

The state leadership playbook

This collection of issue briefs can help governments execute effectively in a variety of key areas

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Creating energy abundance and resilience

Massive new electricity demand driven by artificial intelligence and broader electrification needs is colliding with long grid modernization timelines and growing affordability pressure. Analysis suggests US data center demand could grow more than fivefold in many places by 2035—faster than new generation, transmission, and interconnection can be delivered. States are pursuing greater energy abundance, taking an “all of the above” approach to meet demand and protect residential energy consumers from high costs.

150%

projected growth in global electricity demand by 2050¹

Over 25%

potential increase in peak electricity demand by 2035²

4.5%

approximate increase in residential energy cost from 2024 to 2025³

Escalating challenges

Affordability and allocation pressures

The issue is not simply the growth in demand. It is the sudden load increase, often from large data centers in specific regions, which can trigger expensive upgrades on compressed timelines. State policy decisions matter most in approvals and cost allocation, not in creating capacity. Public utility commissions and other decision makers set the rules for who pays, how quickly investments can proceed, and how residential customers are protected.

Matching demand with state resource planning

There are tradeoffs between getting energy fast and getting energy right, especially when the timelines of new projects outpace the lead time for generation, transmission, and equipment. States may need clearer demand forecasting, siting choices, and emissions and reliability planning so that large-load growth fits the state’s energy portfolio rather than forcing reactive decisions.

Permitting uncertainty and community engagement

Permitting timelines can be lengthy and unpredictable, and state and local reviews can create schedule risk and cost overruns. Community concerns about land use, water, noise, and local infrastructure can slow progress, unless engagement is early and continuous, and decision-making processes are transparent and consistent.

Strain on the grid and security risks

High load demand can worsen reliability challenges, especially during extreme weather and supply shortages. Further, digital infrastructure concentration leads to further cybersecurity concerns. As AI capabilities grow, states and facility operators may need to treat both grid resilience and cyber resilience as core to economic competitiveness and public safety.

Solutions for a strategic response

Streamline permits and interconnection while sustaining public trust

States can shorten timelines by digitizing permitting workflows, standardizing submissions, and enabling parallel reviews with clearer decision rights, improving predictability while maintaining high standards. Process modernization and early community engagement can reduce the likelihood of contested projects and improve delivery confidence.

Modernize regulatory frameworks to scale capacity and protect affordability

States can consider expediting capacity by prioritizing regulatory certainty around system integration, including generation and large load interconnection, stakeholder coordination, and residential customer protection. Options include clearer cost recovery and cost allocation rules for large loads, stronger transparency requirements, and incentives for data centers to act as responsible grid partners; this might include demand response, curtailment capability, telemetry, or on-site generation that supports reliability without shifting unexpected costs to households.

Maintain a focus on economic development

States can align siting decisions and incentives with energy system realities by requiring upfront economic and grid impact assessments and higher-fidelity demand and supply forecasting. Grid impact assessments should explicitly distinguish permanent jobs from temporary construction jobs. Tighter linkage between economic development, integrated resource planning, and security planning helps states pursue growth while supporting reliability, community benefits, long-term competitiveness, and expanded access in rural areas.

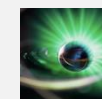
Accelerate grid modernization and resilience

Meeting load growth requires both new generation and modernization of existing transmission and distribution. States and utilities can pursue targeted upgrades, automation, and improved interconnection capacity to reduce congestion and support reliability.

Learn more



[Can US infrastructure keep up with the AI economy?](#)



[Reimagining US energy independence](#)



[2026 Power and Utilities Industry outlook](#)

Endnotes

[1] Stanley Porter, Jim Thomson, Christian Grant, Craig Rizzo, Kate Hardin, and Jaya Nagdeo, [Expanding and modernizing the power grid for a clean energy transition](#), *Deloitte Insights*, May 13, 2024.

[2] Martin Stansbury, Kelly Marchese, Kate Hardin, and Carolyn Amon, [“Can US infrastructure keep up with the AI economy?”](#) *Deloitte Insights*, June 24, 2025.

[3] Thomas L. Keefe, Kate Hardin, and Jaya Nagdeo, [“2026 Power and Utilities Industry Outlook,”](#) *Deloitte Insights*, Oct. 29, 2025.

Deloitte.

Bridging the infrastructure gap

Infrastructure is no longer just about building and maintaining assets. States must simultaneously modernize transportation networks, expand broadband, strengthen water systems, and build the energy capacity required for emerging demands. These needs are interconnected, capital-intensive, and time-sensitive. Technology is transforming infrastructure into data-driven networks, but stakeholders face a growing gap between what needs to be built and what can be funded.

\$3.7T

anticipated funding gap for infrastructure from 2024-2033¹

\$9.1T

total investment needed to bring US infrastructure to a state of good repair²

37%

of construction businesses using AI and machine learning³

Escalating challenges

Navigating infrastructure's business-like decision-making

Infrastructure decisions increasingly involve tradeoffs across financing, revenue models, operating costs, and workforce capacity. States must balance economic viability with public outcomes, requiring stronger integration of technical, financial, and operational decision-making.

Limited use of data and digital infrastructure to build and operate

Infrastructure projects are rich with data, but this data is often siloed across fragmented systems, with limited real-time visibility. Without modern data architecture, agencies cannot fully leverage this information to inform decisions across the project life cycle.

