GovWin
from Deltek

State and Local Procurement Snapshot

Q3 2023

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Executive Summary

The following list highlights key takeaways, trends and market developments from Q3 2023:

- **The SLED procurement market showed stability,** with a slight +0.6% year-over-year growth rate in bids and RFPs.
- **This result was particularly impressive because it was compared against a very strong Q3 from last year,** which takes the market to 102% of pre-pandemic normal.
- **The market remains steady and relatively unaffected,** despite conflicting forecasts and uncertainty about a possible recession.
- **Q3 represented the beginning of the new fiscal year for nearly all state governments;** thus, recently healthy bid levels suggest a degree of confidence and steady budgets as we look ahead to 2024.
- **Q3 growth was led by local governments with 1.2%,** which have seen somewhat higher growth rates in recent quarters. State government was flat at -0.3% while education governments saw a decrease of -0.9% year-over-year.
- **The top four industries in Q3 grew by 2-9% in year-over-year gains—assisted by continued stimulus support.** These included transportation, public safety, architecture & engineering, and professional business services.

ANNUAL CHANGE BY AGENCY TYPE
(from last year)

- **State, down -0.3%**
- **Education, down -0.9 %**
- **Local, up 1.2%**

ANNUAL CHANGE BY INDUSTRY
(top sectors)

- **Transportation, up 8.9%**
- **Public Safety, up 3.5%**
- **Architecture & Engineering, up 2.5%**
- **Professional Business Services, up 2.2%**

Market Snapshot

The SLED market showed year-over-year stability compared to an unusually strong Q3 last year, pointing to resiliency in the face of an uncertain national economy.

The state, local and education (SLED) procurement market has finally settled into the mostly flat trend that we predicted in our 2023 SLED Government Contracting Forecast. The current growth of +0.6% in bids and RFPs follows two straight quarters of larger year-over-year gains. This flatness is a good sign as the same quarter last year was unusually high. This takes it to 102% of the pre-pandemic level for the quarter. Given the uncertainties of the economy, matching up to last year displays a resiliency that was assisted by the federal stimulus.

With Q3 being the start of the new July-June fiscal year for nearly all state governments as well as some of the larger local entities, this offers us clues about the direction of the market moving forward. It suggests that the new budgets will be at least as large as last year's were but also not ramping up either. We are anticipating more stability moving forward, so the entire 2023 year will show slight growth overall.

As we are slightly higher than last year's stellar Q3, we are not seeing any evidence of a pull-back in issuing RFPs among these governments.

The immediate recession fears that loomed over 2023 have been pushed back by many experts and economists, who now see 2024 as a more likely scenario. There is currently a debate over if it will be a shallow recession or a "soft landing" no-recession scenario. For instance, renowned economist Nouriel Roubini recently commented on the prospects of a recession:

> **"The good news is it doesn't look like we are going to have a real hard landing.....The question is whether we are going to have a soft landing or a bumpy landing—a bumpy landing being a short and shallow recession—and on that debate, we don't know yet."**

Roubini is not alone as many economists have walked back concerns of a recession in 2023 and are becoming a bit more positive in their tone, talking about a soft landing or a delayed shallow recession for 2024 and not 2023. We have

SPECIAL FEATURE: HIGHLIGHTS FROM OUR 'SLED COOPERATIVE PURCHASING MARKET LANDSCAPE' REPORT

We discuss the SLED cooperative purchasing landscape including key market segments, benefits for suppliers and vendors, and tactics to compete and win co-op contracts.

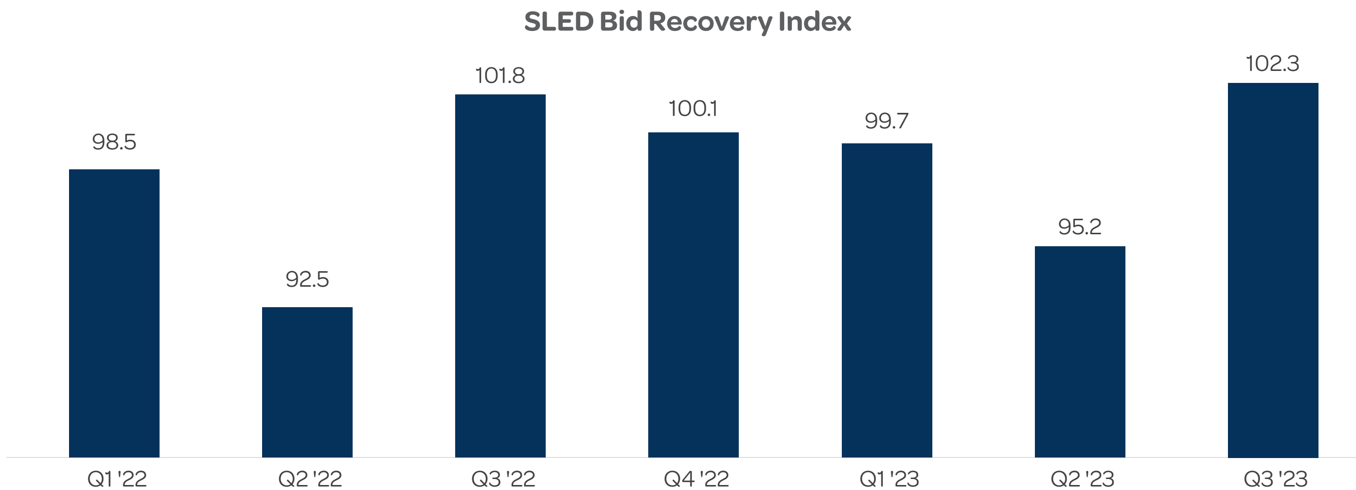
seen the SLED market largely ignore these concerns in Q3 as budgets, funding and purchasing has stayed relatively consistent and unbothered by economic concerns of potential slowing.

