper cuts seen in previous downturns.

The Economic Outlook, Continued

Real GDP
(Annual Estimates)

Consensus
Lowest Forecast
Highest Forecast

Source: Bureau of Economic Analysis, consensus average of four economic forecasts (see Introduction)
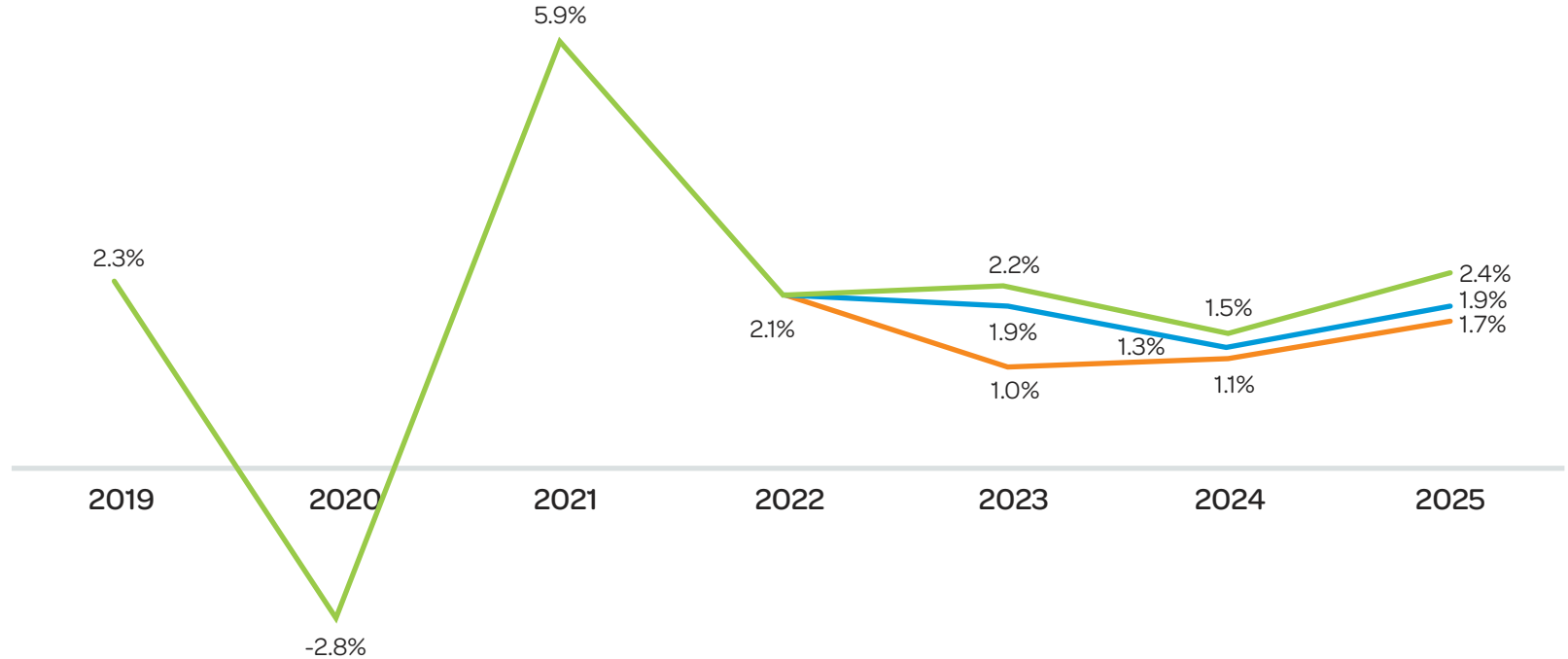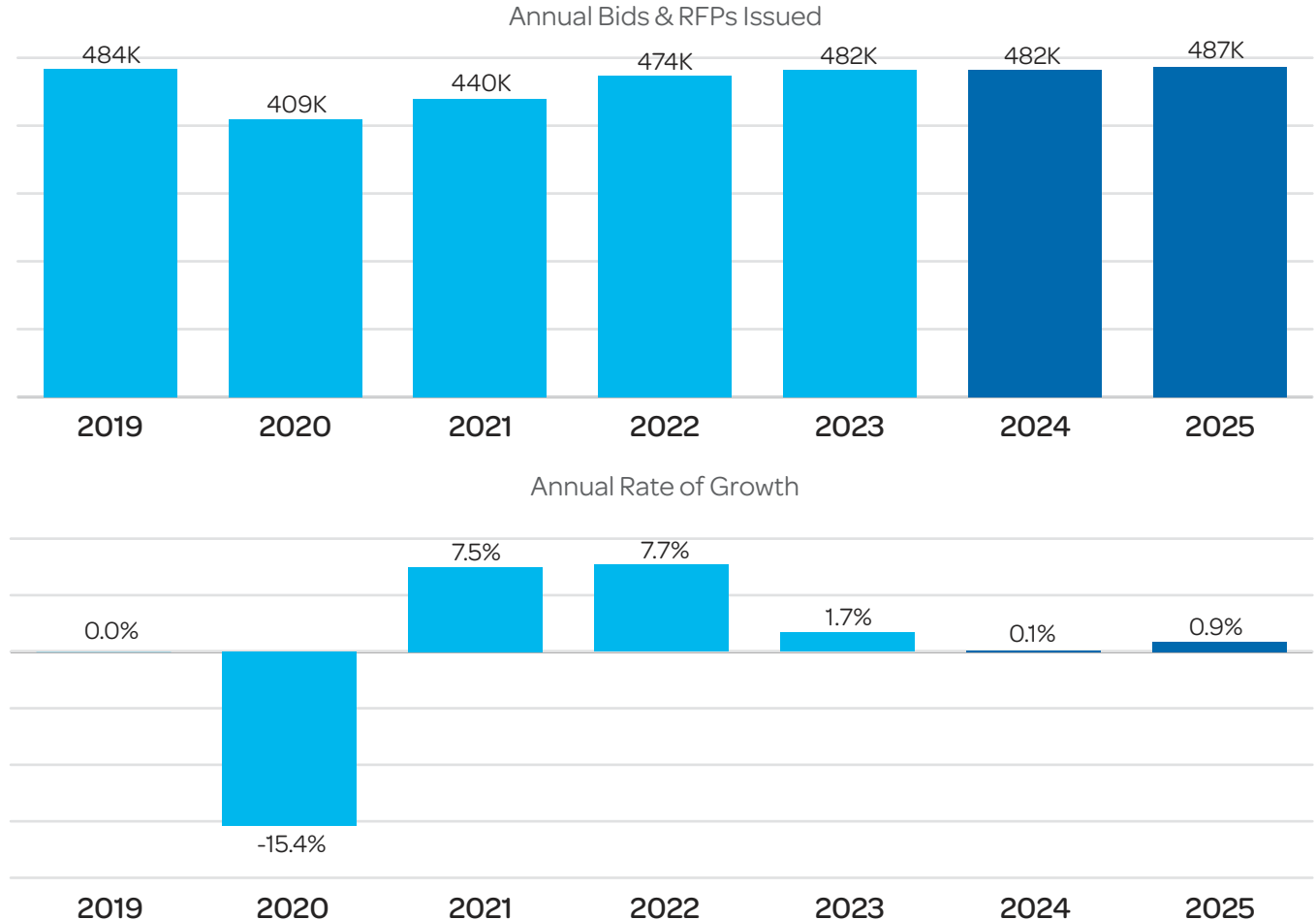
The Outlook for Competitive Bids & RFPs

Outlook/Expectations

The market has been steadily rebounding and improving since 2020, adding more than 70K bids to reach 482K in 2023, just below 2019 levels. We expect stability over the next two years with the market forming a multi-year plateau of volume. 2024 will be almost the same as 2023, but 2025 will show just enough growth to surpass 2019 for the first time since the onset of the 2020 pandemic. The growth rate fell sharply from the brisk "ramp-up" of 7-8% growth in 2021-22 to a more modest and incremental pace of 1.7% which was consistent with the long-term 1% average.

Stable counts of opportunities reflect the market's health and bode well for the ongoing and predictable revenues of contractors and suppliers. Keep in mind these counts reflect the advertised bid/RFP part of the broader market and don't factor in the impacts of higher inflation (raising contract sizes) nor cooperative and below-threshold smaller or sole source purchasing (bought without a bid). Total spending dollars were not significantly affected from the pandemic and by 2022 they had well exceeded that of 2019 based on data from the Bureau of Economic Analysis.

Overall SLED Forecast – Baseline

Annual Bids & RFPs Issued

Year	Value
2019	484K
2020	409K
2021	440K
2022	474K
2023	482K
2024	482K
2025	487K

Annual Rate of Growth

Year	Value
2019	0.0%
2020	-15.4%
2021	7.5%
2022	7.7%
2023	1.7%
2024	0.1%
2025	0.9%

GovWin
from Deltek

< 8 >

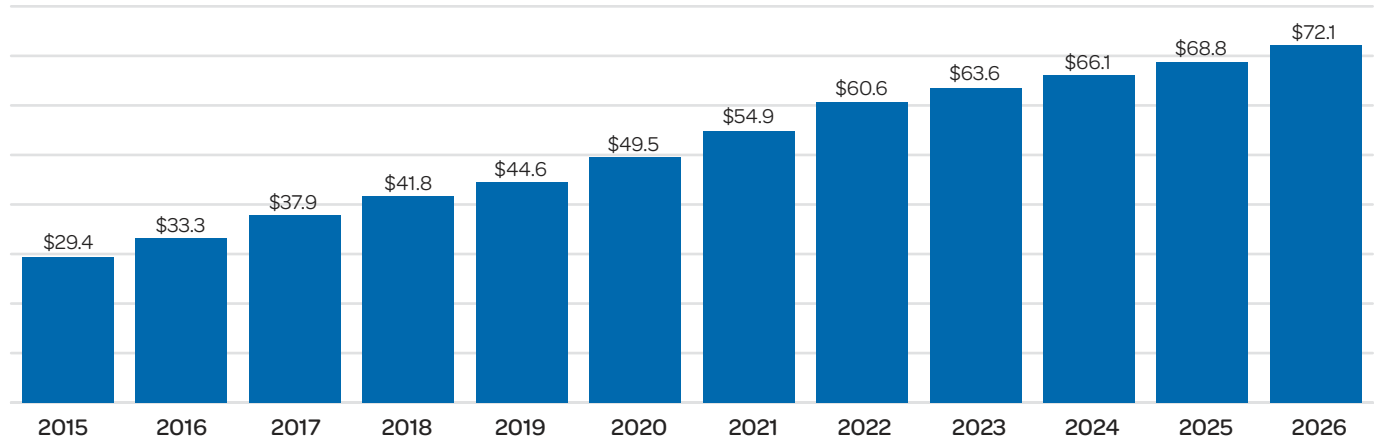# The Outlook for Cooperative Purchasing

Outlook/Expectations

The outlook for cooperative purchasing continues to be robust with growth continuing at a faster pace than the broader market of SLED purchasing. This is driven by strong demand by public sector buyers for convenience and efficiency. GovWin's own analysis of 13 leading national co-op organizations supports a current market size of around $64 billion for 2023 that should reach $72 billion by 2026. These estimates do not include purchases from regional co-ops or GSA schedules.