The funding and financing deficit is growing

The United States faces an estimated infrastructure funding gap of \$3.7 trillion from 2024 to 2033, leaving roughly 40% of the required investment unfunded. At the same time, evolving grant and funding environments are reshaping how projects are financed, increasing the need for diversified capital and alternative delivery models.

Legacy governance slows project delivery

Infrastructure delivery remains siloed and sequential, requiring coordination across multiple agencies and approval processes. Many states lack institutionalized mechanisms to streamline these reviews, resulting in longer timelines, higher costs, and reduced private sector participation.

Solutions for a strategic response

Strengthening infrastructure delivery capacity

Leaders may consider establishing centralized delivery units with the authority to coordinate across agencies, monitoring project pipelines, and managing interdependencies. These capabilities can help keep complex projects on schedule, on budget, and aligned to strategic priorities.

Data solutions that follow the full project lifecycle

Leverage digital twins and AI to integrate data from planning through build and operations. This approach enables more informed decision-making at each stage and strengthens performance over the life of the asset.

Mobilizing and aligning public and private capital

Use a mix of financing approaches, including public-private partnerships, blended finance, value capture, and performance-based models, to better align incentives and distribute risk. These tools can unlock private investment, improve cost control, and support faster delivery while maximizing lifecycle value.

Anticipate and manage project risk with AI

Leverage AI and digital tools to improve visibility into cost, schedule, and project risks. These capabilities enable earlier identification of potential issues, allowing owners to take corrective action before delays and cost overruns occur.

Redesign governance and permitting processes

Shift from sequential, siloed approvals to coordinated review models that accelerate project delivery. Digital workflows, standardized data, and parallel processing can reduce timelines and remove bottlenecks.

Learn more



[AI-powered cities of the future](#)



[Delivering future-ready infrastructure on time and on budget](#)

End notes

[1] American Society of Civil Engineers, "2025 report card for America's infrastructure," March 25, 2025.

[2] American Society of Civil Engineers, "ASCE report card gives U.S. infrastructure highest-ever 'C' grade, stresses need for sustained investment to support economic growth," March 25, 2025.

[3] David Rumbens, "State of digital adoption in the construction industry 2025," Deloitte Australia, Feb. 27, 2025.

Deloitte.

Transforming the transportation system

In 2026, data platforms, artificial intelligence, connected vehicles, and automation are reshaping transportation planning, operations, and safety at unprecedented speed. States that modernize digital capabilities can deliver projects faster, reduce costs, and grow economic opportunities.

\$788B

projected autonomous vehicle (AV) investment by 2028¹

84%

public transit ridership is at 84% of pre-pandemic levels²

\$140.2B

estimated cost of needed repairs to US transit assets³

Escalating challenges

The revenue model is decoupling from road usage

For nearly a century, fuel taxes linked road use to transportation funding, but that alignment is eroding as electric vehicle adoption accelerates, vehicle efficiency improves, and inflation outpaces fixed per gallon tax rates. The result is a structural revenue gap that is increasingly impacting state transportation funding.

Physical infrastructure is aging—digital infrastructure is lagging

Deferred maintenance is evident, but less visible is underinvestment in transportation information technology, including fragmented systems, limited real-time data, and legacy procurement. Without modern digital architecture, agencies cannot optimize capital or deploy AI-enabled safety systems that let vehicles and infrastructure share real-time information.

Project delivery timelines can undermine economic competitiveness

Major projects often face multiyear permitting, environmental review, and procurement cycles, and even modest process delays can inflate costs and delay job creation. As policy shifts toward streamlined permitting, states have an opportunity to modernize their delivery systems or risk falling behind peers competing for capital investment.

Technology innovation is outpacing government capacity

Connected vehicles, AI-enabled traffic systems, digital twins, and autonomous mobility are advancing rapidly, and states must protect safety while enabling innovation and integrating new mobility models into legacy systems. The challenge is not simply adopting new technologies, but governing hybrid physical and digital infrastructure systems.

Endnotes

[1] Research and Markets, "[Autonomous vehicle market by autonomy level, powertrain type, components, and supporting technologies including 5G, AI, and edge computing 2023–2028](#)," July 2023.

[2] American Public Transportation Association, "[APTA ridership trends](#)," accessed April 2026.

[3] Claire Lee, Fatima Yousofi, and Eli Gullett, "[Cost for repairs to U.S. transit assets estimated at \\$140.2 billion](#)," Pew, June 25, 2025.

Solutions for a strategic response

Leverage new revenue models

States can diversify funding with a portfolio that includes dynamic tolling, road usage charging, congestion pricing, and modernized fee structures, paired with performance guardrails. Modern payment and data capabilities can help calibrate pricing, reduce congestion, and improve reliability while protecting affordability. Public-private partnerships can also accelerate delivery by aligning incentives, transferring select risks, and attracting long-term investment for high-priority corridors.

Streamline permits to accelerate projects

States can shorten timelines by digitizing permitting workflows, standardizing submissions, and enabling parallel reviews with shared data and clearer decision rights. Using analytics and automation to triage applications, flag missing information, and coordinate agencies can reduce rework and improve predictability without lowering standards. Better end-to-end visibility also helps leadership focus resources on bottlenecks that slow economic and safety outcomes.

Scale AI adoption in transportation

To move from proofs of concept to measurable impact, agencies can pair high-value use cases with a clear operating model that covers strategy, governance, people, and technology. A strong data foundation enables AI to support core outcomes such as congestion management, predictive maintenance, safety analytics, and scenario planning through digital twins. Building workforce fluency and responsible controls helps sustain benefits and reduces the risk of fragmented tools that never reach enterprise scale.

