INDUSTRY REPORT:

State of Digital Operations in Government

Insights from 2021–2022 | Strategies for 2025 and Beyond

How digital operations are impacting state and local government agencies, departments and employees.

Introduction

The digital transformation of state and local government (SLG) agencies has accelerated beyond expectations. What began as an urgent response to the COVID-19 crisis has matured into a long-term strategy—reshaping how agencies deliver services, manage operations, and meet public expectations.

Today, digital modernization is no longer a future goal—it's a present necessity. In recent years, IT investments have consistently outpaced economic growth. According to IDC, global IT spending was forecast to be $5.3 trillion in 2024, growing about 4.1 %year over year, with Gartner expecting worldwide IT spending to total $5.61 trillion, nearly 10% more than the estimated $5.11 trillion in 2024. This continued investment signals a clear shift: digital infrastructure is now a core component of government strategy, not a peripheral initiative.

From cloud adoption and process automation to AI-powered citizen services, government leaders are expanding their digital capabilities to drive efficiency, transparency, and resilience. Agencies that once hesitated to modernize are now actively prioritizing transformation—not only to meet current needs, but to build a foundation for the future.

Docufree has partnered with SLG agencies for over 25 years, supporting their shift toward secure, agile, and scalable digital operations. This report combines insights from our 2021–2022 research, along with new trends and practical recommendations to help agencies chart their path forward in 2025 and beyond.

Inside this report:
- A snapshot of digital progress in SLG agencies
- Barriers slowing down transformation—and how to overcome them
- Strategies for scaling automation and cloud adoption
- Real-world lessons from agencies leading the way

Summary

This report identifies the most important topics and trends and impacts of adopting digital content and processes amongst employees, departments, and agencies operating in state and local government. Based on survey results, the majority of respondents have felt many positive impacts of shifting their operations to digital — but there is still work to do.

Despite the seismic shift to digital since the beginning of the COVID-19 pandemic, many respondents do not see a future where their agency operates completely digitally — citing challenges like workforce adoption, resource constraints, and budget. These challenges are not unique and not insurmountable. Following the key findings of our report, members of our experienced digital team provide their expert recommendations on how to address these challenges to set your department and agency up for a brighter, faster, more reliable future with digital operations.

Who is Included in This Report?

The participants included in this report are **primarily SLG agencies, core departments, and key employees. In this report, we saw a broad range of SLG agency types in terms of the services they provide — making it clear why SLG is often referred to as "an industry of industries."**

The majority of respondents work at the state level in departments with over 500 employees, and they are evenly distributed in their departments between human resources, administrative, IT services, and finance & accounting. Over 70% of respondents are at or above a Manager seniority level.
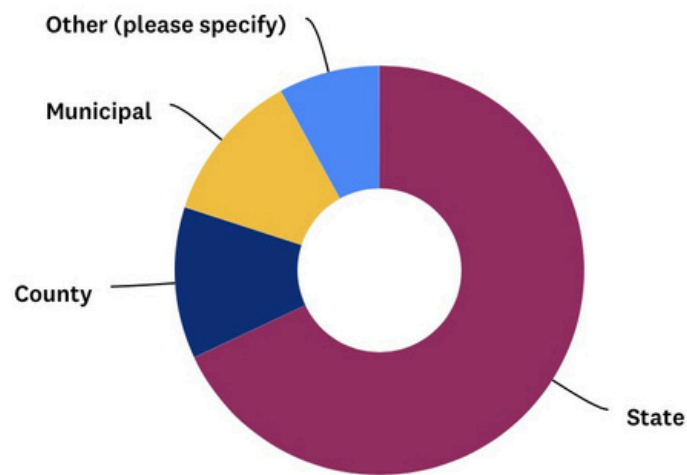
More detailed demographic and firmographic findings of the report follow.
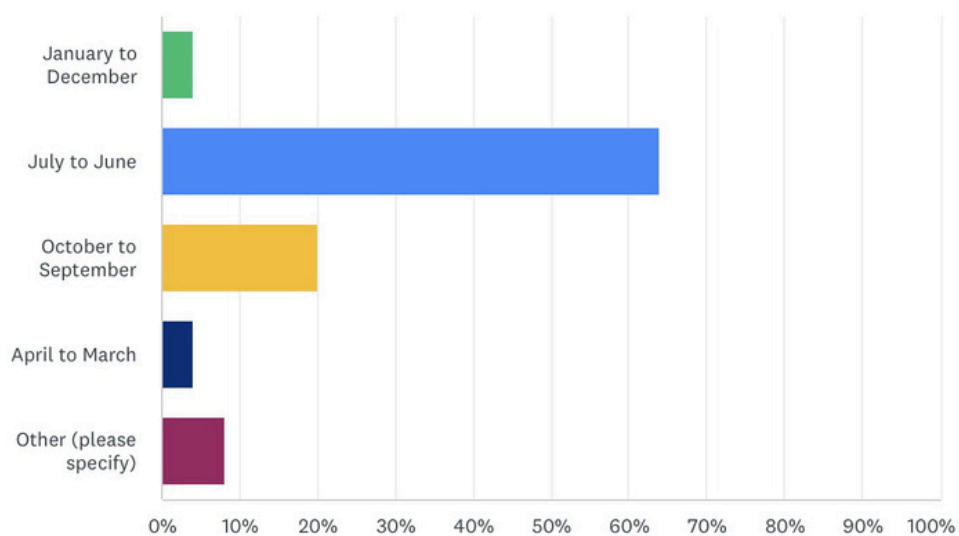
Your Agency