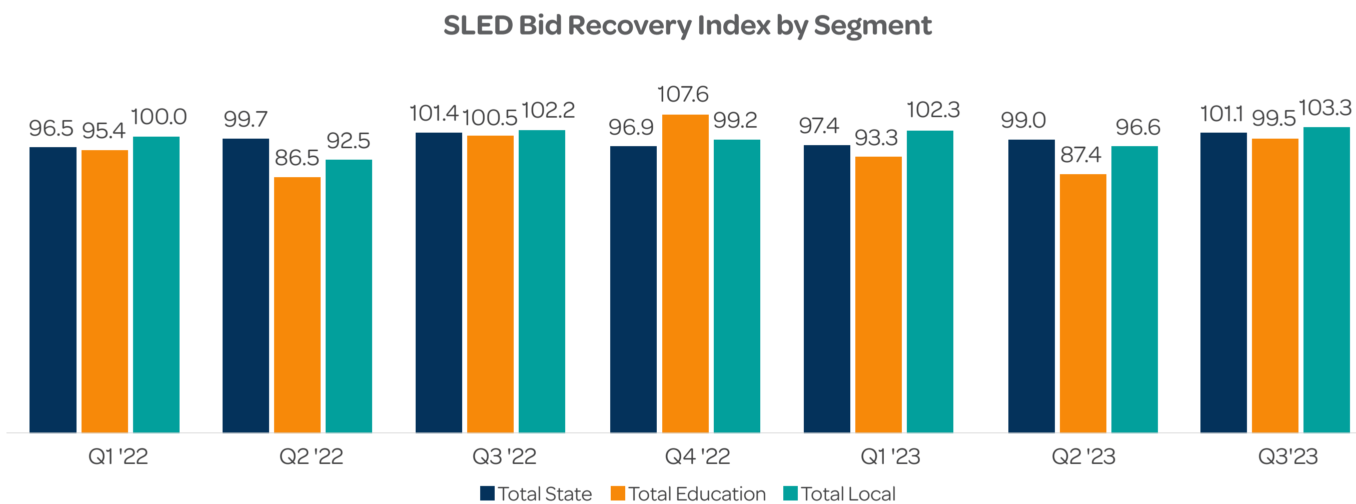
Update on Recovery in SLED Bids

We've been tracking the pace of recovery in bidding opportunities since Q1 2020 using an index referring to the share of the pre-pandemic (2019) total reached in any one quarter – converted to a 100-point scale. This helps us better understand how the bid market is recovering following the significant drop in bids the market experienced in 2020 with the pandemic.

The top chart summarizes the overall market and shows Q3 '23 with a clear increase over Q1 and Q2 '23 but nearly the same as Q3 '22. As mentioned, the current quarter's similarity to the very strong Q3 last year means both quarters exceeded 100.0. Overall, the 2022-23 figures point to a healthy market that is averaging close to the 100 mark or in other words "back to normal" in terms of procurement and operations.

The lower chart shows differences by government type. We see a similar pattern in the current quarter to Q3 '22 with local government contracting activity being slightly higher on the index (as in recovering even better) compared with state government or education.