Create regulatory frameworks for autonomous vehicles

States can enable safe innovation with clear, adaptable rules that support phased deployment tied to transparent safety milestones. Regulatory frameworks can define data-sharing and privacy protections, reporting requirements, and coordination across state and local jurisdictions to reduce uncertainty for communities and providers. Pairing guardrails with public engagement and targeted pilots can build trust while preparing infrastructure and the workforce for new operating realities.

Harness data to enable V2X and improved safety

States can treat data as critical infrastructure by integrating roadway, vehicle, and incident information into secure, interoperable platforms that support real-time operations. Vehicle-to-everything (V2X) connectivity becomes more valuable when agencies can fuse sensor and roadway condition data to predict and prevent crashes, optimize signals, and speed incident response. Designing these capabilities with cybersecurity and vendor ecosystem requirements from the start helps protect uptime, safety, and public confidence.

Learn more



[Transportation trends 2025-2026](#)



[Self-driving cars are on the way—is your city ready?](#)



[Merging physical and digital engineering](#)

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Closing the housing gap

Housing affordability is a top concern in nearly every state. For states, the challenge is not just about building more; it's about aligning supply, stability, and affordability policies so that development in one area doesn't come at the expense of another. States that treat housing as a coordinated priority, rather than a collection of disconnected programs, are better positioned to protect families, attract investment, and deliver results for residents.

60%

Percentage increase in home prices since 2019¹

21 million

Number of households spending at least half their income on housing²

6.6 million

Households behind on their mortgage payments in the United States³

Escalating challenges

Supply is not keeping pace with demand

Despite a pandemic-era construction surge, the US housing shortage has reached record levels. Permitting delays add months to build times; zoning restrictions limit the types of housing that can be built in many communities; and construction costs remain elevated. In some markets, competition from second-home and investor purchases can reduce availability for first-time buyers, alongside other drivers such as population shifts, higher interest rates, and constrained entry-level construction.

Housing instability is growing, even among working households

For millions of families already paying more than they can afford, even small disruptions like a missed paycheck, a medical bill, or a gap in child care can trigger a housing crisis. Millions of households are behind on mortgage payments, and renters are struggling to keep up with rent. The affordability squeeze is no longer just a low-income problem—it's increasingly reaching working- and middle-income households.

Fragmented policies leave states without a unified strategy

Housing policy in some states involves limited coordination and can be spread across multiple entities, such as housing finance authorities, planning departments, health and human services, and economic development agencies. Federal programs come with requirements that don't always match state needs. The result is a patchwork of supply, stability, and affordability efforts that often work at cross-purposes: A state may speed up permitting to increase supply while simultaneously lacking the rental assistance infrastructure to keep current residents housed. Without a coordinated approach, progress in one area can stall or undermine progress in another.

Endnotes

[1] Amanda Blanco, "Single-family home prices hit record highs in 2024. What does that mean for local economies?" Federal Reserve Bank of Boston, June 30, 2025.

[2] Urvi Patel, "States should pursue new revenue options to expand access and prevent cuts to affordable housing and homelessness solutions," Center on Budget and Policy Priorities, Jan. 12, 2026.

[3] Eviction Lab, "Eviction tracking system," accessed May 15, 2026.

Solutions for a strategic response

Reform zoning and land-use rules to unlock supply

States can enable a broader range of housing types to allow smaller, denser housing types in more communities. Policymakers may consider enabling accessory dwelling units with fast-tracked approvals and reduced fees, as well as adopting "middle housing" reforms that permit duplexes, triplexes, and cottage clusters without special-use permits. Streamlined approvals and reduced barriers can make it easier to add supply in areas where demand is strong.

Modernize permitting to accelerate housing production

States can replace slow, paper-based permitting with digital systems that make approvals clearer and faster. States may also consider investing in agentic AI tools that check applications for completeness, flag code and regulatory issues, and give applicants real-time feedback before formal review, compressing timelines from months to days.

Use data to identify and reach at-risk families earlier

States can use data with clear privacy, consent, and cybersecurity guardrails to identify households at elevated risk of displacement and connect them to existing resources earlier (e.g., outreach triggered by missed rent, benefit changes, or verified hardship indicators).

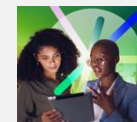
Rethink rental assistance for stability and access

Move beyond limited slots and fragmented waitlists toward more predictable, targeted, and outcomes-driven assistance. Integrating supportive services such as employment training, mental health support, and other services can improve long-term stability while reducing administrative burden and costly downstream interventions.

Learn more



[How government and business are tackling the global housing crisis on government's future frontiers](#)



[Value ripples outward: How agentic AI transforms government and permitting for greater efficiency and impact](#)

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Permitting reform to unlock growth

Slow, fragmented permitting can have real costs. Whether for a new rail line, a new restaurant, or new residential housing, slow permitting can result in lost jobs, stalled investment, and eroded public trust.

Many states are looking to modernize the permitting process by delivering on three key outcomes: completeness, compliance, and experience. Equipping applicants to submit complete applications reduces costly back-and-forth. Automating routine compliance checks frees skilled staff to focus on high-value work such as field inspections. Streamlining the overall process improves transparency, shortens timelines, and strengthens a state's reputation as a place where things get done.