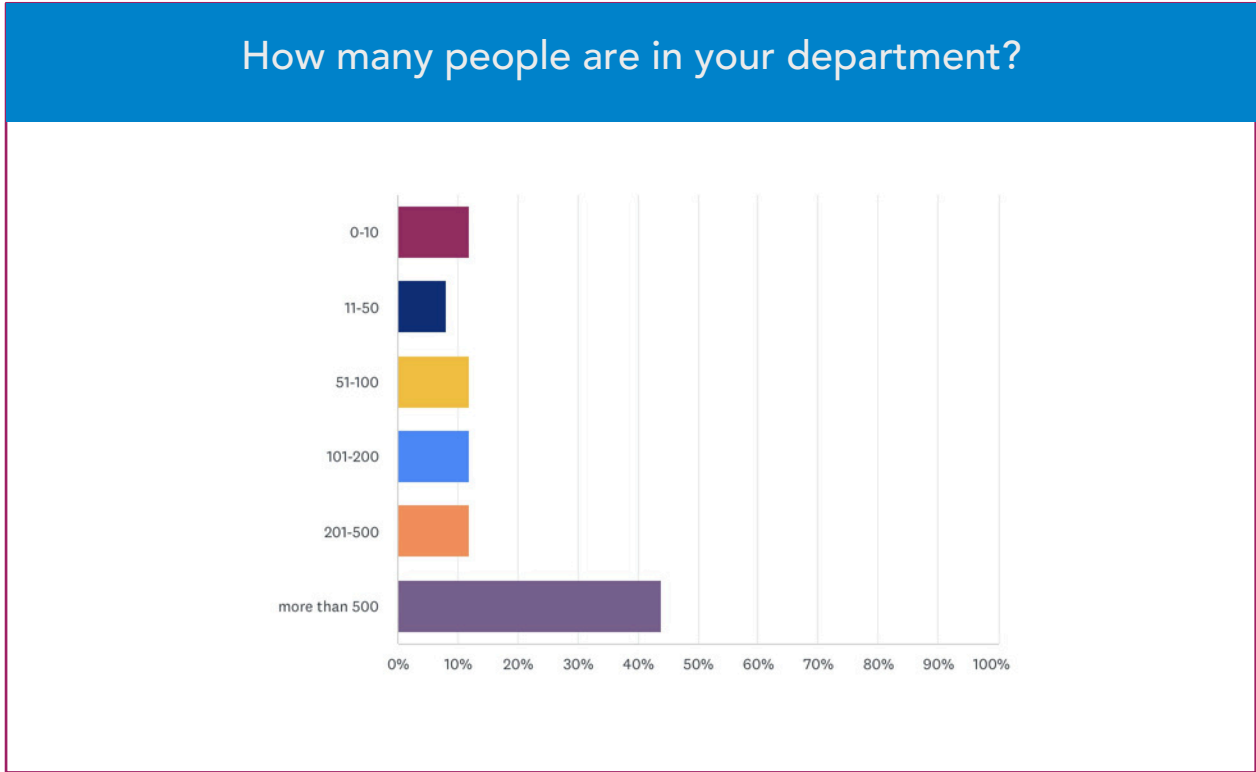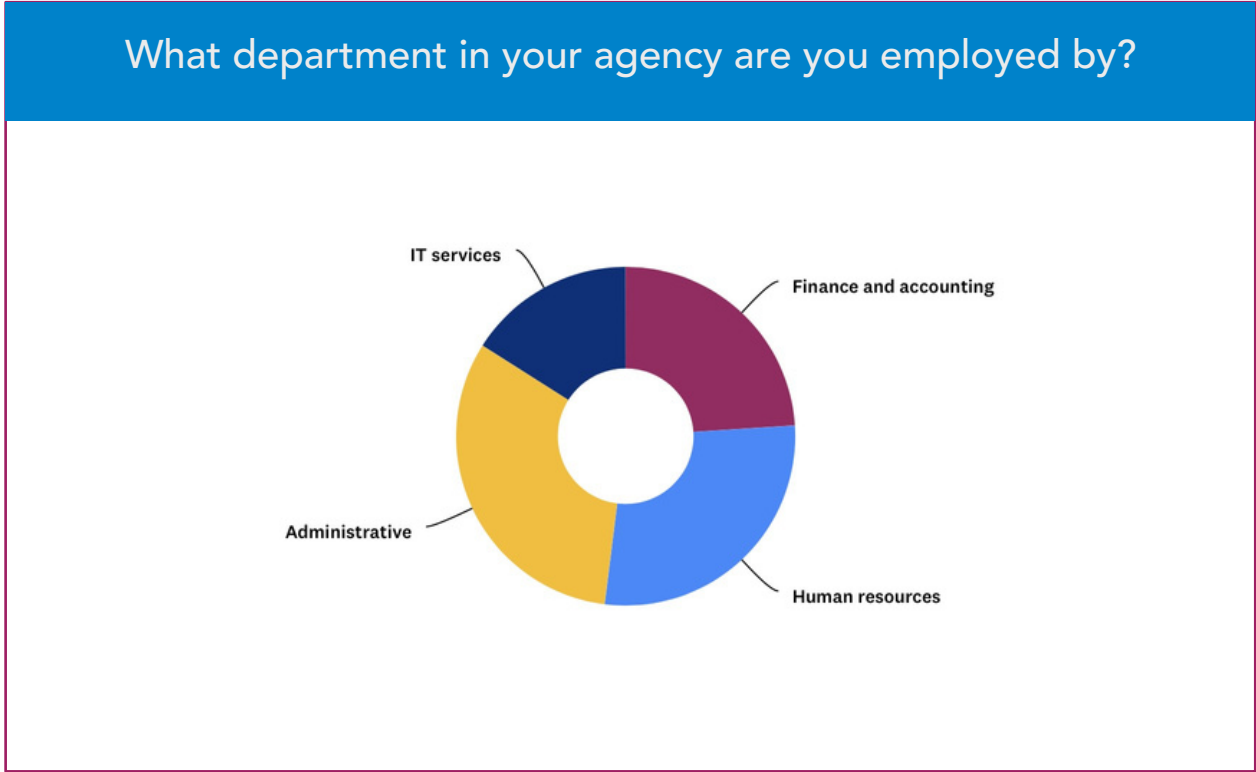### What is the primary function of your agency?