As co-op industry expert Tammy Rimes of National Cooperative Procurement Partners notes,

> "While entities are often short-staffed or faced with reduced budgets, contract use of cooperatives is growing. So too are the contract offerings. Well-defined commodities and services have been offered for decades, but there are growing categories in the areas of staff augmentation, consulting, installation services to accompany a commodity and construction."

National Co-op Sales Trend & Forecast
Billions of Dollars

Year	Sales
2015	$29.4
2016	$33.3
2017	$37.9
2018	$41.8
2019	$44.6
2020	$49.5
2021	$54.9
2022	$60.6
2023	$63.6
2024	$66.1
2025	$68.8
2026	$72.1

Suppliers appreciate the benefit to only compete once for a long-term co-op contract then advertise it and see many sales from it. Rimes shared that NIGP recently studied the trend of why some firms are reluctant to bid on traditional solicitations. **"One of the key reasons is that it takes time and resources to respond, and a supplier needs to weigh those costs against the opportunity."**

Gain deeper insights into the SLED cooperative purchasing market and expert tips by downloading our report on the **SLED Cooperative Purchasing Market Landscape**.

Individual Industry Forecasts

Architecture & Engineering

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

Summary of Recent Contracting Trends

The outlook for architecture and engineering (A&E) services remains positive as 2024 gets underway, but there are some indications that new work is decelerating, and challenges may be looming. 2022 witnessed robust bidding activity driven by a surge of new funding from federal spending bills, such as the Infrastructure Investment and Jobs Act (IIJA) and American Rescue Plan Act (ARPA). However, 2023 experienced continued rising inflation, market volatility, and high building material costs along with persistent shortages of skilled labor and staff to effectively manage and win new business.

A new wave of public projects are starting up nationwide, and design firms need to incorporate sustainability into their design and engineering plans. Eco-friendly design work, energy-efficient buildings and increased use of recycled materials are all objectives for firms aiming to win projects with climate-related goals and targets. Climate resiliency is also an ongoing priority, with more extreme weather events impacting regions across the nation. Resilient design for new projects will probably involve considerations such as fire and flood-resistant materials and more urban pre-disaster mitigation efforts.

Technology is an area where firms can stand out and show their ability to work more effectively with their partners. One significant technology area that has grown massively in 2023 across all industries is the development of artificial intelligence (AI) and machine learning tools. Design and engineering services may not seem like top areas for automation, but the American Institute of Architects (AIA) recently surveyed firms and found that adoption is gradually happening. Only 5% of survey respondents reported early adoption of AI models, but almost 70% of firms are looking into AI as a part of their future business models.

The main interest areas were the capabilities of AI and machine learning tools to meet marketing needs, offer design options, and handle zoning and code compliance, and 90% of firms expect they will use or increase usage of AI in the next three years. This can present a staffing challenge to smaller firms that may lack the right personnel to manage and use these capabilities. Still the goal is to enhance efficiencies and automate processes where possible to save time and work hours in the years ahead.

Total Market Size (bids and RFPs)

37,476 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

26.4%	Q1
24.8%	Q2
24.7%	Q3
24.1%	Q4

Level of Gov. Share of Bids

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

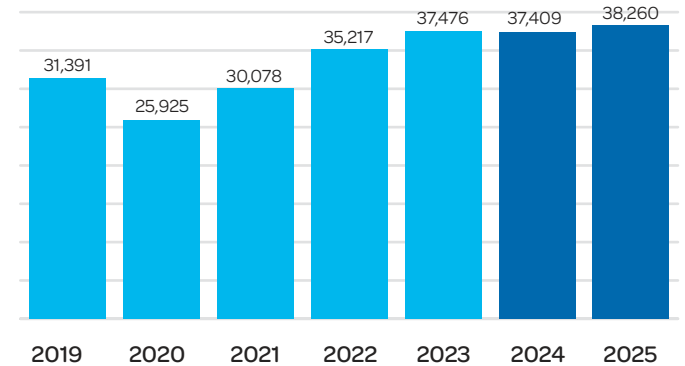# Architecture & Engineering, Continued

Outlook/Expectations

Architecture and engineering services has the potential for positivity, especially in the continued disbursement of funds from IIJA and ARPA. There are still plenty of projects yet to kick off with room for design work as funding is allocated through the next several years. However, as noted in the AIA/Deltek Architecture Billings Index (ABI) August 2023 Update, while inquiries into new projects remained relatively strong in August '23, the value of newly signed design contracts declined for the first time since April '23, meaning that fewer clients signed contracts for new projects than in the prior three months. Federal funding allocation will continue to provide a buffer, but overall market conditions will increasingly impact firm confidence levels and planning for future pipeline work.

Contracting Forecast

The architecture & engineering industry is projected to have a strong performance in the next few years, despite some challenges and uncertainties. The industry showed strong growth in 2023 at 6.4% and we're anticipating a slight decrease of 0.2% in 2024 and a rebound of 2.3% in 2025.

Architecture & Engineering Forecast
Annual Bids and RFPs Issued

2019	2020	2021	2022	2023	2024	2025
31,391	25,925	30,078	35,217	37,476	37,409	38,260

Annual Rate of Growth

2019	2020	2021	2022	2023	2024	2025
0.4%	-17.4%	16.0%	17.1%	6.4%	-0.2%	2.3%

< 12 >
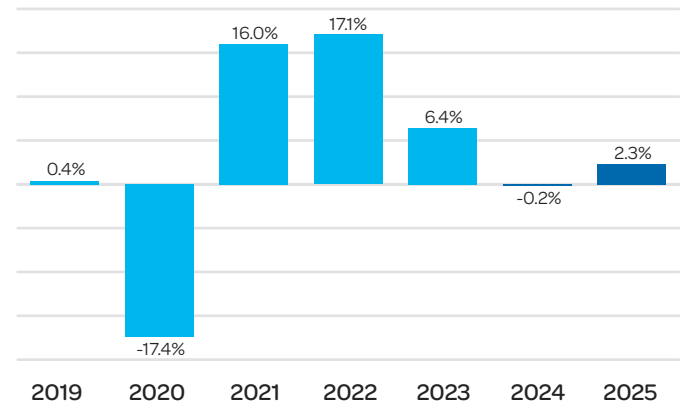
Construction

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

Summary of Recent Contracting Trends

The construction industry has maintained strong growth through 2023 as federal government funding keeps flowing from the multiple spending omnibus bills of the past few years. IIJA's $1.1T in total funding, with $550B new dollars approved to go along with already planned spending, has kept increasing allocations and projects are starting up nationwide. This wave of spending is helping meet critical repair and update needs for public infrastructure across the country, with some notable large projects such as the Purple Line Extension in Los Angeles ($3.7B) and the Brent Spence Bridge ($1.6B). As of August 2023, California and Texas have received the most funding so far, at $22.5B and $18.9B respectively.

The impact of these funds is evident not only in the largest or most visible examples but also in state and local government bidding. Some of the biggest increases in government bidding for construction services involved renovation and construction of facilities in aviation and public utilities, but a major focus for 2024 is likely to be healthcare facilities. The aging of the baby boomer generation and the need to help underserved communities in case of a public health crisis have highlighted weaknesses in the total network capabilities across the country. AIA's Consensus Construction Forecast Panel reported that, by May 2023, spending on healthcare facilities had risen nearly 14% from the previous year. This trend is expected to persist as more funding is distributed.

The influx of federal funds is exciting, but the construction industry still faces concerns and issues that may affect its project delivery in the next few years. Rising building material prices, higher interest rates affecting access to capital and ongoing labor shortages are some of the challenges that firms may encounter in 2024. However, this also creates an opportunity for firms to stand out from their competitors through innovation in technology and methods to deliver, such as growth in use of large-scale 3D printing. These big industrial printers can place layers of concrete or other materials in more complex designs and surfaces, which can reduce material usage, cut down labor costs and accelerate construction time. This also has a positive side effect of promoting the use of recycled materials and helping firms to adopt greener construction practices.