\$8B

Estimated annual cost of permitting delays to US manufacturers¹

1.3 million

Total building permits in 2025, the lowest since May 2020²

\$20B

Estimated cost to US consumers in 2022 due to slow permitting, up from \$6.5 billion in 2016³

Escalating challenges

Surging permit volume from both industry and communities

Infrastructure investment, housing demand, and regulatory shifts at the federal level are driving sharp increases in state permit applications. States that cannot scale their processes risk becoming bottlenecks to the economic growth they are trying to encourage.

Workload pressures and resource constraints

With manual processing, higher application volumes put burdens on staffing and budgets. That's why there is a growing interest in more efficient, automated permitting solutions. Such improvements allow teams to focus on high-impact, mission-driven tasks that benefit community outcomes.

Fragmented rules across jurisdictions

Applicants often need approvals from multiple local, state, and federal agencies—each with its own rules, timelines, and review criteria. This patchwork creates uncertainty, duplicative reviews, and extended cycle times. When different stakeholders, including residents, businesses, and agencies, are not engaged early, misaligned expectations can stall projects late in the process, compounding delays and costs.

Endnotes

[1] National Association of Manufacturers, "[\\$8 billion a year: The cost of America's broken permitting system to manufacturers](#)," March 19, 2026.

[2] Trading Economics, "[United States building permits](#)," accessed May 15, 2026.

[3] Richard Doying, Michael Gogglin, and Abby Sherman, "[Transmission congestion costs rise again in U.S. RTOs](#)," Grid Strategies LLC, July 2023.

Solutions for a strategic response

Break down silos with a single-window approach

Consolidate multiagency permitting onto a single coordinated platform, so applicants interact with one intake point rather than navigating separate agencies independently. With this approach, states can anticipate a reduction in duplication, shortened timelines, and greater visibility into the permitting pipeline.

Deploy technology to accelerate reviews and reduce manual work

AI and automation can transform permitting from a manual, paper-driven process into a faster, more consistent one. AI-enabled tools trained on historical permit data can help applicants build complete submissions from the start, reducing the back-and-forth that slows reviews. On the agency side, automated compliance checks can validate applications against regulatory requirements, flagging issues early and freeing experienced staff to focus on complex reviews, fieldwork, and site inspections rather than administrative processing.

Build transparency into every step of the process

Publicly accessible dashboards showing permit status, next steps, and estimated timelines reduce the volume of check-in calls and emails that consume staff time while building applicant trust in the process. Pairing transparency tools with early stakeholder engagement and identifying concerns and aligning interests before applications are deep in review reduce late-stage friction and help projects stay on track.

Invest in workforce development

Getting permits approved faster only matters if there are workers ready to build. States can fund training programs aligned to industry standards, partnering with the private sector and academic institutions, and expand apprenticeship and reskilling pathways so project teams can mobilize quickly once permits are clear. At the same time, investing in training and retaining permitting staff ensure agencies have the capacity to keep pace with growing demand.

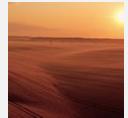
Learn more



[Deloitte Permitting Hub](#)



[Delivering future-ready infrastructure on time and on budget](#)



[The future of permitting by Deloitte](#)

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Redesigning human services for fiscal sustainability and better outcomes

Human services agencies are entering a period of structural change. Federal cost shifts, evolving eligibility requirements, and growing service demand are reshaping how states pay for and deliver Medicaid, Supplemental Nutrition Assistance Program (SNAP), and child welfare programs. At the same time, workforce constraints and legacy systems limit operational flexibility. States face three converging forces: new federal rules and reduced funding, rising expectations for service quality and integrity, and the need to modernize high-volume benefit delivery systems. States that treat this moment as an opportunity to redesign human services operations—rather than simply respond to policy changes—can strengthen fiscal sustainability while improving outcomes for impacted populations.

25%

decline in the federal share of SNAP administrative costs starting in FY27¹

Up to 28%

of SNAP households cycle on and off the program every month²

57

number of licensed foster homes available for every 100 children entering foster care nationwide²

Escalating challenges

Federal rule changes are placing greater responsibilities on states

Recent federal policy changes, including reductions in administrative reimbursement under H.R. 1, shift greater fiscal and compliance responsibility to states. As cost-sharing formulas evolve, exposure becomes structural rather than temporary. Even small error rates or modest inefficiencies in high-volume programs can translate into significant fiscal risk.

Service delivery models are under strain

Medicaid and SNAP process millions of transactions annually. New verification stipulations, community engagement requirements, and reporting standards increase administrative burden. Many eligibility and case management systems were built for compliance, not agility—limiting states' ability to adapt to meet new standards and limit improper payments.

Shifting federal policies call for greater state agility

Human services programs operate within complex and evolving federal frameworks. Policy shifts can require rapid system reconfiguration, updated eligibility logic, new reporting protocols, and enhanced oversight. States must respond to these changes while maintaining service continuity and protecting impacted populations.

Solutions for a strategic response

Redesign eligibility and casework for automation

Deploy configurable cloud platforms and AI-enabled processes to reduce manual tasks, improve accuracy, and shorten cycle times. Redefine caseworker roles so automation handles routine tasks while staff focus on complex cases and beneficiary support.

Shift to continuous program integrity

Move from periodic audit correction to real-time monitoring, automated verification, and predictive analytics that identify anomalies before improper payments occur.

Enhance child welfare through flexible federal funding

Leverage flexible federal funding and community partnerships to expand kinship and foster capacity while reducing administrative barriers for caregivers.

Capture administrative efficiency to offset costs

Establish baselines for cost per case, cycle time, and error rates. Measure productivity gains and reinvest savings to offset federal cost shifts and sustain frontline services.

