

Agency information technology budget detail

Required by law (RCW 43.88.092)



Budget Division
Office of Financial Management
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Introduction

State law requires the Office of Financial Management (OFM) to submit this report for the governor's biennial budget proposals. This report must include an information technology plan and technology budget for the state. The budget identifies current baseline funding for information technology, proposed and ongoing major information technology projects, and costs ([RCW 43.88.092](#)).

This 2025-27 report details ongoing major information technology projects and includes an [IT Spend Dashboard](#) that shows IT expenditures by state agencies in fiscal years 2023 and 2024. It also includes a section for proposed IT projects from various agencies.

Statewide IT spending

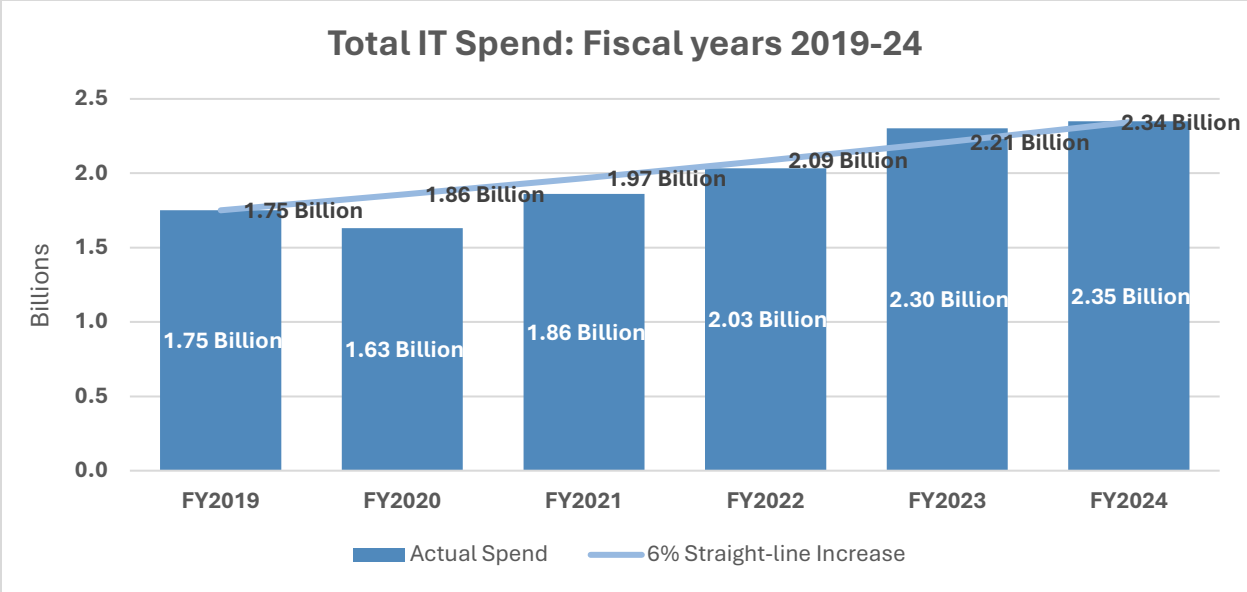
This report captures IT expenditure (spending) data to help the state know where it can improve IT investments.

Agencies spent \$2.30 billion in fiscal year 2023 and \$2.35 billion in fiscal year 2024 on IT spending. This represents a \$268.9 million increase in 2023 and a \$45.9 million increase in 2024. Since fiscal year 2019, the state averages a 6% increase each year. If history indicates the future, IT spending will likely continue to increase 6-8%, on average, each fiscal year.

The major contributing factors of increased spending are:

- Agencies asking for funds (through decision packages) to complete specific IT projects
- Agencies asking for funds (through decision packages) to start system modernization IT projects
- Cost-of-living increases (COLAs)
- Increased subscription costs as agencies move to cloud infrastructure and software solutions.
- Vendor increases for IT contracts, services and maintenance agreements.

When decision package requests reach certain spending thresholds, a review by Washington Technology Solutions (WaTech) is conducted. WaTech may begin to provide oversight of the investment based on an assessment of its cost, duration, complexity, and statewide significance. You can see what each agency spends by accessing the [IT Spend Dashboard](#) on OFM's website.