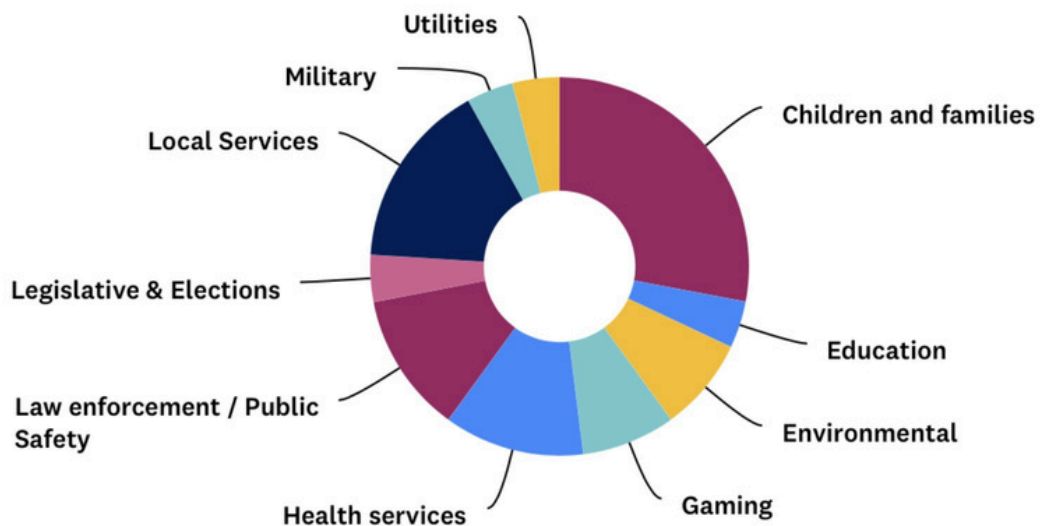
Which of the following best represents your level of government?
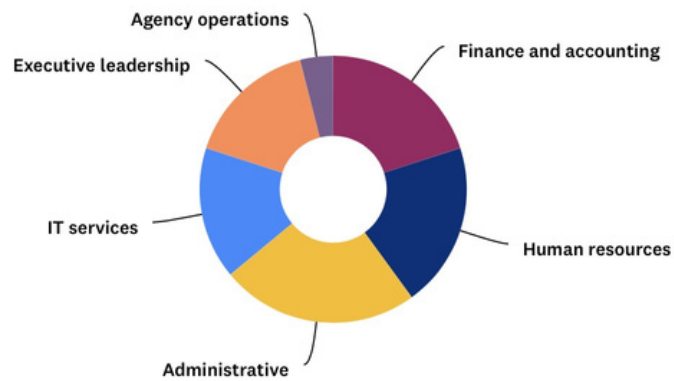