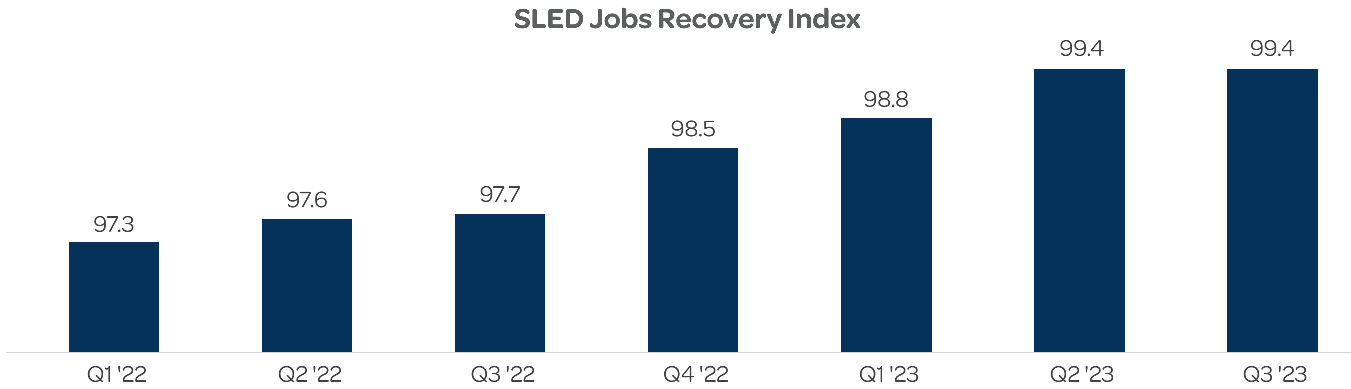
Update on Recovery in SLED Jobs

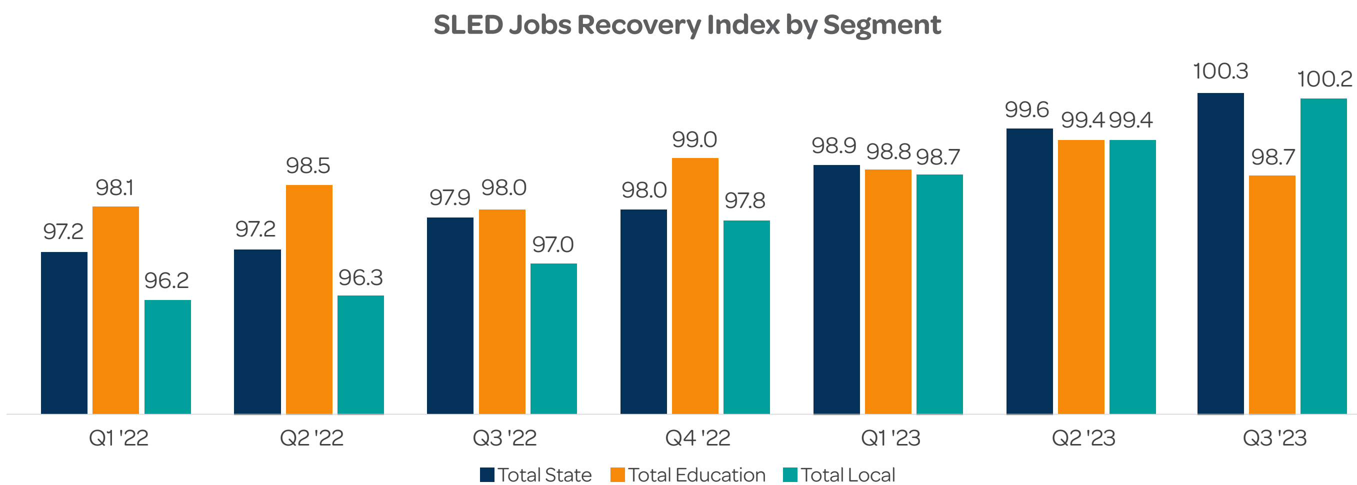
The SLED jobs index charts indicate a gradual recovery of jobs to the pre-pandemic 2019 levels (or normal) across different government sectors. The jobs recovery index reached its highest point of 99.4, which is only 0.6 below normal, and maintained the same level as the previous quarter. There were minor shifts by type of government, as the lower chart shows. Overall, local and state government jobs have shown somewhat stronger growth than education jobs over this series since Q1 '22.

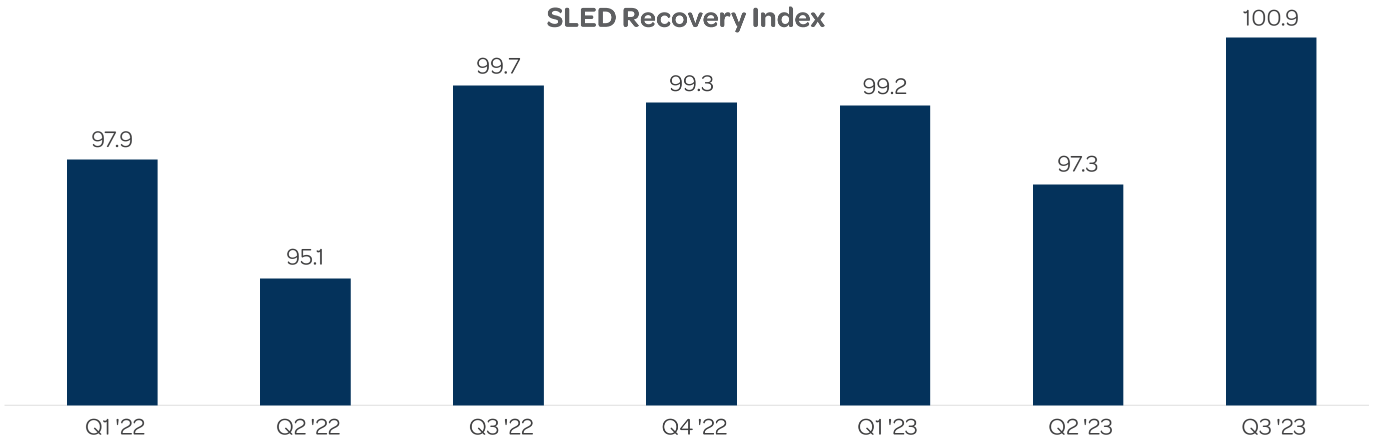
Update on the Overall SLED Recovery Index