	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Actual Spend	1.75 billion	1.63 billion	1.86 billion	2.03 billion	2.30 billion	2.35 billion
% change	6.4%	-6.8%	14.0%	9.3%	13.2%	2.0%
\$ change	105.7 million	-119.5 million	229.1 million	173.8 million	268.9 million	45.9 million

Trends on Total IT Spend

WaTech’s Technology Business Management program categorizes IT spending by the types of services that agencies purchase. These categories are known as “cost pools.”

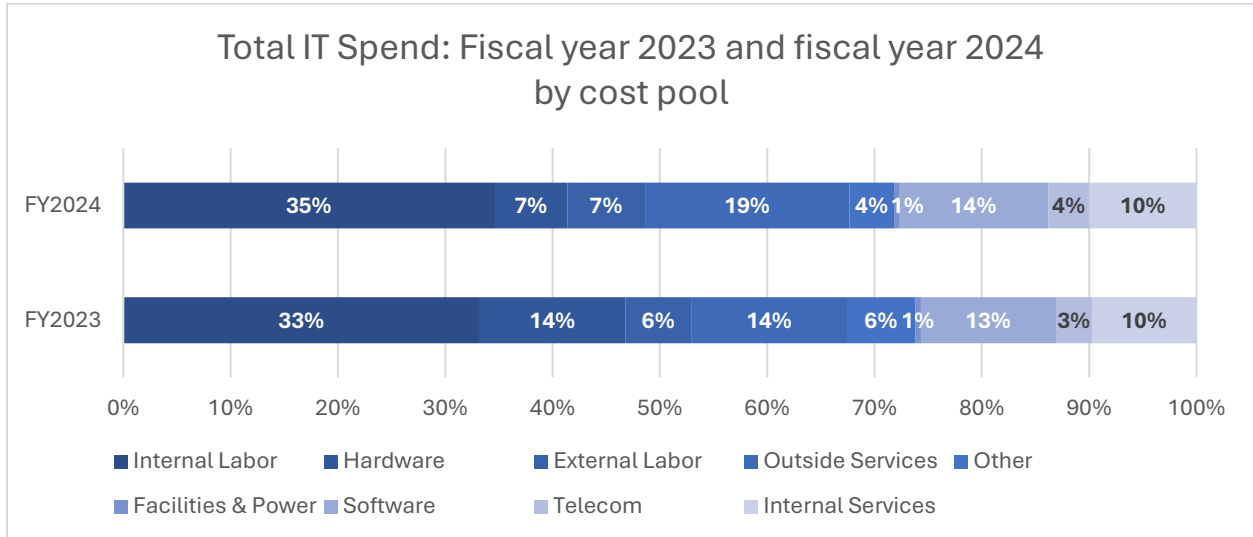
A breakdown of total IT spending by cost pool illustrates where the state invests in IT by category. Looking at cost pool spending as a percentage further illustrates how IT investments change from year to year.

Total internal labor spending increased from fiscal year 2023 to fiscal year 2024 and is approximately one-third of statewide IT spend. During the same time period, spending in “outside services” and “external labor” increased a collective \$141 million and represented a significantly larger portion of total IT spend. As noted last biennium, we have found that agencies use more outside services and external labor to help them modernize their legacy application systems and business processes.

There were also notable decreases in cost pool spending driven by central service agency collaboration. WaTech, DES, and OFM worked proactively with agencies on questionable areas of IT spend as identified in last biennium’s report. The Department of Commerce corrected approximately \$50 million of “other” cost pool transactions due to grants mistakenly being identified as IT. The University of Washington’s

total IT spend decreased from \$524 million (fiscal year 2023) to \$339 million (fiscal year 2024). This included decreases of \$111 million and \$53 million in the “hardware” and “other” cost pools, respectively. These specific agency corrections are called out in this report as they attribute to statewide shifts by cost pool.

Detailed spending by agency is available on the [IT Spend Dashboard](#).