Total Market Size (bids and RFPs)

198,852 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

29.1%	Q1
28.0%	Q2
22.8%	Q3
20.0%	Q4

Level of Gov. Share of Bids

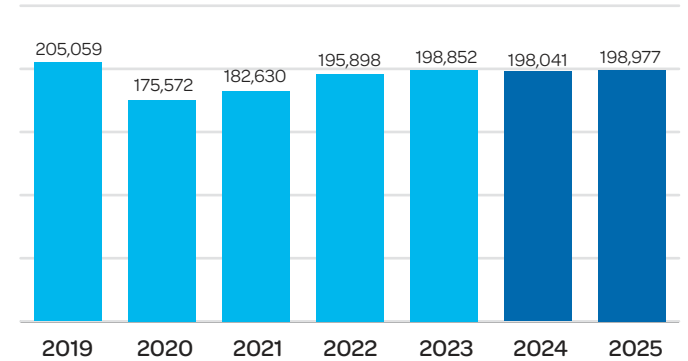|	
City	36%
County	16%
Independent School District	10%
College/ University	6%
Special District	14%
State Government	19%

Construction, Continued

Outlook/Expectations

The construction industry has grounds for optimism for 2024. Despite the challenges of a tighter market and higher material costs that affect margins, the number and variety of new builds and construction projects funded by the federal government keep supporting bid activity for the next few years. There will be a focus on larger facility construction projects for transportation, utility, and public health, as well as renovation and maintenance projects for vulnerable infrastructure sites across the country. The labor market, which still faces a shortage of skilled labor to fill open positions, also has some positive signs. The Bureau of Labor Statistics (BLS) industry employment information shows that the construction unemployment rate reached a recent peak of 6.9% in Jan 2023, but has since dropped to a near post-pandemic low of 3.9% in August 2023.

Contracting Forecast

The construction industry experienced a 1.5% growth in bids and RFPs in 2023 after larger increases for 2021 and 2022. The outlook for the next two years is similarly stable, with a slight decline of -0.4% in 2024 and a modest increase of 0.5% in 2025.

Construction Forecast
Annual Bids and RFPs Issued

Year	Value
2019	205,059
2020	175,572
2021	182,630
2022	195,898
2023	198,852
2024	198,041
2025	198,977

Annual Rate of Growth

Year	Value
2019	-2.3%
2020	-14.4%
2021	4.0%
2022	7.3%
2023	1.5%
2024	-0.4%
2025	0.5%

< 14 >
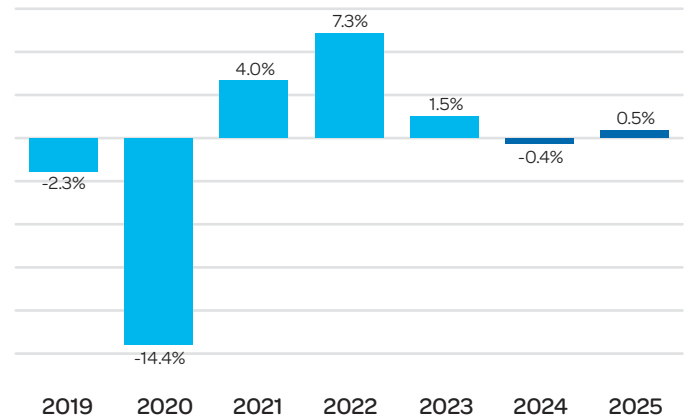
Educational Products & Services

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

Summary of Recent Contracting Trends

Education products and services covers a broad range of services and products for K-12 and the higher education market. Books, printed materials, published materials, educational services and periodicals have been among the larger procurement areas historically.

This sector was severely impacted by school closures during the Covid-19 pandemic in 2020. The lockdowns and surge of remote learning caused a sharp decline in bid volumes. However, the allocation of American Rescue Plan Act (ARPA) funding was a boon for educational institutions as bid volumes in this sector not only recovered but surpassed pre-pandemic levels in 2021. As the deadline to allocate ARPA funds nears in 2024, bid volumes will most likely stay stable, assuming macroeconomic conditions are steady.

School districts are using summer learning programs, social and emotional programs, and tutoring services to help students overcome learning gaps in core subjects. Many school districts have bought high-quality instructional materials to help instructors with standardized learning plans.

Now that schools and colleges have tested and implemented hybrid learning models during the peak of the pandemic, some K-12 districts have opted to keep hybrid learning options open based on local disease conditions and/or preferences. Public higher education institutions have generally kept hybrid options in place to offer greater convenience and attract students. These approaches tend to increase in demand for specific kinds of online systems and digital curriculum.

The category of EdTech will remain a key factor in student learning, as it quickly adapts to the ever-changing needs of students and school staff. AI-powered tools have been more widely used in the classroom. Many Edtech platforms are using AI to create personalized and interactive learning experiences for students. Moreover, AI is helping automate grading and lesson planning for teachers. AI will keep influencing EdTech as more platforms incorporate the technology into their systems.

Total Market Size (bids and RFPs)

6,416 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

26.5%	Q1
30.0%	Q2
22.4%	Q3
21.2%	Q4

Level of Gov. Share of Bids

City	10%
County	8%
Independent School District	45%
College/University	15%
Special District	3%
State Government	19%

Educational Products & Services, Continued
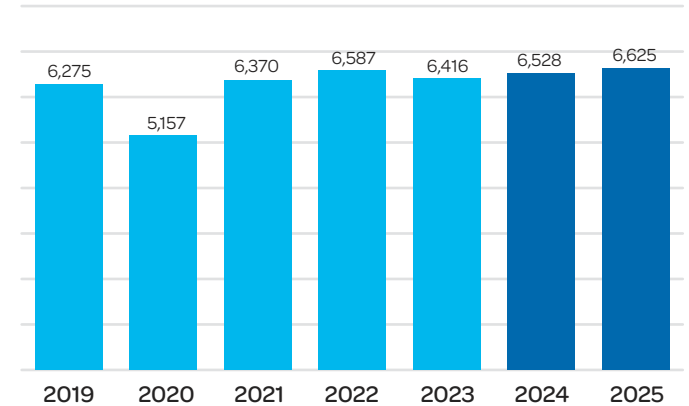
Outlook/Expectations

Educational products and services was the first of our 12 industries to rebound after 2020 driven by immediate needs and full funding from the rounds of federal stimulus. It continues to have a healthy outlook despite slowing in 2023. The 2022 peak assisted by availability of ARPA funds was more of a one-time increase driven by a focus on addressing the gaps caused by remote learning during the pandemic.

Various technologies, such as the growing eLearning solutions that offer flexibility, accessibility, and cost-effectiveness for teachers and students, will help keep demand stable and support the increases shown. AI is another area to monitor in this space, as schools will have to adjust to the technology and its limitations and possibilities.
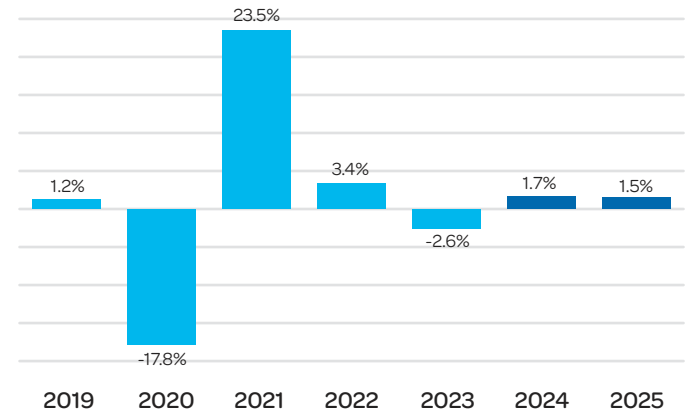
Contracting Forecast

After peaking in 2022, the industry should settle in 2023 to a more sustainable level with a -2.6% decrease, making it a tougher year. However, the sector is projected to bounce back in the following two years, with a 1.7% increase in 2024 and a 1.5% increase in 2025.

Educational Products & Services Forecast
Annual Bids and RFPs Issued

2019	2020	2021	2022	2023	2024	2025
6,275	5,157	6,370	6,587	6,416	6,528	6,625

Annual Rate of Growth

2019	2020	2021	2022	2023	2024	2025
1.2%	-17.8%	23.5%	3.4%	-2.6%	1.7%	1.5%

< 16 >

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

Climate change is a pressing issue that governments seek to address as they face its consequences. Extreme weather events and rising temperatures are becoming more frequent and intense, sparking more discussions on how to tackle the problem and its effects.

One of the ways that governments are doing this is by purchasing certain services and products aimed at reducing the pollutants and hazardous substances that affect their people, businesses and vital operations. Regulations are in place to make sure these materials are handled safely and disposed of properly so they do not pollute the land or drinking water. They also aim to maintain a healthy environment and preserve and protect the natural habitats and wildlife.

Many of the green initiatives that governments have implemented are related to these environmental services of remediation, protection and prevention. They show

a sustained interest in conserving the natural areas and avoiding any human interference that could harm them or the wildlife living there.

We also observe the ongoing acquisition of various scientific tools and equipment that are required for different environmental agencies to conduct their research and testing in various fields. This has been a relatively steady and strong part of purchasing for this industry and continues to be a mainstay.

Different states, counties and other jurisdictions have different environmental goals and plans. However, we can see a general agreement in the SLED market that these services remained a top priority in 2023 and led to a strong year for environmental services thanks to the state and local governments' dedication and spending to reach their climate targets. For example, in our '*Environmental and Social Initiatives to Watch in SLED Government Contracting*', the environmental initiatives we selected and tracked grew by 9.2% year-over-year from 2021-2022.