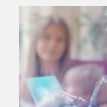
Build adaptive policy implementation capacity

Federal policy changes will continue. States can establish rapid policy translation teams that integrate legal, policy, operations, and technology leaders to quickly assess federal mandates, model fiscal impact, and reconfigure systems. Embedding policy agility into operating structures reduces compliance lag and protects service continuity.

Learn more



[Reducing administrative costs in SNAP](#)



[The next frontier of efficiency for human services with agentic AI](#)

Endnotes

[1] Dan Lily, Shivani Bhat, and Martha Donnelly, "[Improving SNAP payment error rates](#)," Deloitte, accessed April 2026.

[2] Administration for Children and Families, "[ACF unveils new initiative to strengthen American families](#)," Nov. 24, 2025.

Governing in the AI age: A blueprint to a smarter state

Artificial Intelligence is already reshaping how residents interact with services. As AI becomes embedded in everyday experiences in the private sector, expectations for speed, personalization, and responsiveness are rising in the public sector.

For states, the challenge is not whether to adopt AI, but how to scale it responsibly across core operations. Those who set a clear vision and prepare their workforce can use AI to improve services, reduce costs, and strengthen public trust.

\$4B

saved by the US Treasury using data and technology, including AI, to prevent and recover overpayments¹

60%

of private sector workers have access to AI tools²

25%

of leaders now report that AI is having a transformative effect on their companies²

Escalating challenges

Public expectations are being reset by AI

Daily exposure to AI-powered services in the private sector is raising expectations for speed, personalization, and ease of use in government services. State systems, often built for earlier digital eras, are not designed to meet these expectations, creating a widening performance gap between public expectation and government capability.

Need for statewide AI governance

Many states have launched AI pilots in individual agencies, but few have a unified strategy. Without a mandate to shift mindsets across state leadership, adoption remains fragmented and slow. The barrier is not the technology but a need for coordinated vision, governance, and sustained investment.

Disruption outpaces government response

AI is reshaping industries in months, while government operates on longer budget, procurement, and legislative cycles. Many agencies lack the internal capacity to evaluate AI opportunities and manage risks at the speed the technology demands.

Endnotes

[1] Alexander Arnon, "The projected impact of generative AI on future productivity growth," Penn Wharton Budget Model, Sept. 8, 2025.

[2] Jim Rowan, Nitin Mittal, Beena Ammanath, and Costi Perricos, "State of AI in the enterprise: The untapped edge," Deloitte, January 2026.

Solutions for a strategic response

Unlock state data for AI readiness

AI performance depends on high-quality, interoperable data. States can take a clear first step by standardizing data across agencies, enabling secure sharing, and investing in modern infrastructure that supports real-time integration. In practice, data readiness, not the sophistication of the AI model, determines whether AI can scale. Getting the data foundation right unlocks everything from personalized resident services to more efficient internal operations.

Establish trustworthy AI governance

Public trust is the foundation for effective government use of AI. States may consider setting clear, easy-to-understand rules for how AI is used, including privacy protections, transparency requirements, and accountability for AI-supported decisions. As AI systems become more autonomous, states can adopt risk-based oversight: human review for high-impact decisions, continuous monitoring, and audit logs that let residents see how decisions are made.

Restructure roles for AI-enabled productivity

AI should not simply assist existing tasks. It should reshape how work gets done. States can redesign high-volume processes so AI handles pattern recognition, drafting, and triage, while people focus on judgment, complex problem-solving, and direct support for residents. This requires updating roles, team structures, and performance expectations, as well as strengthening approaches to security and emerging threats. Without intentional redesign, AI becomes an add-on rather than a transformative capability.

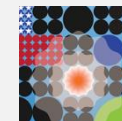
Capture and reinvest AI productivity gains

AI adoption should deliver measurable improvements in cost, speed, and service quality. States may establish baselines for high-volume workflows, track performance gains, and reinvest savings into modernization priorities. Without disciplined measurement, AI risks becoming an added expense rather than a performance multiplier.

Learn more



[How AI agents are reshaping the future of work](#)



[Scaling gen AI in US state and local governments](#)

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Transforming government through shared digital platforms

Over the past decade, states have digitized many transactions and expanded online access. The next phase of modernization is about shared digital platforms that enable personalized service and can adapt quickly to new priorities. Residents expect state governments to provide outstanding customer experiences: intuitive, seamless interactions across both digital and in-person touchpoints. Meeting these expectations, while preserving appropriate governance and controls for sensitive data, will require more than just more websites. Digital platforms can allow states to coordinate services across programs, enabling personalized, conversational journeys that guide people to successful outcomes.

73%

of state portals organize services by agency, not by constituent need¹

40%

of state chief information officers have used technology to personalize the citizen experience²

9x

year-over-year increase in federal government gen AI use cases³

Escalating challenges

Resident needs cut across agencies, while service delivery often does not

Life events (such as losing a job, starting a business, caring for a family member) require bundles of services; yet states often deliver through program-by-program journeys that force people to navigate handoffs and repeat information. The challenge intensifies when services blend digital and in-person touchpoints.

Program-based funding and organizational silos

Digital transformation is rarely “just a technology project” in government; it must reconcile conflicting stakeholder incentives, fragmented ownership, and cross-agency prioritization. There are challenges in sustaining governance and funding long enough to show results—horizons for results are often longer than anticipated.