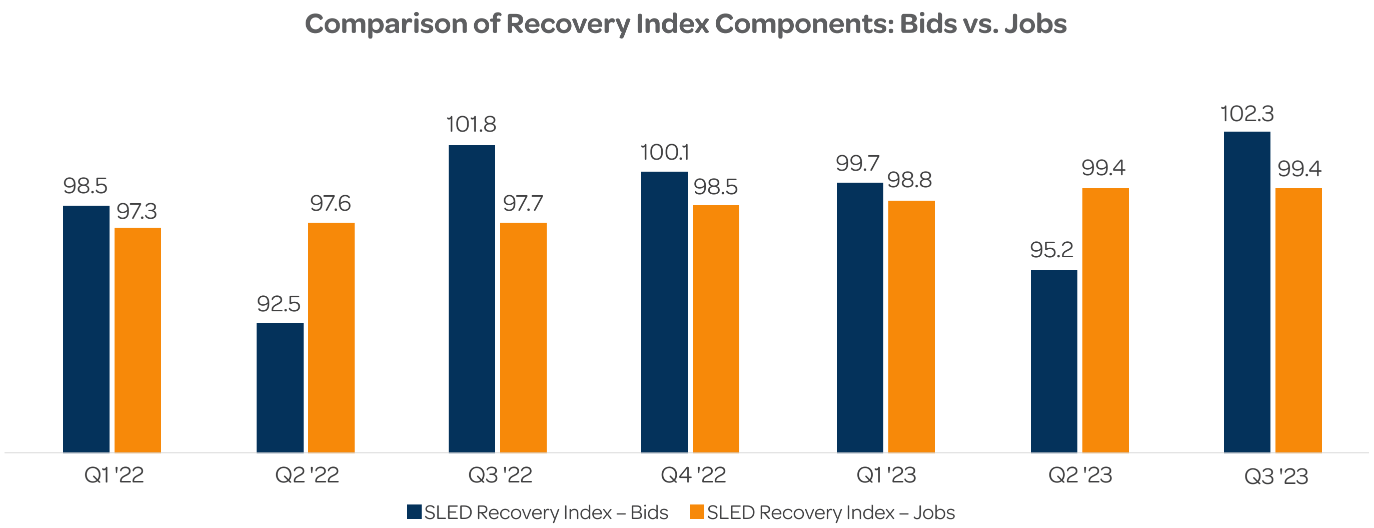
On the next page, the combined SLED Recovery Index places an equal weight on both the jobs and bid components to help paint a picture of overall progress for how quickly these entities are returning to normal. The result shows a smoother trend line that removes some of the "statistical noise." The top chart highlights the longer-term upward trend seen since Q1 '22.

Our index finally broke through the 100 mark this quarter, boosted by strong bidding recovery since 2019 and continued progress in employment. The bottom chart summarizes the index components and highlights how the bid recovery component once again has risen above the employment component.