Total Market Size (bids and RFPs)

13,886 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

26.2%	Q1
26.2%	Q2
24.3%	Q3
23.2%	Q4

Level of Gov. Share of Bids

🏢	**City**	**33%**
🏛️	**County**	**15%**
🏫	**Independent School District**	**4%**
🎓	**College/ University**	**11%**
💡	**Special District**	**14%**
🏛️	**State Government**	**23%**

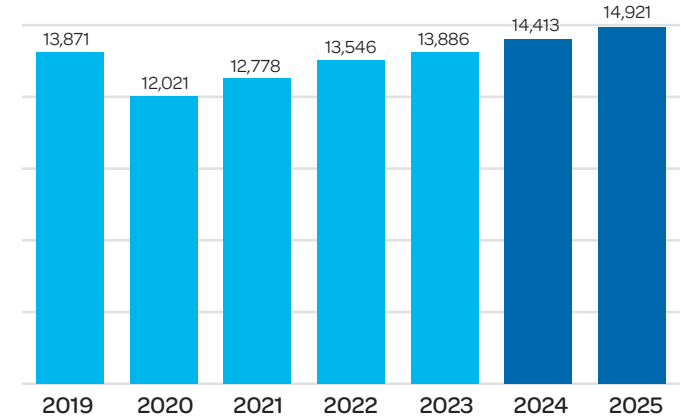# Environmental Services, Continued

Outlook/Expectations

While it did see an initial dip in 2020, the industry has rebounded well and benefited from long-term tailwinds, such as the increased environmental consciousness and the adoption of environmental and social policies by the public and private sectors. This industry will also continue receiving a boost from the Infrastructure Investment and Jobs Act, which allocates $21 billion for environmental remediation projects. However, there will be some challenges and risks, such as labor shortages, supply chain disruptions, cybersecurity threats, ethical dilemmas and regulatory uncertainties. The industry will need to adapt and innovate to thrive in these changing market conditions.
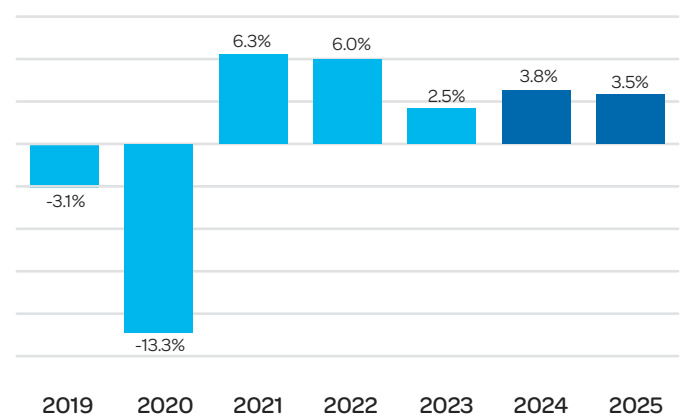
Contracting Forecast

Supported by favorable societal and policy trends, the industry grew by 2.5% in 2023 and is expected to grow steadily in the next few years with a 3.8% growth in 2024, and a 3.5% growth in 2025.

Environmental Services Forecast
Annual Bids and RFPs Issued

2019	2020	2021	2022	2023	2024	2025
13,871	12,021	12,778	13,546	13,886	14,413	14,921

Annual Rate of Growth

2019	2020	2021	2022	2023	2024	2025
-3.1%	-13.3%	6.3%	6.0%	2.5%	3.8%	3.5%

< 18 >

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 industry has experienced a reset in SLED government bidding opportunities as a result of the 2020 recession. All industries suffered in 2020 but financial services has continued to struggle returning to 2019 bid levels. This pattern of more cautious purchasing of financial services can be partly explained by governments delaying certain discretionary or higher-risk services not wanting to re-think their critical financial systems or investments at a time of great change. Another explanation is that governments have simply been prioritizing the more citizen-facing and high priority services and finance simply was not as important to maintain. The persistent talk in 2023 of an impending recession had made many finance chiefs and experts anxious and on recession watch.

Government finance leaders have learned lessons in budgets, resources and spending in the last three years. They want to avoid overspending, and reserve some funds for urgent situations, but they also seek to keep projects on track and jobs filled. Governments have adjusted to a new normal where funding is more guarded yet the expectation remains to continue with regular operations. There are also the multiple federal stimulus funding bills that have been passed, all giving funding in certain areas or with certain rules to follow.

This funding has given finance departments and officials greater confidence in their budgets and spending outlooks. It has provided a sort of 'safety net' if they were to encounter another recession. However, the influx of funding has resulted in some governments being unprepared to handle the allocation and distribution. The stimulus has opened opportunities for financial services vendors to offer varied financial related services to help governments handle and allocate the funds, while following the reporting requirements set by the stimulus bills.

Government is vulnerable to cyberattacks, natural disasters, and as shown recently, public health crises. As a result of this need for increased coverage and protections, governments are looking to reduce their liabilities and losses and safeguard their assets by continuously purchasing and keeping up to date with various insurance products and services.

Total Market Size (bids and RFPs)

12,077 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

27.3% Q1
27.1% Q2
22.4% Q3
23.3% Q4

Level of Gov. Share of Bids

	City	**32%**
	County	**16%**
	Independent School District	**13%**
	College/ University	**7%**
	Special District	**16%**
	State Government	**16%**

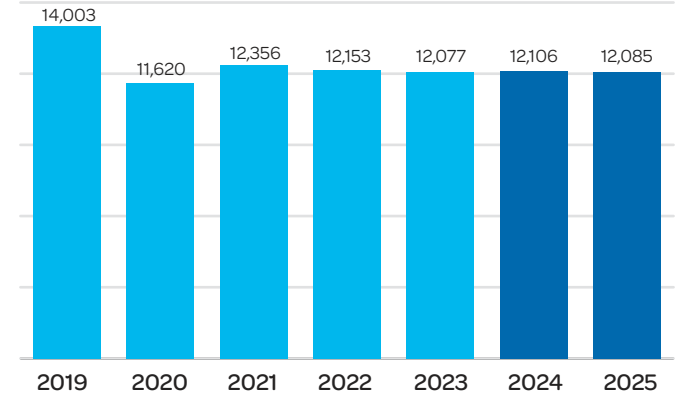# Financial Services & Insurance, Continued

Outlook/Expectations

We anticipate for the financial services industry to continue its flat trend for the near term during the forecast period. One factor that could affect the outlook positively is if the larger economy was confidently improving each year with low risk of recession and steadily growing tax revenues. Such a lower-risk scenario could in theory lead to additional contracts in areas that didn't make as much sense to change or invest in during the uncertain years.

There will be several challenges facing the industry such as digitization and the shift to automation. There are also concerns of increased cyber threats and regulatory pressures that may place new burdens on finance staff. In this environment, the industry will have to learn to adapt, adjust and innovate to meet customer needs and help the public sector fulfill its challenging mission.
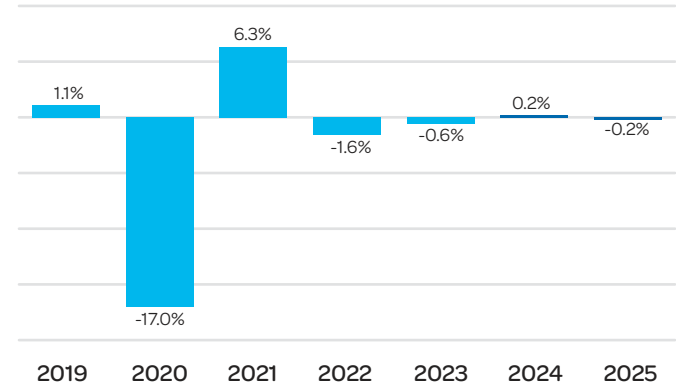
Contracting Forecast

The industry will show stability in the next few years, with no significant gain or loss. We saw a minor -0.6% decrease in 2023. This should be followed by a flat result of 0.2% for 2024 and -0.2% in 2025.

Financial Services & Insurance Forecast
Annual Bids and RFPs Issued

Year	Value
2019	14,003
2020	11,620
2021	12,356
2022	12,153
2023	12,077
2024	12,106
2025	12,085

Annual Rate of Growth

Year	Value
2019	1.1%
2020	-17.0%
2021	6.3%
2022	-1.6%
2023	-0.6%
2024	0.2%
2025	-0.2%

< 20 >

Healthcare

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

Summary of Recent Contracting Trends

Government contracting in the healthcare market has rebounded steadily three years after the Covid-19 pandemic started, with the number of bids released in 2023 increasing by 5% from the previous year. With 2023 marking the end of the public health emergency that was declared at the beginning of the pandemic, the need for pandemic-specific spending has declined. State and local governments have been able to shift their focus to longer-term investments aimed at building a more resilient healthcare system and closing critical healthcare gaps.

Promoting health equity has been a top priority in 2023, and the federal government has boosted funding for SLED governments to back these efforts. More culturally specific funding is being directed toward increasing access to care in underserved communities. Progress in maternal health equity is also being achieved, with governments enhancing prenatal care and working to lower maternal mortality. To support better health care in rural areas, states are broadening Medicaid eligibility and home- and community-based services, as well as investing in programs to attract and keep rural health care providers.

SLED governments have also focused on improvements in behavioral health care as they keep addressing the pressure that the pandemic has put on an already underfunded system. Certified Community Behavioral Health Clinics (CCBHC) have seen more funding, with several states receiving planning grants to set up CCBHCs nationwide. Moreover, many grants to enhance youth mental health services, such as the project AWARE grants, have been given to increase school-based mental health services. The 988 crisis hotline has also obtained more funding to improve its crisis care services and cope with rising call volumes.

Health IT was still in high demand in 2023. SLED governments kept working to update obsolete health information systems, with a focus on creating more connected systems to enable better data analysis and exchange, and ultimately better health outcomes. Moreover, the recent focus on health equity has resulted in a drive for more customized care, with SLED governments working to incorporate social determinants of health data into their health IT systems to better tackle health disparities.