What is your agency's budget cycle?

Your Department

What department in your agency are you employed by?

How many people are in your department?

Individuals

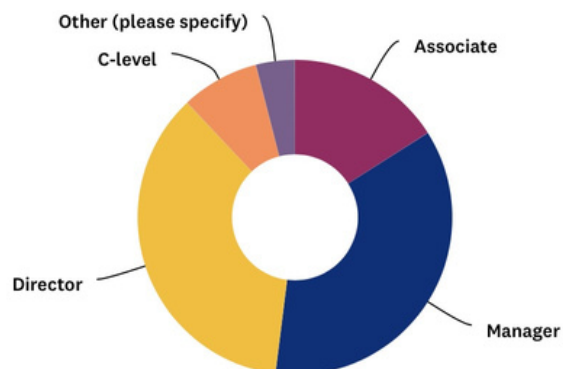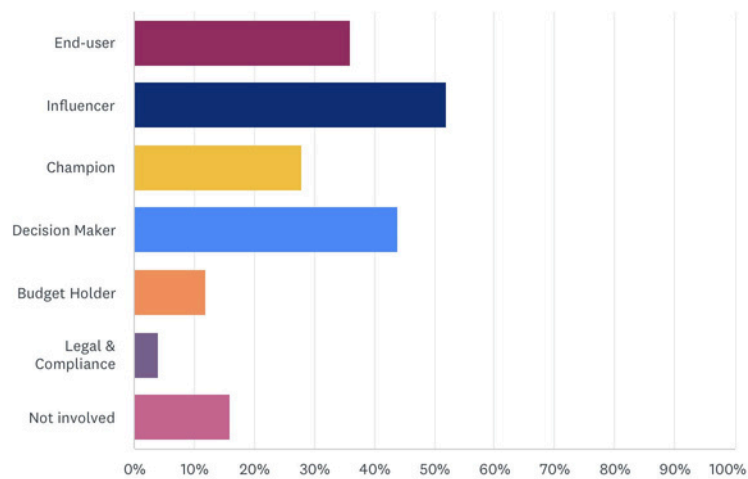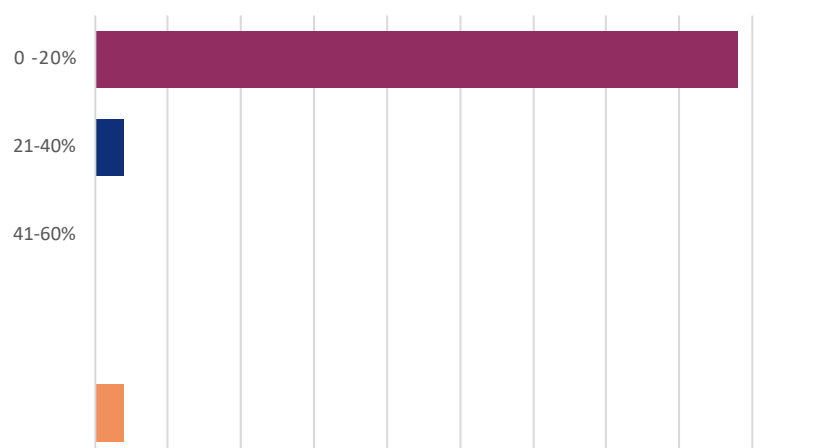## What is your role in your department or agency?

What is your experience level?

How do you interact with agency vendors?

What percent of time do you work remotely?

Digital Operations and Its Impact

Digital operations continue to grow within state and local government departments and agencies, with increased workforce adoption post-pandemic. The wave of digital that was already lifting the ship reached new heights in 2020, with many organizations scrambling for digital coverage to protect both their service delivery and their employees.

For many agencies, 2021–2022 focused on patching pandemic gaps, while 2023–2024 saw a shift toward automation and cloud-native platforms. Digital-first models are now considered permanent operational modes in many agencies. The shift to "anywhere access" truly seems here to stay, so agencies are responding with sustained or increased investment in their digital operations.

Even so, only 5% of respondents classify their department's ability to operate digitally as "fully mature." **The overwhelming majority of respondents need help to get their departments to operate as a fully digital mature organization** – if you are reading this, then you are likely in the same boat. You are not alone, and this information is expected - moving to a fully digital operation will be a huge feat for our state and local governments.

This is why we argue for a prioritized approach to operating digitally. Selecting the documents, forms, and processes that will have the highest impact once digitized is your starting point – then you can work your way down the list, ideally with a qualified digital partner who will help you understand how to move forward efficiently.