ANNUAL RATE OF CHANGE

+0.6% Q3 '23

+2.9% Q2 '23

+1.2% Q1 '23

+3.2% Q4 '22

CHANGE IN MARKET OPPORTUNITIES

Q3 '23

114,384

Q3 '22

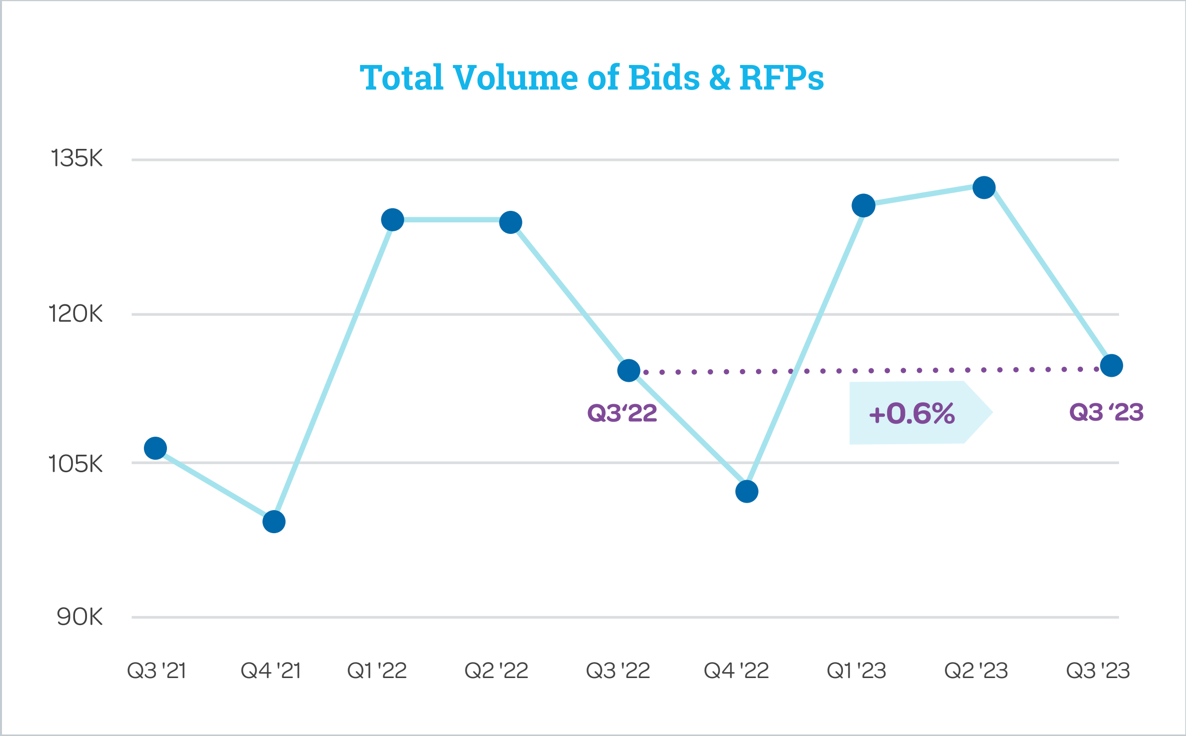
113,743

SLED Project Counts Over Time

Total Volume and Annual Rate of Change in Bids & RFPs

GovWin's database shows clear seasonality trends in the SLED market based on eight trailing quarters of activity. Because of seasonality, we measure growth for the overall market in competitive bids and RFPs by comparing same-quarter year-over-year activity.

The current quarter's year-over-year growth rate of +0.6% represents a mostly flat trend off a very strong quarter last year at this time. Looking at the first three quarters of 2023, Q3 also demonstrates a bit of normalization or return to a similar seasonal pattern as last year, hinting at stabilization for the remainder of the months.



Source: GovWin's market intelligence database, including state, local and educational agency contracting activity.