Total Market Size (bids and RFPs)

16,663 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

25.4% Q1

28.6% Q2

23.8% Q3

22.2% Q4

Level of Gov. Share of Bids

City		18%
County		25%
Independent School District		12%
College/ University		9%
Special District		9%
State Government		28%

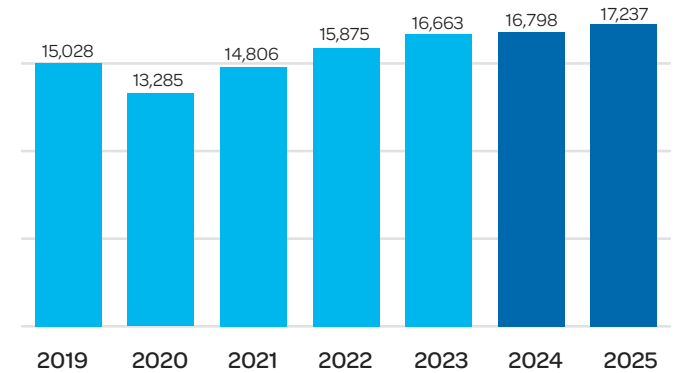# Healthcare, Continued

Outlook/Expectations

The end of the Public Health Emergency has changed funding priorities for SLED governments. Long-term investments to close critical healthcare gaps and grow behavioral healthcare services will probably remain essential for improving the nation's healthcare system. Moreover, with the end of the continuous enrollment provision enacted during the pandemic, SLED governments will also likely have to focus on how they reevaluate Medicaid eligibility. Given the federal government's ongoing focus on healthcare reform and the constant need for funding in the healthcare sector, healthcare spending within SLED governments is likely to rise in the next few years.
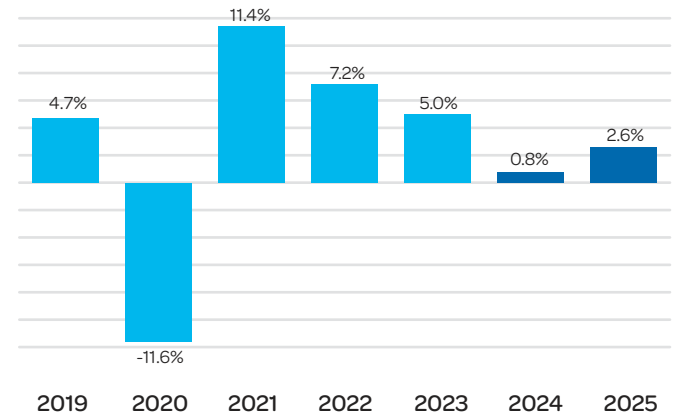
Contracting Forecast

After a strong 5% rise in opportunities during 2023, the Healthcare industry is projected to have slight growth in 2024 of just under one percent and a solid 2.6% increase for 2025.

Healthcare Forecast
Annual Bids and RFPs Issued

Year	Value
2019	15,028
2020	13,285
2021	14,806
2022	15,875
2023	16,663
2024	16,798
2025	17,237

Annual Rate of Growth

Year	Rate
2019	4.7%
2020	-11.6%
2021	11.4%
2022	7.2%
2023	5.0%
2024	0.8%
2025	2.6%

< 22 >

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 and maintenance is the second largest sector in the SLED market after construction, based on GovWin data. On average, there are around 100,000 bids for operations and maintenance each year. These advertised opportunities represent more than 20% of all the bids in the SLED market. The pandemic years affected the bidding activity of operations and maintenance, as well as the larger SLED market. But this industry recovered faster than the rest of the market, with 10% growth in 2022 that essentially returned volume to normal.

The operations and maintenance segment mostly purchases commodities and services that are vital for keeping various facilities run by the government operational. This segment has some areas that receive higher purchasing volumes, such as cleaning and janitorial supplies and services, industrial equipment and maintenance, trash removal, and food services and products. Based on the data from 2023, some of these areas might see even more bids, like industrial products, facilities management and maintenance, and trash removal.

This industry usually has a modest procurement process within SLED governments because they are mostly basic commodities and routine services. When feasible, buyers tend to prefer longer-term and more efficient contracts to minimize staff time and hassle and potentially improve the reliability of regular deliveries or scheduled services. Sometimes, they use term contracts with multiple vendors to make purchasing easier and faster. Additionally, some larger-scale cooperative purchasing agreements exist, such as through NASPO ValuePoint and Sourcewell, that also provide these types of products and services. However, in these cases, the individual purchases made using those contracts would not be reflected in the bid/RFP totals shown here.

Total Market Size (bids and RFPs)

101,916 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

26.7% Q1

28.5% Q2

23.6% Q3

21.2% Q4

Level of Gov. Share of Bids

City	29%
County	15%
Independent School District	14%
College/ University	6%
Special District	17%
State Government	19%

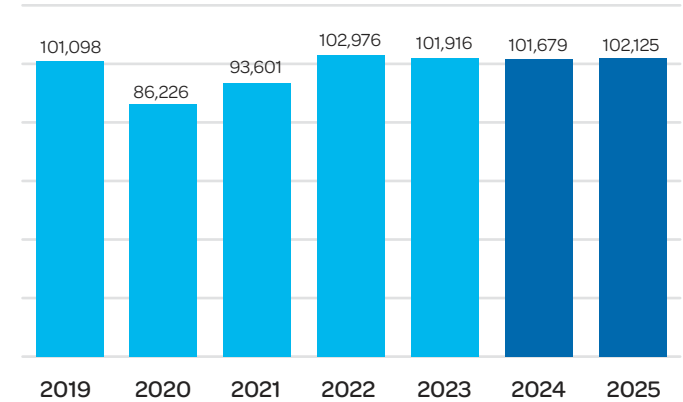# Operations & Maintenance, Continued

Outlook/Expectations

The operations and maintenance industry is typically steady in the SLED market. These products and services are essential to keep operations moving forward, so the bid volumes tend to be stable, even in times of economic uncertainty. The pandemic affecting the market in 2020 was a highly unusual exception that was quickly erased with a two-year strong rebound back to typical levels. Some areas in the operations and maintenance sector have more bids than others and growth rates can fluctuate year-to-year. But bid levels will likely stay fairly consistent in future years.
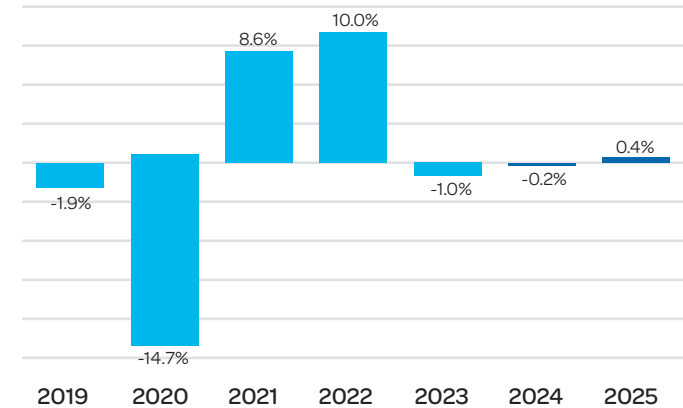
Contracting Forecast

After a slight decrease of one percent in 2023, our model expects a flat trend in 2024-25 for the operations and maintenance industry segment. This prediction considers the essential nature of these goods and services and the straightforward procurement process typically seen in this segment.

Operations & Maintenance Forecast
Annual Bids and RFPs Issued

Year	Bids
2019	101,098
2020	86,226
2021	93,601
2022	102,976
2023	101,916
2024	101,679
2025	102,125

Annual Rate of Growth

Year	Rate
2019	-1.9%
2020	-14.7%
2021	8.6%
2022	10.0%
2023	-1.0%
2024	-0.2%
2025	0.4%

< 24 >

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 are an essential function that covers both the regular or daily services and the more specific and one-time planning and consulting projects. These usually need a lot of teamwork and face-to-face meetings between service providers and their public sector customers. This industry group suffered in the 2020 slump with office and school building shutdowns, losing 24.6% in bid volume, but it has been rebounding nicely in the last two years. In 2021 and 2022 governments re-opened, brought back furloughed staff members and moved from a reactive mode to more of a proactive mode. This, in turn, helped to restore more normal contracting volumes.

The ability of SLED governments to function normally and keep spending instead of reducing it or to resume spending on projects that were paused for a while has been influenced by federal stimulus. Stimulus funding has also affected the speed of this recovery. Last year's report predicted that volumes would be back to 98% by 2023 but this target level was reached by the end of 2022.

As part of GovWin's 2023 forecast report on spending in professional services, we showed that the market for "management consulting" type services had been growing faster than the other types since the pandemic hit—consistent with this shift from a reactive to a proactive mentality. Officials are now more willing and capable of considering new options and re-evaluating systems and processes.

Likewise, our annual research on governor's agenda items from their "state of the state" addresses shows that the pandemic has led to more professional services items than usual and there has been a focus on areas like government performance, reform and reorganization, and streamlining and modernization.

Our various Smart Tags of niche categories show strong growth in HR and staffing-type services at the micro level of analysis. These services help organizations deal with labor market issues and challenges in hiring and keeping staff, as well as in collecting feedback from the community about how happy they are with current systems and to estimate and anticipate community needs.

Total Market Size (bids and RFPs)

34,046 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

26.2% Q1

25.7% Q2

23.9% Q3

24.2% Q4

Level of Gov. Share of Bids

City		33%
County		15%
Independent School District		10%
College/University		8%
Special District		14%
State Government		20%

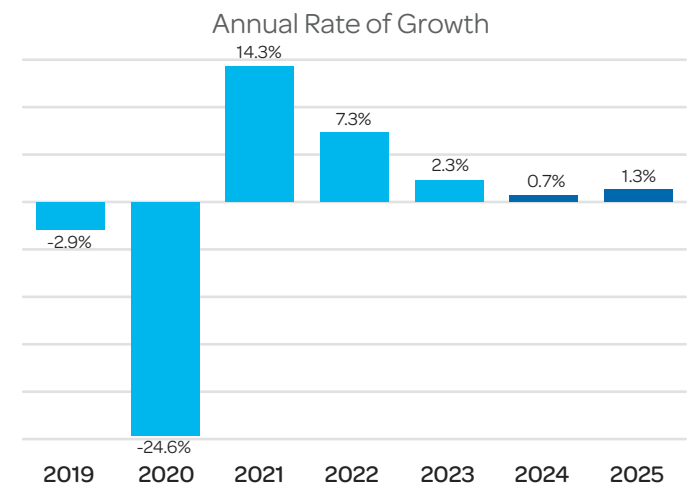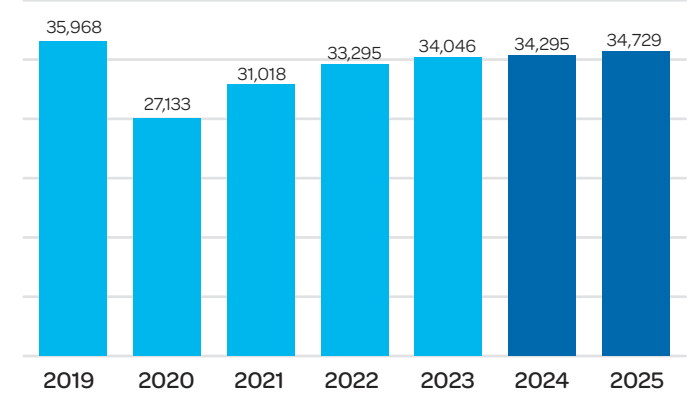# Professional Business Services, Continued

Outlook/Expectations

Professional business services has been returning to normal after two years of robust gains following the large 2020 decline. While this growth can be seen across the various sub-groups, there does seem to be stronger interest in taking on some optional, higher profile or more strategic projects. These are RFPs for contracts such as planning or management consulting that require the buying organization to have a longer-term view, more willingness to take risks, and more confidence in their financial stability—which the stimulus funding tends to support.