In over two decades of serving state and local governments, we've seen many departments and agencies motivated for different reasons to implement digital documents and processes, from "we can't stay organized" to "we need to save this money" to "we have to do this to stay secure/compliant." It was great to see that in this year's survey, respondents selected **improved productivity** and **enhanced service delivery** as the **two top impacts of digital operations**. This is extra-meaningful to see as it confirms that the digital operations are doing their job – helping your team work at the speed of digital and stay connected to your constituents.

As we have known for a long time, **the impact of digital operations doesn't end at the agency or department level – it ends with employees.** At a time when more workers are leaving than ever, improving the employee experience is vital. The top three impacts on the employee experience as selected by our respondents are: improved productivity, improved organization of records, and the ability to work and provide government services remotely.
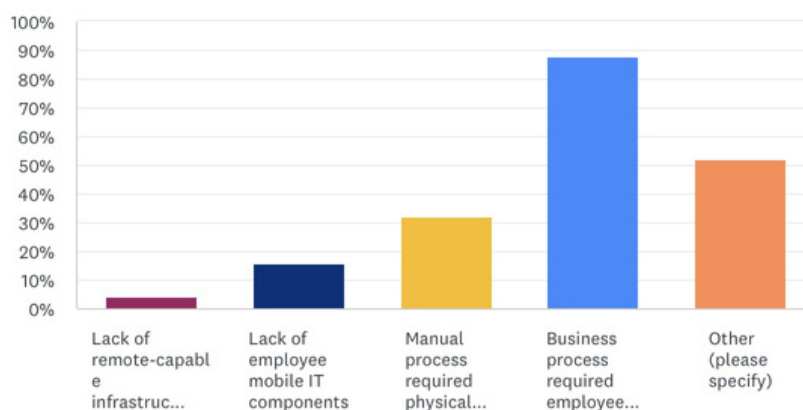

Read on for our full findings on digital operations and its impact on state and local government agencies and departments:

What percentage of your agency's workforce is currently working remotely?
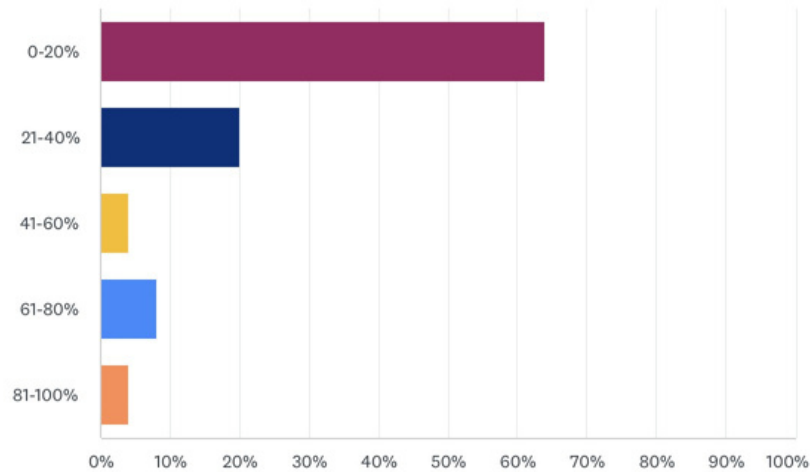
What were the primary factors that prevented more of your agency workforce from working remotely during the COVID-19 pandemic?
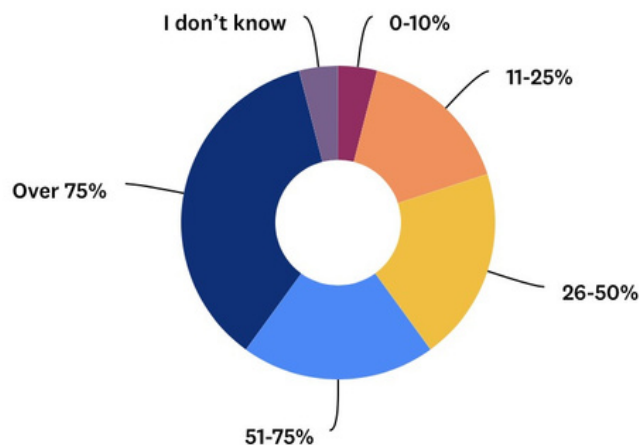
Based on your answers above, is your agency currently able to provide information and services to the public with a virtual workforce during a disaster or disruptive event?
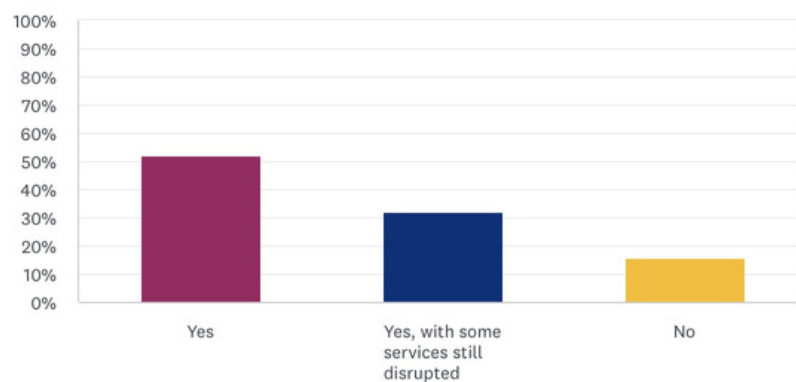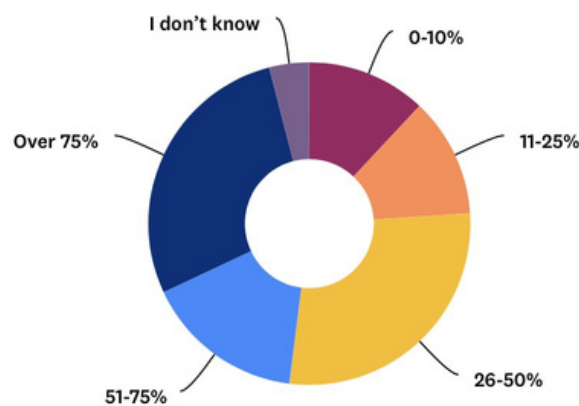
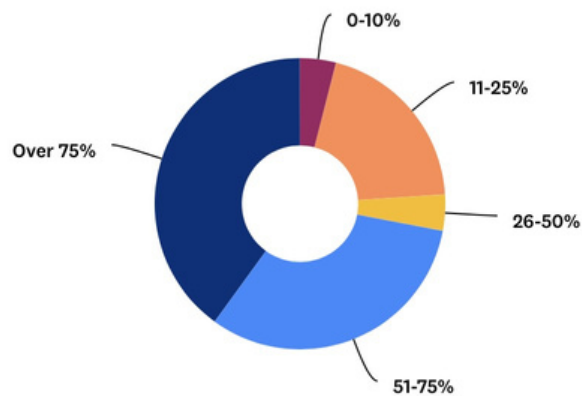## Digital Documents, Forms, and Processes:

In your estimation, what percentage of your department's processes are designed to operate digitally?

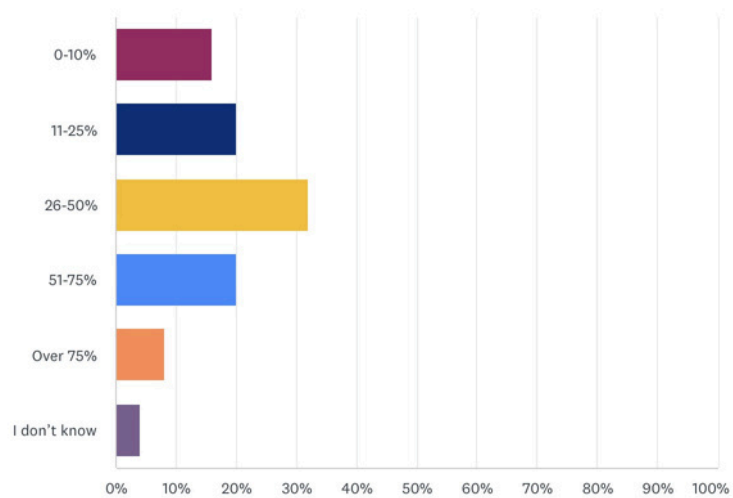### In your estimation, what percent of your department's forms operate digitally?

What percentage of your department's documents are accessible digitally?

In your estimation, what percent of your department's current processes are manual?