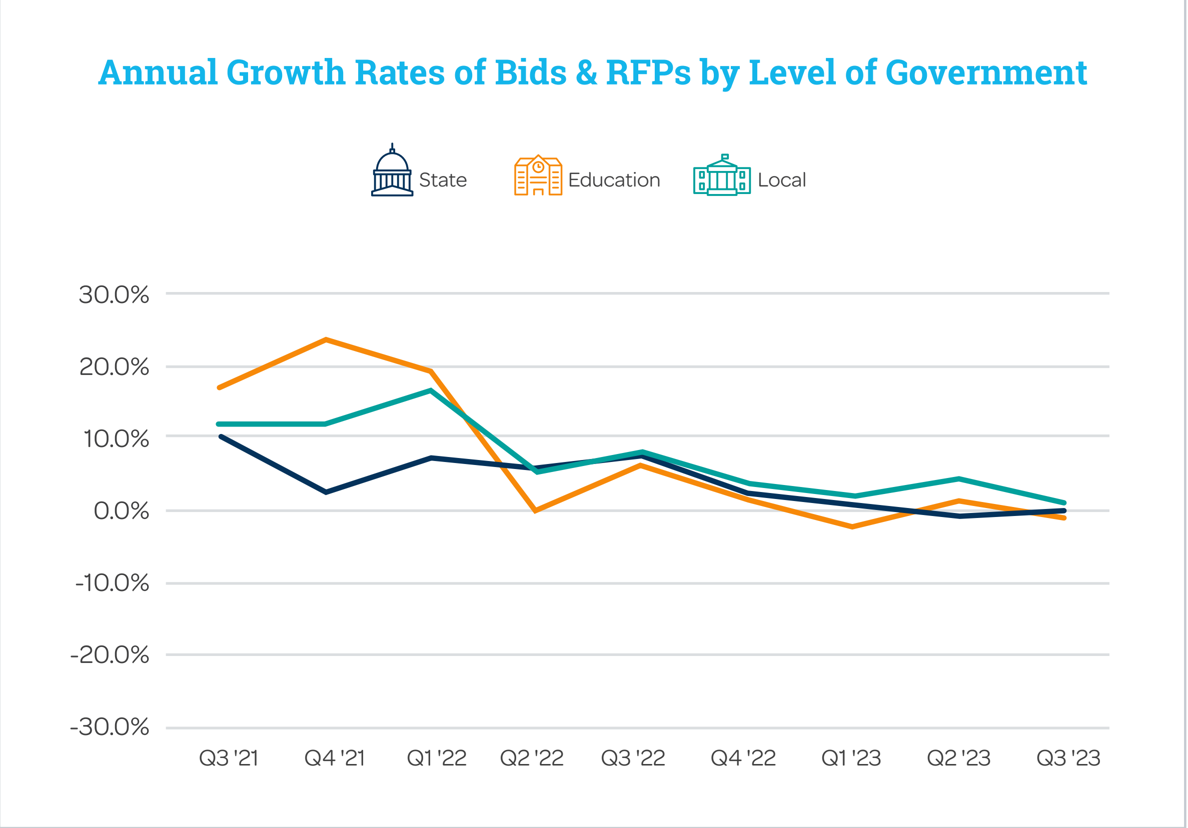
Agency Snapshot—Historical Trends

Annual Growth in Bids/RFPs by Quarter

(vs. previous year same quarter)

Looking at the year-over-year growth rates since mid-2021, the higher percentages in the 2021-22 period reflect a market rebounding from correspondingly large declines in 2020. Recent quarters show more of a normalizing pattern consistent with this market's long-term average of around one percent per year. In other words, now that the market has largely recovered from the pandemic, further annual percentage changes will likely occur within a much narrower range.

Local governments saw slight growth in Q3 '23 compared to the flatter results from state and education governments. Except for the strong rebound of education in 2021 after their heavy initial pandemic decline from the closing of classrooms, local government has shown the highest growth of the three major types of government in recent quarters.



Source: GovWin's market intelligence database, including state, local and educational agency contracting activity.

Quarterly Growth Industry Ranking – Q3 2023

Year-Over-Year Growth Rates in Bids/RFPs (Q3 '22 vs. Q3 '23)

We looked deeper into activity by industry. This analysis divides the market into 12 distinct sectors, as defined in the glossary. Growth rates (ranging from +8.9% to -5.4%) are based on change in bid volume in Q3 '23 versus the same quarter one year ago.

TOP FOUR

Transportation
Ranked #1 for local government and #9 for education and state governments.
+8.9% in Q3'23 from Q3'22

Public Safety
Ranked #2 for local governments, #10 for education governments and #11 for state governments.
+3.5% in Q3'23 from Q3'22

Architecture & Engineering
Ranked #3 for education and state governments and #5 for local governments.
+2.5% in Q3'23 from Q3'22

Professional Business Services
Ranked #4 for local governments, #5 for education governments and #7 for state governments.
+2.2% in Q3'23 from Q3'22

MID TIER

Healthcare
+0.2% in Q3'23 from Q3'22

Educational Products & Services
+0.1% in Q3'23 from Q3'22

Technology & Telecom
-0.1% in Q3'23 from Q3'22

Construction
-0.4% in Q3'23 from Q3'22

BOTTOM FOUR

Finance & Insurance
-0.9% in Q3'23 from Q3'22

Operations & Maintenance
-1.0% in Q3'23 from Q3'22

Environmental Services
-2.0% in Q3'23 from Q3'22

Water & Energy
-5.4% in Q3'23 from Q3'22

Industry	State Ranking	Education Ranking	Local Ranking
Architecture & Engineering	3	3	5
Construction	5	7	7
Educational Products & Services	12	2	9
Environmental Services	2	11	11
Financial Services & Insurance	1	12	10
Healthcare	10	8	3
Operations & Maintenance	8	4	8
Professional Business Services	7	5	4
Public Safety	11	10	2
Technology & Telecom	4	6	6
Transportation	9	9	1
Water & Energy	6	1	12

Industry Growth Ranking by Level of Government

Annual Growth Rates In Bids/RFPs
(Q3 '22 vs. Q3 '23)

To provide further insight into each of the three larger government types, we broke out the growth rates for the current quarter by industry and ranked the 12 industries to highlight areas of stronger growth or expansion within each type of government.

The results demonstrate obvious differences in purchasing and/or budgeting priorities between the levels of government, with generally low correlations across the levels. What is highest ranked in one type of agency is often lower ranked at other levels. *However, this quarter we see architecture & engineering ranked in the top five across all government types.*

Special Feature: Highlights from GovWin's 'SLED Cooperative Purchasing Market Landscape' Report

Our SLED Cooperative Purchasing Market Landscape report serves as an introduction, profile and guide to cooperative purchasing.

The Purpose of the Report

Our report introduces and reviews the concept of cooperative purchasing in the SLED market while showing companies how to leverage these contracts and work effectively with co-ops.