Contracting Forecast

Following the 2020 decline, the industry rose by +14.3% in 2021, another 7.3% in 2022 and showed growth of another 2.3% in 2023. Our model is forecasting stability for 2024 and 2025 with incremental growth of around 1% each year moving forward.

Professional Business Services Forecast
Annual Bids and RFPs Issued

Year	Value
2019	35,968
2020	27,133
2021	31,018
2022	33,295
2023	34,046
2024	34,295
2025	34,729

Annual Rate of Growth

Year	Value
2019	-2.9%
2020	-24.6%
2021	14.3%
2022	7.3%
2023	2.3%
2024	0.7%
2025	1.3%

< 26 >

Public Safety

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

Summary of Recent Contracting Trends

Public safety involves many different issues that are affected by various trends; these can include political goals, distressing events, inflation, crime, and natural disasters. In recent times we have seen an increased demand for new or improved safety equipment and services.

This industry has had a significant increase in bids for 2023 compared to 2022 with an 8.1% growth rate. This is consistent with trends for more disaster readiness and efforts to reduce crime rates that have been reflected in the news and types of purchasing we've seen.

Governor's agendas from their "state of the state" speeches have recently called for more funds to boost police forces and fight crime, especially drug-related issues. We believe these items also reflect sentiments and priorities among local government leaders. Task forces are being set up with specific objectives of removing drugs like fentanyl from the streets. This leads to more demand for security equipment and updating police vehicles.

School security is a priority for many SLED markets as a method of deterrence, prevention and protection in the wake of traumatic events across the various school systems in recent years. Texas allocated $800M to help schools comply with the new school safety standards. This will in all probability lead to many new bids for security alert systems, remotely operated secured doors and further investments in school safety.

Most of the public safety bids are focused on police personnel, equipment, facilities and corrections. These mainly involve body-worn cameras, upgraded security equipment, ongoing updating of various correctional facilities and the modernization of police fleets with new technology.

Making up a smaller portion of bids within public safety, but still considered essential, are things like security guard services, and inmate rehabilitation and re-entry services and programs.

Total Market Size (bids and RFPs)

11,299 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

25.5% Q1

27.6% Q2

24.7% Q3

22.2% Q4

Level of Gov. Share of Bids

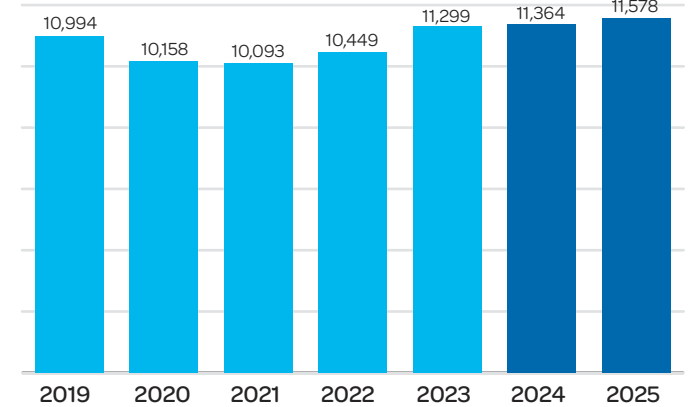|		
City		30%
County		21%
Independent School District		9%
College/ University		6%
Special District		13%
State Government		21%

Public Safety, Continued

Outlook/Expectations

According to the Council on Criminal Justice, crime rates have not increased in 2023 compared to the first half of 2022, however, they are still above 2019 pre-pandemic levels. This signals that emphasis on public safety from a policy standpoint will probably remain similar for now, with specific bids based on the stated goals of the governors (such as the task forces to combat drug-related crime previously mentioned). The unpredictability of natural disasters makes competing for funds and maintaining consistent long-term funding a challenge, but we are observing some additional efforts for disaster preparedness.
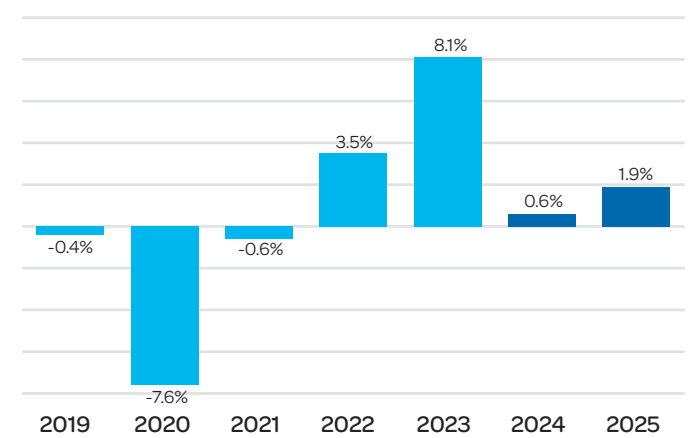
Contracting Forecast

Following the strong increase for 2023 that returned bid activity to normal, our model expects a slight growth of 0.6% in 2024 as the industry trends sideways but SLED agencies keep working to shrink the crime rates. 2025 is expected to show modest additional growth of 1.9%.

Public Safety Forecast
Annual Bids and RFPs Issued

Year	Bids/RFPs
2019	10,994
2020	10,158
2021	10,093
2022	10,449
2023	11,299
2024	11,364
2025	11,578

Annual Rate of Growth

Year	Growth
2019	-0.4%
2020	-7.6%
2021	-0.6%
2022	3.5%
2023	8.1%
2024	0.6%
2025	1.9%

< 28 >

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

The sector of technology and telecom has generally been one of the more stable industries with a predictable volume of opportunities. Most of the bids and RFPs in this sector are for everyday routine technology categories, such as hardware, software, and various standard IT services. However, part of the industry focuses on the more emerging, custom or strategic solutions and technologies that are associated with more risk.

The technology and telecom industries maintained a stable growth rate in 2023, as evidenced by the bids that reflect the government sector's demand for investment and upgrading to more cloud-based and digital services. Generative AI, which has been making significant headlines in 2023, is an area that cannot be overlooked. This technology, which is relatively unregulated, could jeopardize internal government systems and confidential information. Therefore, governments have been and will continue to enforce safeguards on the use of this technology within current allowable laws. In November 2023, the federal government took the first steps toward regulation of AI and issued an executive order requiring various safety assessments, civil rights guidance and technology's impact on the labor market.

Click here to learn how Deltek has been applying generative AI to the GovWin IQ platform to enhance the user experience with Smart Summaries.

At the same time, governments will also seek to look beyond the risks and leverage generative AI. They can use it to automate and streamline functions and assist existing employees with various tasks. The aim of generative AI in the government sector is not to displace or eradicate human jobs. Covid-19 has created many vacancies in various fields in the workplace and AI may be used to fill those vacancies where there are no available human workers. This technology is still evolving quickly, is novel to government and procurement, and will undergo frequent technological changes and legal challenges in the coming years.

Data use, storage and management have been crucial in 2023 and will become even more so as AI grows. Some other categories that have started to gain from AI are upgrades for chips and servers, and networking devices.

We've seen stability of existing bids in cybersecurity deployment and protection, and in cloud transition and deployment. These important and modern needs have remained critical in 2023.

Total Market Size (bids and RFPs)

32,406 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

26.9% Q1

26.2% Q2

23.1% Q3

23.8% Q4

Level of Gov. Share of Bids

🏢	City	**22%**
🏛	County	**15%**
🏫	Independent School District	**16%**
🎓	College/University	**13%**
💡	Special District	**13%**
🏛	State Government	**21%**

Technology & Telecom, Continued
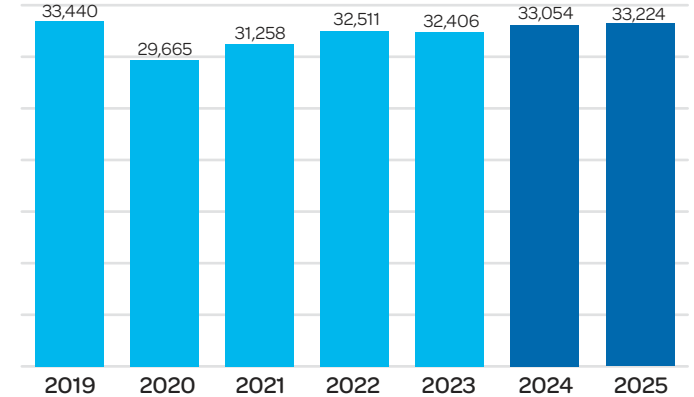
Outlook/Expectations

One of the key drivers of growth beyond 2023 will be the adoption of generative AI, which is transforming various aspects of the industry, such as cybersecurity, application modernization, and data use and management. The industry will be faced with opportunities and challenges as the technology evolves. We anticipate some sort of standard or regulation to eventually be placed on generative AI that state governments will likely sooner or later adopt as part of their requirements placed on vendors in solicitations. Bids focused on the security of digital and cloud systems will be a mainstay.
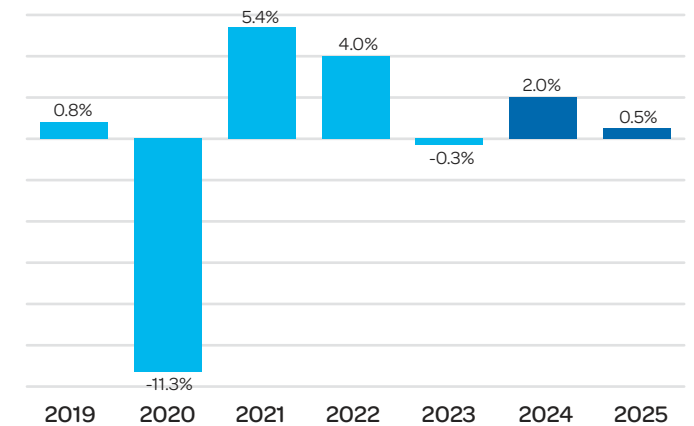
Contracting Forecast

The technology & telecom sector is expected to recover from a mostly flat -0.3% change in 2023 and achieve a 2.0% gain in 2024 followed with a very slight 0.5% increase in 2025, according to our forecast. As with other industries, the bid trend doesn't always match that of total dollars due to non-bid purchasing methods such as co-op contracts as well as inflation or contract consolidation. Our 2023 IT forecast shows spending growing by 9.7% from 2022 to 2025 versus 2.2% here in bids.