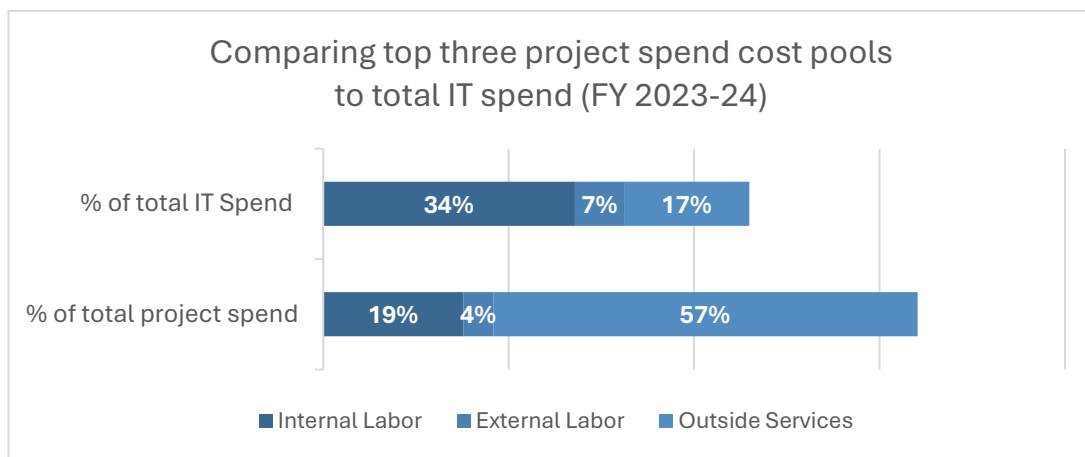


Detailed total IT spend				
Cost Pool	FY 2023	% of FY 2023 Spend	FY 2024	% of FY 2024 Spend
Internal Labor	765,245,821	33.2%	813,308,319	34.62%
Hardware	312,259,976	13.6%	158,765,256	6.76%
External Labor	142,249,055	6.2%	169,983,135	7.24%
Outside Services	333,559,719	14.5%	447,764,610	19.06%
Other	146,287,644	6.4%	97,380,905	4.15%
Facilities & Power	12,147,950	0.5%	12,023,480	0.51%
Software	289,605,413	12.6%	325,074,729	13.84%
Telecom	78,013,180	3.4%	90,763,753	3.86%
Internal Services	223,732,822	9.7%	233,903,193	9.96%
Total	2,303,101,580	100.0%	2,348,967,379	100.00%

Most increased spending tied to major IT projects

During FY 2023 and FY 2024, WaTech oversaw 141 IT projects in 39 agencies. The total planned spend over the lifetime of these projects totaled \$3 billion. Of these projects, 125 spanned multiple fiscal years. As of November 2024, 54 projects were completed, 82 remain active, and five were cancelled. You can find information about each project on the [Washington State IT Project Dashboard](#).

A breakdown of major IT projects shows a significantly different composition than the state’s total IT spending. Outside services and external labor represent 61% (fiscal years 2023-24) of major IT projects under oversight spend. Comparatively, these cost pools only represent 24% (fiscal years 2023-24) of total IT spend. As stated above, the data shows that agencies use outside services and external labor to modernize legacy application systems and business processes.



Detail comparing major IT projects under oversight spend versus total IT spend				
Cost Pool	Project Spend (FY 2023-24)	% of Total Project Spend (FY 2023-24)	Total IT Spend (FY 2023-24)	% of Total IT Spend (FY 2023-24)
Internal Labor	72,089,909	19%	1,578,554,139	34%
Hardware	13,533,303	4%	471,025,232	10%
External Labor	15,202,949	4%	312,232,190	7%
Outside Services	217,790,332	57%	781,324,328	17%
Other	23,343,642	6%	243,668,549	5%
Facilities & Power	1,021,359	0%	24,171,430	1%
Software	33,800,464	9%	614,680,142	13%
Telecom	797,676	0%	168,776,933	4%
Internal Services	3,214,356	1%	457,636,015	10%
Total	380,793,991	100%	4,652,068,959	100%

Note 1 - Project Spend excludes the University of Washington projects due to missing cost pool information.

The reported project spend for FY 2023 and FY 2024 was captured in the Agency Financial Reporting System and displayed on the Washington State IT Project Dashboard. You can view more detailed spending by agency and project on the [Washington State IT Project Dashboard](#).

Top themes that agencies want funded

WaTech identified several themes/categories while reviewing IT decision packages (DP). Multiple agencies proposed the following investments in their DPs:

- Modernize legacy systems technology
- Improve customer experience in interacting with state government
- Continue to move forward with large projects/programs

For more information, see [WaTech's IT Decision Package Funding Recommendation report](#).

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