Cooperative Purchasing Defined

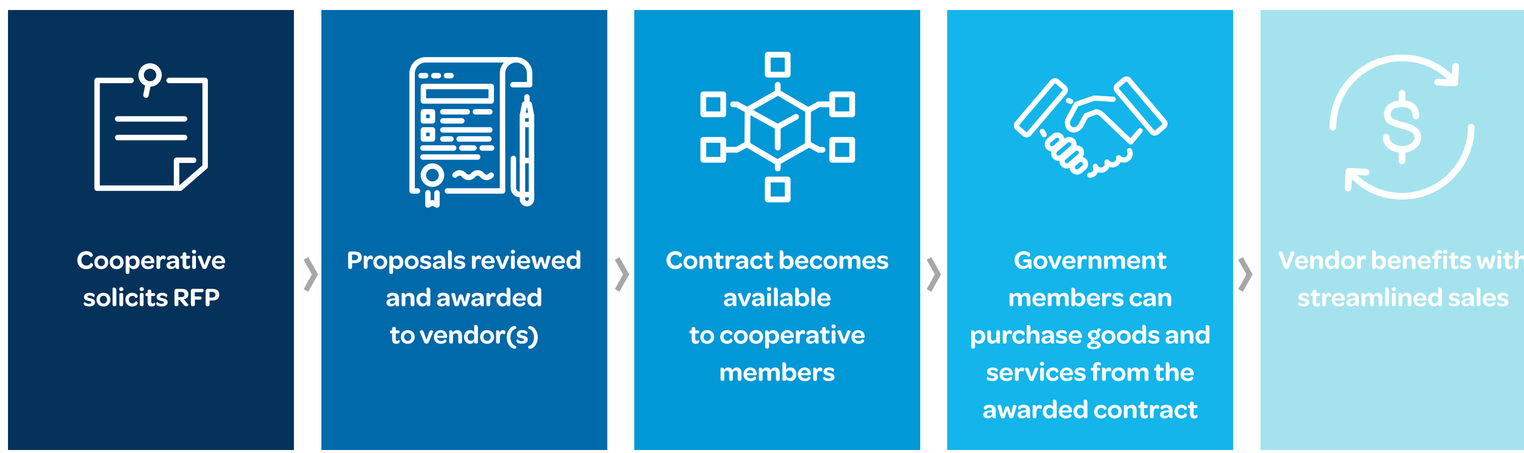
Cooperative purchasing lets SLED governments use existing contracts from a third-party organization instead of issuing new RFPs. The contracts are awarded in accordance with all state procurement laws for fair and open competition. A cooperative organization offers pre-existing public contracts for various goods and services to its members, who are SLED buyers. Governments need to join a co-op before buying from it. There are two types of cooperatives: 1) Regional, which limits membership to certain areas, and 2) National, which are open to any government member regardless of location. Co-ops differ in ownership, scope, industry, and procurement models. They are often formed by government officials but operate independently of any one government entity.

Benefits for Both Buyer and Seller

Businesses benefit from marketing and sales efficiency of only competing once to secure a predictable longer-term source of sales from many governments and types of buyers.

For governments, cooperatives can help to relieve or avoid traditional procurement challenges by outsourcing the solicitation process to save time and money, select proven solutions and potentially reduce risk.

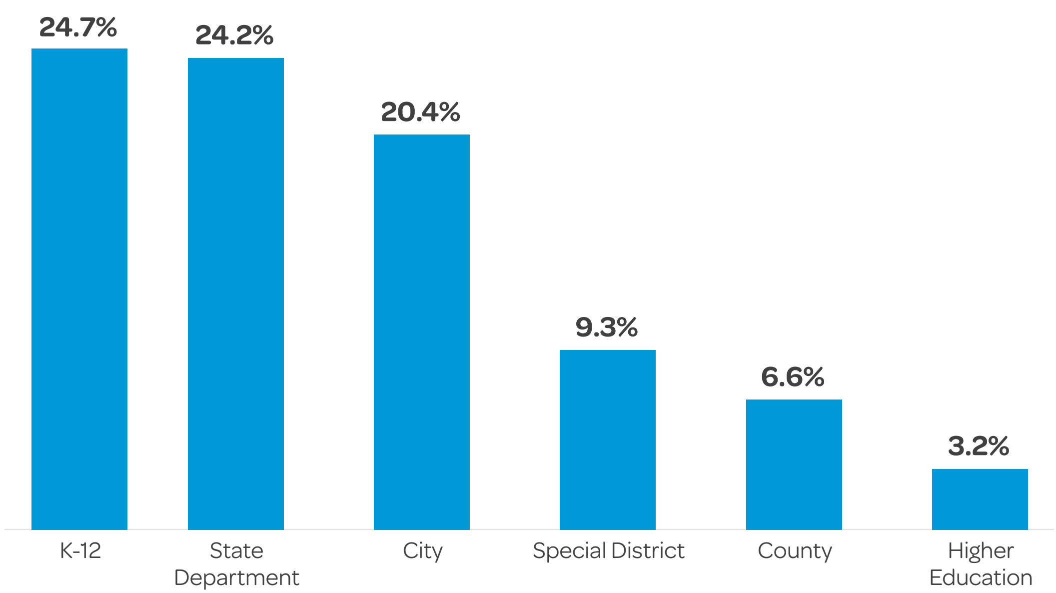
The Cooperative Purchasing Process Simplified