Technology & Telecom Forecast
Annual Bids and RFPs Issued

Year	Value
2019	33,440
2020	29,665
2021	31,258
2022	32,511
2023	32,406
2024	33,054
2025	33,224

Annual Rate of Growth

Year	Value
2019	0.8%
2020	-11.3%
2021	5.4%
2022	4.0%
2023	-0.3%
2024	2.0%
2025	0.5%

< 30 >

Transportation

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

Summary of Recent Contracting Trends

The pandemic years were initially tough for the transportation industry with the big transit ridership decline, reduced airport usage and slowing in fleet vehicle purchases from partially closed governments and more of a short-term budgeting mentality. However, bid volumes have largely rebounded due to the presence of federal stimulus that plugged budget holes and supported some new investments, healthier and more confident government budgets and an improving, re-opened and re-vitalized economy.

The conditions of pre-pandemic years are important to note because it was a time when remote work was not considered common, hybrid schooling was not an option, more offices were open, and there was no pandemic threat. All those things have changed or been adapted to as a part of daily life since 2020 with negative impacts on demand for public transportation.

The rounds of stimulus included a revenue-replacement component that helped transit agencies compensate for the lower fare revenue from users. This helped keep it operating although at a lower capacity often with some routes cancelled.

The industry's rebound by 2023 can also be explained from strength in other non-transit categories benefitting from improving SLED government budgets and a more prosperous and recovered US economy such as fleet vehicles and maintenance, airport investments and equipment and marine/port related equipment.

The broader transportation industry is heavily invested in the transition from fossil fuel vehicles to electric vehicles (EV). Governments are supporting this transition, but adoption of EVs for public sector use has been limited by availability of affordable models. EV buses, for example, can be double the cost of diesel versions and truck options have until recently been non-existent.

One of the most significant roles governments have played is in encouraging civilian adoption of EVs by building out more charging infrastructure. GovWin's 2023 Hotspots report cited 72% growth in purchases of these systems from 2021 to 2022 by SLED governments. Nearly $7.5 billion in federal funding has been made available to help create and expand the EV infrastructure on a national basis.

Total Market Size (bids and RFPs)

48,899 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

27.0%	Q1
25.2%	Q2
25.0%	Q3
22.7%	Q4

Level of Gov. Share of Bids

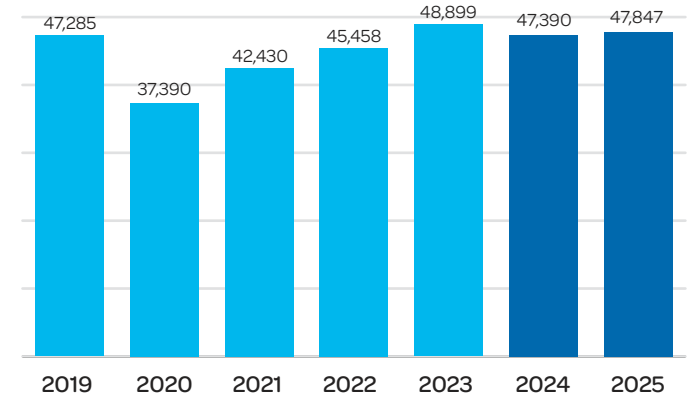|	
City	**29%**
County	**17%**
Independent School District	**8%**
College/ University	**4%**
Special District	**21%**
State Government	**22%**

Transportation, Continued

Outlook/Expectations

The transportation industry has been severely affected by the Covid-19 pandemic, which has continued to disrupt travel demand, supply chains and labor markets in 2023. This sector also faced some challenges such as environmental regulations and changing customer preferences. However, it will also see benefits by embracing new technologies and innovations such as electric vehicles, automation and mobility as a service (MaaS). These are services that will further the efficiency, safety and sustainability of transportation.
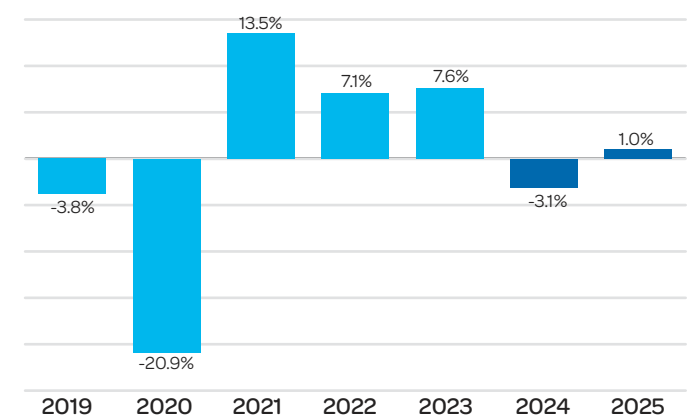
Contracting Forecast

The industry is expected to have a mixed performance in the next few years, after an impressive 7.6% growth in 2023 that returned volumes to normal. Our model expects this to be followed by a re-set of -3.1% to a more sustainable level consistent with levels just before the pandemic. 2025 should feature slight growth of 1.0%.

Transportation Forecast
Annual Bids and RFPs Issued

2019	2020	2021	2022	2023	2024	2025
47,285	37,390	42,430	45,458	48,899	47,390	47,847

Annual Rate of Growth

2019	2020	2021	2022	2023	2024	2025
-3.8%	-20.9%	13.5%	7.1%	7.6%	-3.1%	1.0%

< 32 >

Water & Energy

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

Summary of Recent Contracting Trends

Water & energy is one of the most important industries from a community and residential perspective. The country has long been faced with an aging water infrastructure that needs to be repaired and replaced. The IIJA allocates $8.3 billion for various water infrastructure projects to advance drought resilience and expand access to clean water for families, farmers and wildlife. Some of this funding has already been distributed for projects in Arizona for sediment mitigations, in California for several reservoir expansions and in Colorado to provide a safe water supply to rural communities. This funding must be spent by the end of FY 2026.

While having accessible, clean and safe drinking water for communities is important for the health and wellbeing of residents, another issue that has just as much if not more attention is that of energy. Specifically, SLED governments shoulder a responsibility to protect the environment and mitigate the effects of climate change by 1) seeking cleaner energy sources and 2) limiting growth in demand through energy efficiency.

The Inflation Reduction Act of 2022 is a historic bill that funds climate and energy projects across the nation. It allocates billions of dollars to upgrade the power grid and promote clean energy sources, creating more jobs in the process. The bill also offers tax incentives to encourage state and local governments to adopt renewable energy solutions. This will help them achieve their own emission reduction and climate targets. Many states are already making progress on their own, but this bill will accelerate the transition to a greener energy market.

2023 proved to be a slower year than normal for water & energy, but this is not reflective of what is to come for the market. The industry has been preparing and planning for the spending of federal government stimulus and we will see the impact of this funding in the next several years as the industry is projected to nearly meet 2019 bid levels by 2025. This is a segment of government that will constantly be in need even in what is designated a 'slow year'. These repair, replacement and installation projects can take a long time to prepare for and ultimately complete, and this may be reflected in the recent ups and downs of this industry's annual bid volume.

Total Market Size (bids and RFPs)

21,558 (2023)

Average Quarterly Share of Annual Bid Activity (total=100%)

26.6% Q1
27.6% Q2
24.5% Q3
21.3% Q4

Level of Gov. Share of Bids

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

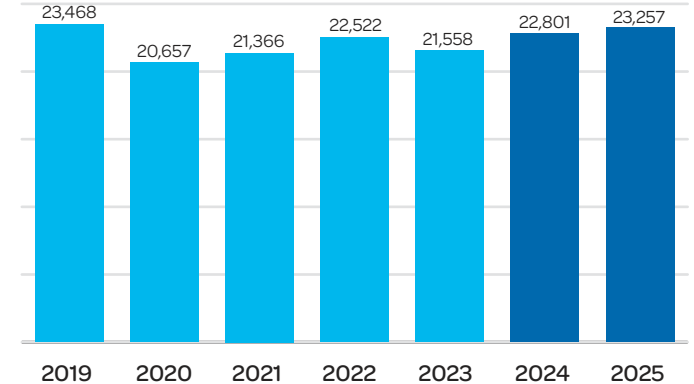# Water & Energy, Continued

Outlook/Expectations

The sustainability and resilience of water and energy systems will improve as more beneficial policies, initiatives and investment plans are implemented. This will have a positive impact on the market, providing momentum, more opportunity for contractors and affecting the scope and objectives of projects in the future. The federal government stimulus funding will also support the industry for several more years by encouraging the advancement and upgrade of these systems. Although the industry may encounter challenges as climate change advances, state and local governments will remain committed to achieving their energy and water targets for their regions. In fact, they may be more motivated to do so.
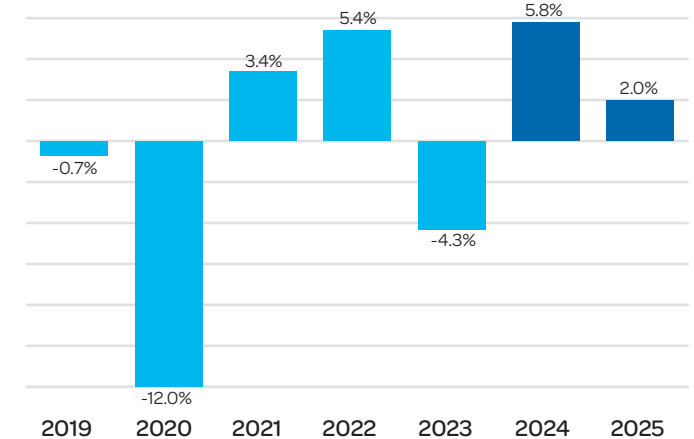
Contracting Forecast

The industry experienced a decline of -4.3% in 2023 but will rebound with 5.8% growth in 2024 and then see another moderate 2.0% increase in 2025.