Digital investments lack reusable architecture

Many agencies still rely on legacy technologies that are hard to change, where key data can remain siloed. Without secure, interoperable data access, states can struggle to reuse capabilities across domains, measure experience, or scale advanced tools (including AI) beyond pilots.

Endnotes

[1] National Association of State Technology Directors, “[Constituent experience: State government IT strategies](#),” accessed April 2026.

[2] NASCIO, “[The 2024 state CIO survey: Building blocks of the next generation CIO](#),” accessed April 2026.

[3] Government Accountability Office, “[Artificial intelligence: Generative AI use and management at federal agencies](#),” July 2025.

Solutions for a strategic response

Invest in shared digital platforms

States can build reusable, enterprise capabilities such as digital identity, payments, digital communications, case management, and secure data exchange that multiple agencies can use to deliver services more consistently. Treat these capabilities as statewide assets with stable funding and executive sponsorship, so they outlast annual budget cycles and shifting priorities.

Organize around resident needs, including life events

Reframe workflows around life events that residents experience, such as losing a job, starting a business, or a family crisis; then bundle the services needed to reach desired outcomes. State executives can start with a small number of high-value journeys that leaders can champion, agencies can co-own, and staff can deliver without asking residents to repeat information across multiple programs or agencies.

Use agentic AI to personalize and coordinate services

Layer agentic AI onto shared digital platforms to allow residents to describe what they need in plain language. AI assistants can determine eligibility, prepopulate applications, and coordinate services across programs—reducing administrative burden and enabling more tailored support.

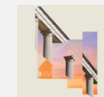
Shift governance to standards and stewardships

Establish clear enterprise standards for data, security, and risk while delegating decision authority closer to execution. Governance should enable rapid iteration and cross-agency collaboration, not reinforce silos.

Design for continuous adaptation

Move from episodic, multiyear modernization efforts to modular upgrades and short delivery cycles. Configurable platforms allow capabilities to evolve incrementally without wholesale system replacement. Use composable architecture, meaning modular building blocks that can be upgraded independently, to reduce the need for full system replacements.

Learn more



[Government Trends 2026: The future of government is now](#)



[The building blocks of monumental government service delivery](#)

Deloitte.

Designing modern program integrity systems

States manage high-volume benefit and grant systems, where even small error rates translate into significant fiscal exposure. Rising public and federal scrutiny on improper payments has elevated the focus on program integrity. Meeting this moment requires modern systems that embrace targeted use of AI, machine learning, and analytics into everyday operations that prevent improper payments before they leave the door.

\$2.7T

in cumulative improper payments reported by federal agencies since FY03¹

\$233B to \$521B

in governmentwide annual losses due to fraud alone (FY18–22)¹

\$10.5B

improper payments administered by states in FY23 in the Supplemental Nutrition Assistance Program (SNAP)²

Escalating challenges

Legacy technology limits prevention

Strong anti-fraud processes rely on newer technologies like gen AI, agentic AI, and machine learning. Older legacy systems are not well-suited to using these newer tools, which are quickly becoming the only way to maintain integrity in complex government benefit programs. With tightened budgets and stretched workforces, leveraging tech becomes essential, and legacy systems limit tech adoption.

Greater public scrutiny and new legislative requirements

Public attention on fraud is high. Moreover, new federal laws codify strong incentives for states to fight fraud risk. For example, under H.R. 1, states with high SNAP payment error rates will be required to pay back up to 15% of their total issuance—which, for many states, threatens their ability to provide SNAP to their constituents.

Sophisticated, organized fraud networks

Since the rapid expansion of pandemic-era payments, fraud schemes have grown more complex and increasingly driven by organized networks that target every kind of government program that disburses funds. These groups exploit digital channels and cross-program vulnerabilities and operate at scale rather than as isolated actors.

Capability and ownership gaps

Many agencies still lack specialized investigative capacity, integrated fraud operations, and clear executive-level ownership. Without aligned leadership and skilled teams, it can be difficult to deliver sustained integrity gains.

Solutions for a strategic response

Modernize systems for real-time detection

Replace siloed legacy environments with interoperable platforms that support continuous monitoring, automated alerts, and AI-assisted triage. Scalable infrastructure is essential for high-volume programs.

Build cross-program data and analytics platforms

Enable secure data sharing across agencies and programs to detect coordinated schemes in real-time. Treat fraud analytics as an enterprise capability that provides cross-program visibility into threats.

Embed integrity into program design

Integrate eligibility verification, risk scoring, and data matching directly into workflows. Move prevention upstream so improper payments are avoided before funds are disbursed—rather than relying primarily on post-payment recovery (“pay-and-chase”).

Institutionalize executive accountability

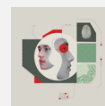
Designate clear cabinet-level ownership of program integrity outcomes. Align cross-functional teams around measurable performance targets and coordinated response protocols.

Balance integrity with action

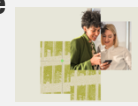
Simplify eligibility rules where possible and design verification processes that minimize the burden for compliant participants. Strong integrity systems should protect both taxpayers and eligible beneficiaries.

Strengthen specialized fraud operations

Invest in training, centralized fraud units, and coordinated investigative models that match the sophistication of organized fraud networks. Analytics tools are effective when paired with skilled personnel and clear operating models.



[Could artificial intelligence fuel the future of financial investigations?](#)



[Delivering on lower-cost, higher-value government](#)

Learn more

End notes

[1] Government Accountability Office, “[2018-2022 data show federal government loses an estimated \\$233 billion to \\$521 billion annually to fraud, based on various risk environments](#),” accessed April 2026.