What percentage of your department's processes are partially automated?
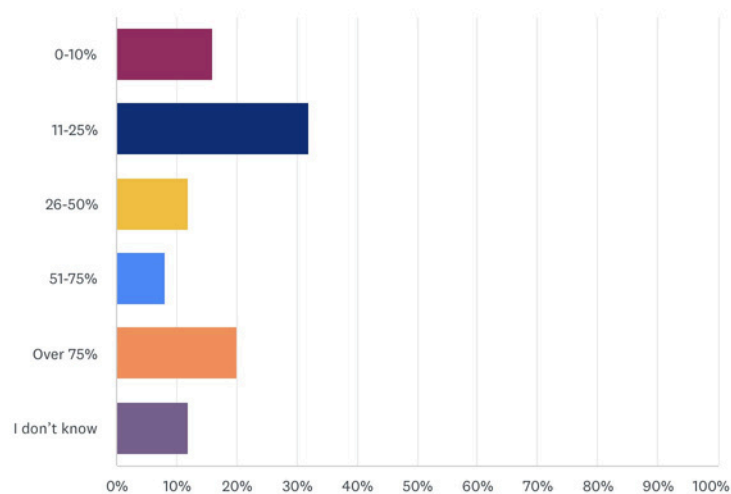
What percentage of your department's processes are completely automated?
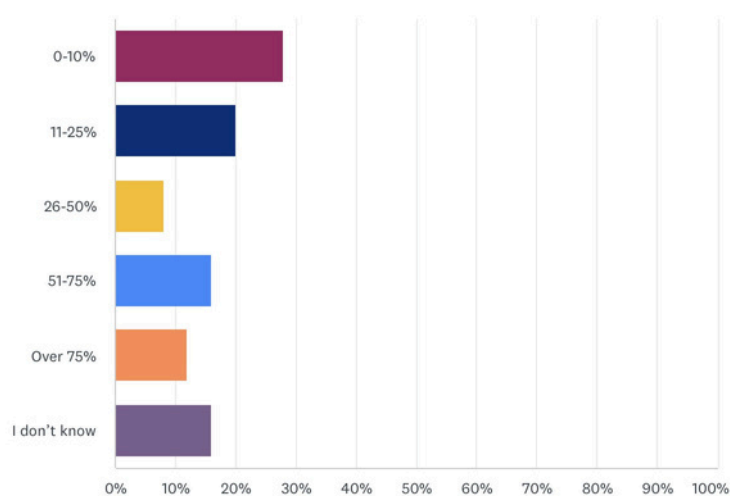
Please select the best descriptor of your department's ability to operate digitally
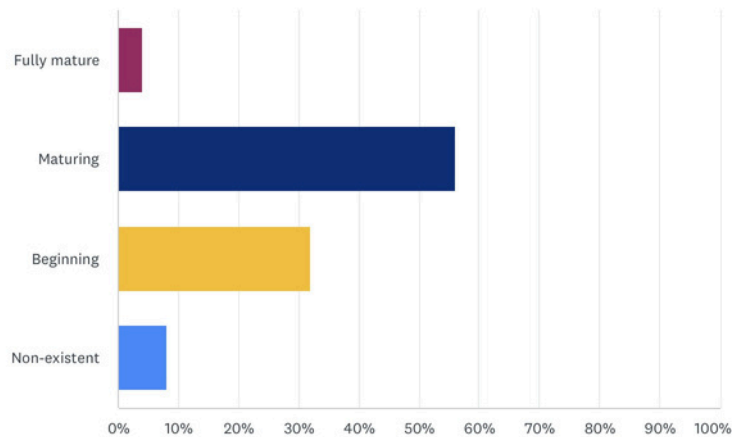
The Impact of Digital

How important is it for people to have "anytime/anywhere" access to your department's processes, forms or documents?
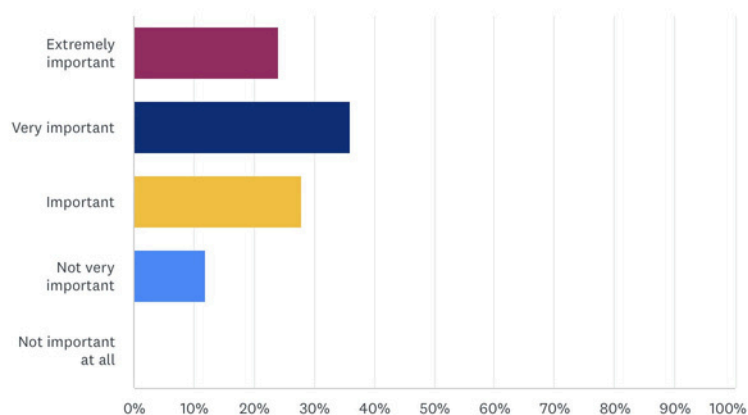
What has been the largest impact of digital transformation for your department?

Employee Experience

What has been the most important and/or meaningful impact of your department's digitization to your experience as an employee?
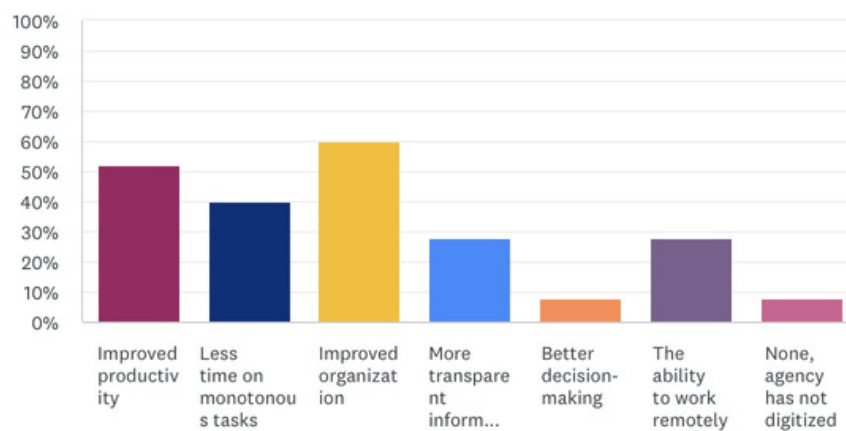
Future Outlook

Interestingly, we see that respondents were able to select multiple areas of impact from digital operations at the agency, department, and employee level, **but the majority (almost 70%) are still struggling to visualize a time in the near future where their agency would operate completely digitally** — and if they can see it, it's over five years away.