Water & Energy Forecast
Annual Bids and RFPs Issued

Year	Bids and RFPs
2019	23,468
2020	20,657
2021	21,366
2022	22,522
2023	21,558
2024	22,801
2025	23,257

Annual Rate of Growth

Year	Rate
2019	-0.7%
2020	-12.0%
2021	3.4%
2022	5.4%
2023	-4.3%
2024	5.8%
2025	2.0%

< 34 >

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 largely depended on factors such as inflation and the extent to which the products and services involved are standardized and routine rather than being 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 reached a level of 100% marking the first-year return to pre-pandemic overall bid counts.

- Seven industries have reached 100% bid levels in 2023 and will show incremental growth through 2025.

- The industries expected to remain at only 86-99% by 2025 include construction, financial services & insurance, professional business services, technology & telecom and water & energy.

2023, 2024 and 2025 Bids & RFPs as a Percentage of the Starting Year (2019)

Industry	2023	2024	2025
Architecture & Engineering	119%	119%	122%
Construction	97%	97%	97%
Educational Products & Services	102%	104%	106%
Environmental Services	100%	104%	108%
Financial Services & Insurance	86%	86%	86%
Healthcare	111%	112%	115%
Operations & Maintenance	101%	101%	101%
Professional Business Services	95%	95%	97%
Public Safety	103%	103%	105%
Technology & Telecom	97%	99%	99%
Transportation	103%	100%	101%
Water & Energy	92%	97%	99%
SLED MARKET OVERALL	**100%**	**100%**	**101%**

Appendix — Methods & Alternate Industry Forecasts

Bottom-Up Methodology Explained

Bottom-Up Model
Total based on the 12 individual industries (1 = 12)

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 is based on a historical data set starting in 2007 at the industry level. This provides a good sense of "normal" growth prior to the pandemic as well as a chance to see how each industry has reacted to the events of 2020 in its pattern of initial impacts and subsequent recovery.

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.
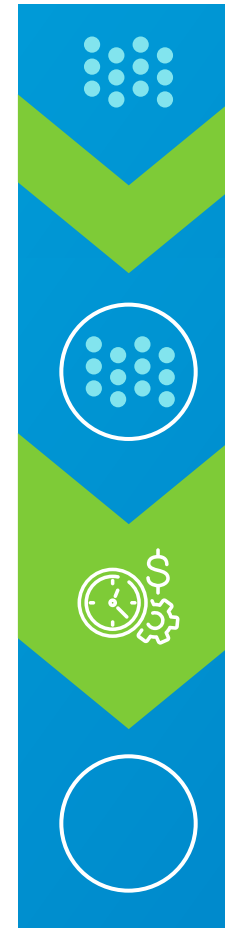
Trend each industry separately

Sum the 12 Industries

Apply standard factor adjusting for overlap of industries

Estimate Total SLED Market

Total SLED Bids – Baseline & Alternate Forecasts

Comparing Alternatives

The baseline and alternative forecasts are based on 2019 bid levels, which were considered normal before the significant decline in 2020. This approach will help to provide a more accurate projection of future trends.

Baseline Forecast

The baseline forecast shows bids reaching 99.6% of 2019 levels in 2024 (0.4% down) followed by 100.6% in 2025. This stable pattern points to a resilient market supported by stimulus funds with spending reflecting a prudent, relatively slow approach without major declines and a sense of "status quo" in activity. The economy may slow but a significant recession would be avoided.

High Alternative

The "high" forecast reaches 102.9% of pre-pandemic levels in 2024 overall and then improves further to 105% in 2025. It assumes the best possible fiscal and economic conditions with no recession or any real slowing occurring.

Low Alternative

The "low" alternative assumes pessimistic conditions in the economy and SLED government, such as a major recession in 2024-25. This would cause officials to pull back on advertised bids and RFPs to around 95% of normal.

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

- 100% (2019)
- 84.6% (2020)
- 90.9% (2021)
- 97.9% (2022)
- 99.6% (2023)
- 102.9% (2024, High)
- 99.6% (2024, Low)
- 95.3% (2024)
- 105.2% (2025, High)
- 100.6% (2025, Baseline)
- 95.1% (2025, Low)

Legend:
- Baseline
- Low
- High
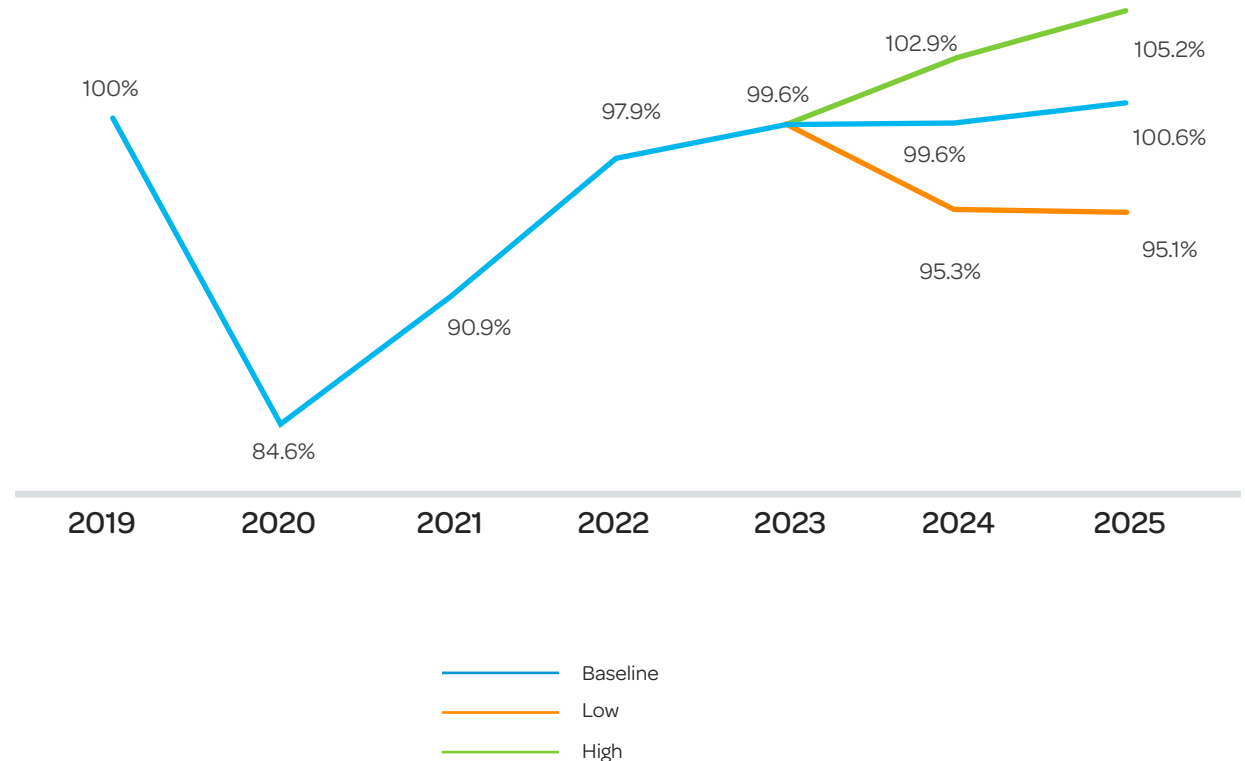
Total SLED Bids – Baseline & Alternate Forecasts, Continued

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

HIGH Forecast	2023	2024	2025
Architecture & Engineering	37,476	38,828	41,046
Construction	198,852	203,779	204,209
Educational Products & Services	6,416	6,764	7,096
Environmental Services	13,886	15,122	16,581
Financial Services & Insurance	12,077	12,505	12,882
Healthcare	16,663	17,314	18,285
Operations & Maintenance	101,916	104,480	106,069
Professional Business Services	34,046	35,945	37,355
Public Safety	11,299	11,690	12,128
Technology & Telecom	32,406	33,794	34,396
Transportation	48,899	49,406	49,858
Water & Energy	21,558	23,641	25,791
SLED MARKET TOTAL	481,682	497,669	508,847

LOW Forecast	2023	2024	2025
Architecture & Engineering	37,476	35,281	35,758
Construction	198,852	192,303	191,801
Educational Products & Services	6,416	6,175	6,101
Environmental Services	13,886	13,348	12,680
Financial Services & Insurance	12,077	11,508	11,290
Healthcare	16,663	16,022	16,189
Operations & Maintenance	101,916	97,478	97,712
Professional Business Services	34,046	31,820	32,361
Public Safety	11,299	10,875	10,898
Technology & Telecom	32,406	31,943	32,010
Transportation	48,899	44,366	44,110
Water & Energy	21,558	21,541	20,479
SLED MARKET TOTAL	481,682	461,141	459,998

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

Gov**Win**
from Deltek

GovWin IQ from Deltek is the industry-leading platform providing the most comprehensive market intelligence for U.S. federal, state, local and Canadian governments. GovWin IQ is uniquely built, backed and continuously updated by award-winning industry experts who receive first-hand intelligence from government decision-makers. With this intelligence, GovWin IQ enables companies to identify early stage opportunities, plan strategically, build relationships and navigate the competitive landscape. See why thousands of companies rely on GovWin IQ to get ahead of the competition and win more business in the public sector. Deltek.com/GovWin

Try GovWin for Free

info.deltek.com/Try-GovWin-IQ-State-Local »

< 41 >

Deltek.