Share of Co-op Purchases by Government Segment

The graph below shows the percentage of cooperative purchases by different types of government entities since 2014. K-12 schools had the highest share, with about 25% of all cooperative purchases. This is consistent with their known preference for using cooperative contracts. State governments and cities were the next highest with similarly large shares of 20-24%. Cities rely on co-ops due to their lack of purchasing power while state governments use them to help cope with their scale and need for greater efficiency.

Share of Cooperative Purchases by Level of Government



Top Products & Services

Getting into more specifics and looking beyond industries, we examined which specific product and services are being purchased the most from cooperative contracts. The results showed that national co-ops had vaccines and medical supplies as their top purchases, aligning with a greater propensity of state governments to use them for healthcare. And for regional co-ops we saw cellular telephone services and fire protection vehicles rank highly, which is in line with local governments prioritizing public safety industry related purchases over other types as well.

Smart Tags: Products & Services (National)	
Vaccines	2.0%
Medical supplies	1.9%
Cellular telephone services	1.7%

Smart Tags: Products & Services (Regional)	
Cellular telephone services	2.6%
Fire protection vehicles	2.6%
Ambulances	1.7%

Industry Profiles

By tracking and examining 12 major industries, GovWin helps all types of businesses selling to the government understand the market trends and plan their sales and marketing strategies effectively. The table to the right shows the cooperative contract share and propensity to buy for these industries across all SLED governments. Education products & services, healthcare and technology & telecom had much higher shares of total cooperative purchases than one would expect given the sizes of their respective industries—with two to three times the propensity.

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INDUSTRIES	INDIVIDUAL PURCHASES OFF OF CO-OP CONTRACTS	PROPENSITY TO BUY FROM INDUSTRY (1.00 = AVG.)
Architecture & Engineering	0.9%	0.15
Construction	17.3%	0.46
Education Products & Services	**3.5%**	**2.79**
Environmental Services	1.0%	0.39
Financial Services & Insurance	1.3%	0.49
Healthcare	**9.3%**	**3.16**
Operations & Maintenance	22.4%	1.17
Professional Business Services	4.6%	0.70
Public Safety	3.9%	1.76
Technology & Telecom	**20.5%**	**3.31**
Transportation	14.0%	1.61
Water & Energy	1.4%	0.31
Grand Total	**100.0%**	**1.00**

HOW TO DO BUSINESS WITH COOPERATIVES

The report concludes with some general tips on identifying, selling to and working with cooperative organizations. The following three areas contain key points to consider with one example provided for each:

KNOW YOUR CAPABILITIES

Can your business deliver in a timely manner with consistent pricing and terms?

BENEFITS

Some cooperatives will assist with marketing the vendor's services.

FOLLOW UP

Reach out to cooperatives, ask about finding solicitations, upcoming expiring contracts, etc.

Guest Contributor

Tammy Rimes, Executive Director of the National Cooperative Procurement Partners, provides some tenured experiential knowledge on various intricacies of cooperative purchasing via a Q&A. One such example, as featured in the report:

Q. Commodity products that are bought in very standardized ways are the "bread and butter" of the typical co-op. What would you say to the vendor or seller that doesn't fall into that camp and offers a less commoditized product or service type? How much potential is there in these non-traditional situations?

A. The potential for these types of contracts is growing, due to increasing requests from government and educational institutions. Installation services, construction, staff augmentation, consulting, and combining services with commodities are the newest contract offerings by many cooperative organizations. A contract begins with a need, and if the supplier can demonstrate a wider commercial demand for its goods/ services, then the cooperative may be open to considering it as a new contract offering. The supplier will still need to compete for the opportunity when the bid comes out, but all new contracts started with someone sharing the initial idea of the growing need.

For more detailed analysis on industries under each government segment type, the full report can be accessed here.

NCPP

The Professional Association for Cooperative Procurement

About Tammy Rimes

Rimes formerly served the city of San Diego for over 20 years in management positions for Financial Management, Equal Opportunity, Community Service Center Program and Water/Wastewater departments.

During her tenure as Purchasing Agent, she centralized procurement processes, led a business process re-engineering effort, consolidated warehousing and implemented environmentally preferred purchasing policies. In her current role as the Executive Director for the National Cooperative Procurement Partners (NCPP), she advocates and educates on the concept of use of cooperative procurement. With a Master's degree in Public Administration, she also has a corporate sales background.

Glossary of 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

GovWin
from Deltek

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