[2] Government Accountability Office, “[Improper payments: USDA’s oversight of the supplemental nutrition assistance program](#),” accessed April 2026.

Whole-of-state cybersecurity

Cybersecurity is about protecting systems that deliver critical services to the public. Local governments, educational systems, and a wide range of public-adjacent systems face increasingly frequent, sophisticated, and intense cyberattacks. To protect these systems from future cyber-related incidents, state governments can adopt a “whole-of-state” approach to cybersecurity, bringing together talent, technologies, and capabilities across jurisdictions to protect local governments and critical public infrastructure.

\$16.6B

estimated fiscal impact of cybercrime in a single year in the US¹

75%

of government cyber events affect vulnerable local governments, including schools²

0

number of state CISOs that are extremely or very confident in local governments' cyber practices³

Escalating challenges

AI is compressing the cyberthreat cycle

AI is accelerating how quickly vulnerabilities are discovered, weaponized, and exploited. Attackers can operate at greater speed and scale, reducing the window for detection and response. Traditional cybersecurity models might not be designed for this compressed threat environment.

Attackers exploit the weakest link

Small municipalities, school districts, hospitals, and utilities often lack advanced cyber capabilities. Yet they are digitally interconnected with state systems. A breach in one jurisdiction can cascade across many.

Governance is fragmented

Cyber responsibility is often decentralized, with uneven standards, tools, and incident response capacity. This patchwork model creates inconsistent protection across the state's digital ecosystem.

Operational systems are now connected

Water facilities, transportation systems, energy infrastructure, and public health networks increasingly rely on integrated IT and operational technology. The consequences of cyber incidents now extend beyond data loss to service disruptions and public safety risks.

Talent constraints persist

States struggle to compete for cyber expertise. Many local governments cannot sustain full-time security operations or advanced monitoring capabilities.

Solutions for a strategic response

Make it a corner office priority

Elevating cybersecurity leadership strengthens governance, clarifies accountability, and sustains executive attention. Ohio created the role of Strategic Cybersecurity Advisor, charged with coordinating defense for local governments and critical infrastructure.

Focus resources on critical vulnerabilities

Identify the most vulnerable entry points and prioritize resources to areas in which a cyber breach can have catastrophic consequences. For example, state leaders might choose to provide some level of support to private entities that have a direct impact on health and safety, such as hospitals or dams.

Centralize support for local governments

In 2025, Texas established a statewide Texas Cyber Command to act as the state's cybersecurity hub, preventing and responding to cyberattacks by collaborating with state universities, Regional Security Operations Centers, state and local partners, and more. Other states are taking similar steps to help local systems deal with cyber threats.

Leverage public higher education

States can partner with public higher education to serve the dual purpose of strengthening cyber resilience and building a pipeline of cyber talent. Legislation from Oregon launched the Oregon Cybersecurity Center of Excellence. Three state-run universities provide security monitoring operations and other cyber services to local governments and other entities, while also training the next generation of cyber professionals in Oregon.

Learn more



[2026 NASCIO-Deloitte Cybersecurity Study](#)



[Whole-of-state cybersecurity: Protecting the public information ecosystem](#)

Endnotes:

[1] Federal Bureau of Investigation, "[Federal Bureau of Investigation internet crime report 2024](#)," accessed April 2026.

[2] Sam Park, John O'Leary, Alex Lewek, Sushumna Agarwal, and Mike Wyatt, "[Whole-of-state cybersecurity: Protecting the public information ecosystem](#)," *Deloitte Insights*, Jan. 30, 2026.

[3] Deloitte NASCIO 2024 Cybersecurity survey.

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Emergency management: Proactive leadership in an era of uncertainty

Emergency management is becoming a core state responsibility as the threat landscape expands beyond natural disasters to include cyberattacks, infrastructure disruptions, and industrial incidents. At the same time, federal roles are evolving, placing greater pressure on states to build their own response and recovery capabilities. Many states face constraints in funding, workforce, and technology. Strengthening readiness will require modernizing emergency management systems and improving how services are delivered to affected residents.

\$115B

total damages from weather and climate disaster events in the US in 2025¹

21%

decrease in the Federal Emergency Management Agency's (FEMA) workforce in 2025²

11 million

total number of Americans displaced by natural disasters in 2024³

Escalating challenges

The risk environment is intensifying and diversifying

Emergency management now extends beyond natural disasters to include cyberattacks, infrastructure disruptions, and industrial incidents. States are increasingly responding to a wider range of complex, overlapping threats. According to the Deloitte-NEMA National Risk Study 2025, 92% of state emergency management agencies have responded to a cyberattack in the past five years—yet cyber remains the area for which states feel least prepared.⁴

Shifting federal priorities

States rely heavily on FEMA funding and coordination for core emergency management functions, but these roles are subject to change as federal priorities evolve. If the federal government's traditional role in serving as a convener for cross-state coordination shifts, this could result in changes in how neighboring states manage their joint response efforts. This comes as risks are increasing and disasters are becoming more frequent and costly.

Workforce capacity is stretched

As demand rises and responsibilities shift to states, competition for qualified emergency management talent is intensifying. Many agencies are forced to prioritize response and recovery over mitigation and preparedness due to staffing constraints. This growing gap between demand and workforce capacity increases risk to communities.

End notes:

[1] Climate Central, "2025 in review: U.S. billion-dollar disasters," Jan. 8, 2026.

[2] Rebecca Hersher, "FEMA is getting rid of thousands of workers in areas recovering from disasters," NPR, Jan. 16, 2026.

[3] Internal Displacement Monitoring Centre, "2025 global report on internal displacement (GRID)," accessed May 12, 2026.

[4] Ragini Basu and Trina Sheets, "Deloitte-NEMA National Risk Study 2025: Changing landscapes in state emergency management," Deloitte Insights, Sept. 2, 2025.

Solutions for a strategic response

Operationalize day-one readiness across hazards

Move beyond plans to practice readiness across a range of disaster scenarios by integrating threat intelligence, continuously updated response protocols as part of robust incident response plans, and regular exercises across agencies. This ensures that states can respond quickly and consistently across multiple incident types.

Modernize disaster grant management

States can modernize grant management by using technology and AI to streamline subrecipient monitoring, automate risk assessments and documentation review, and enable near real-time compliance tracking. These tools reduce manual effort, improve consistency, and free up staff to focus on higher-value work.

Create a single front door for resident recovery

Simplify disaster recovery by providing a unified, end-to-end portal for residents to access assistance from application through closeout. Streamlining the application and processing experience can reduce friction while improving speed, transparency, and program compliance.

Invest in mitigation to reduce future losses

State leaders can modernize risk-informed building codes, update hazard mitigation plans, create a state risk register, and align grants and insurance incentives with pre-disaster funding. States can also take pragmatic steps, such as enhancing data protection, expanding cyber insurance, increasing the frequency of exercises, stress-testing reserve funds, reducing exposure, and improving readiness.

Strengthen the workforce pipeline

Recruiting, training, and retaining a strong emergency management workforce are paramount. States can strengthen that workforce by building talent pipelines through partnerships with colleges and universities, as well as internship opportunities (including for high-school students) to develop the bench needed to perform under pressure.

Learn more



[Deloitte-NEMA National Risk Study 2025: Changing landscapes in state emergency management](#)



[Leveraging AI for effective emergency management and crisis response](#)

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Building a future-ready state workforce

State workforce systems have long struggled to attract and retain highly skilled workers, and the advent of AI compounds this challenge. Successful AI adoption will create new ways of meeting the mission, reducing routine tasks and allowing staff to focus on higher value, human centered work. But as human machine interaction grows more prevalent, the nature of work itself is changing. Providing appropriate support and guidance to employees can help state leaders navigate these changes, close persistent skills gaps, modernize legacy institutions, and build the trust needed to use AI responsibly.

Only 25%

of public workers are under 35 years old, compared to 40% in the private sector¹

70%

of state and local government HR leaders reported that recruitment has become harder in recent years²

40%

projected increase in AI and machine learning specialist job openings by 2027³

Escalating challenges

An enduring skills gap

AI will reshape job responsibilities and the skills needed to perform them. In response, state workforces need new pathways to build proficiency and gain practical experience, while governments and employers must also strengthen the infrastructure and operational capacity to allow workers to deploy AI effectively. Without stronger workforce pipelines and enabling foundations—such as technology, permitting, and implementation capacity—states may struggle to scale AI adoption, support workers through the transition, and capture its full economic value.

Legacy institutional structures

State agencies often operate with legacy management structures, processes, and workflows that might not be well aligned with today's sophisticated, rapidly evolving technologies. This misalignment can slow modernization efforts and create operational friction. The challenge is often compounded by workforce gaps, as employers struggle to fill critical roles while many workers remain underemployed despite available training programs.

Managing AI trust and misuse

Workers may either underuse AI due to limited understanding and low trust or over-rely on it by accepting outputs without sufficient validation. Both behaviors are risky and can undermine outcomes. Calibrating trust in AI is therefore essential.

Endnotes:

[1] US Bureau of Labor Statistics, "Labor force statistics from the current population survey," accessed May 2026.

[2] World Economic Forum, "How AI is reshaping the career ladder, and other trends in jobs and skills on Labour Day," April 30, 2025.

[3] Rebecca Stropoli, "A.I. is going to disrupt the labor market. It doesn't have to destroy it," *Chicago Booth Review*, Nov. 14, 2023.

Solutions for a strategic response

Build stronger pipelines for tech-savvy workers

Given constraints on compensation, states have to find innovative ways to attract skilled workers. Expanding recruitment through civic internships or partnerships with public universities and community colleges, can help build a pipeline of talent into state government. In addition, highlighting and messaging the meaningful nature of public employment—the chance to make a difference in people's lives—can also attract new talent.

Expand the applicant pool by eliminating degree requirements

Some states are moving to a more "skills-based hiring" approach, eliminating degrees for positions in which they are not really required for success. This enables a broader pool of applicants to fill state positions while providing opportunities to qualified workers without traditional credentials.

Deploy AI tools to enhance the state employee experience

States can use AI to create a more seamless employee experience by helping public workers identify relevant training, navigate internal career pathways, and access timely support based on their roles, skills, and agency needs. Integrated with HR, learning, and service platforms, AI can help employees process routine tasks and free staff to focus on more complex issues.

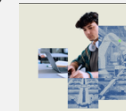
Build state employees' capacity to use AI effectively

States can build workforce capacity for AI by equipping employees with the level of AI fluency needed for their roles and by providing the training, tools, workflow redesign, and clear communication required to use AI responsibly and effectively. This helps reduce anxiety around adoption, enables workers to collaborate more effectively with increasingly advanced AI tools, and can make public sector roles more attractive to current and prospective employees.

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[AI-amplified future of work in government](#)



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