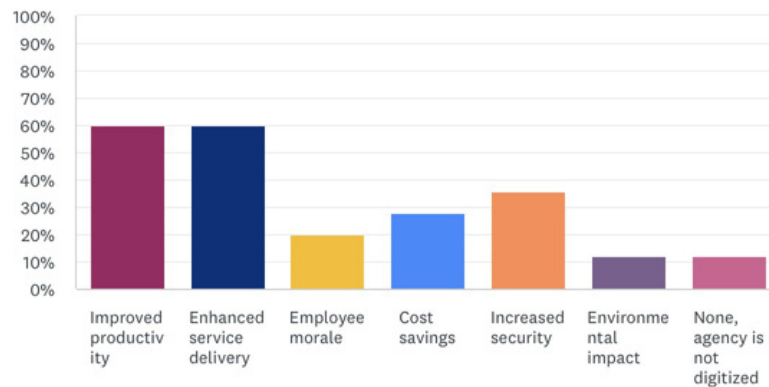In the near term, **respondents identified workforce adoption, budget, and resource constraints as the three biggest obstacles to moving to a fully digital operation.** It is clear that operating digitally has a positive and high impact on SLG, but that doesn't make the red tape disappear.

Your Agency

Do you see a time in the near future where your agency operates completely digitally?
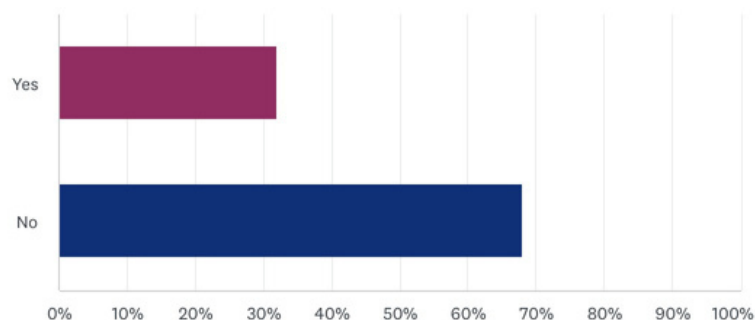
If yes, what time frame do you think it will be completed in?
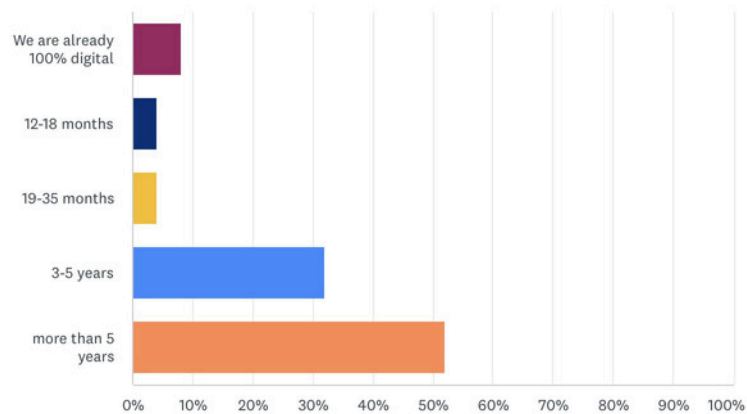
If not, what is holding your agency back?
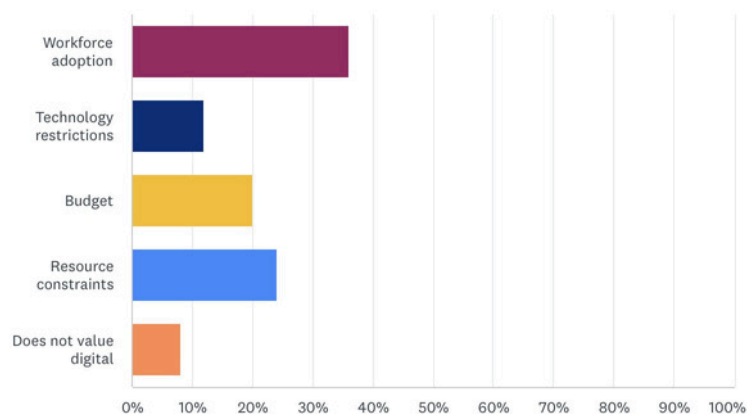
How might transitioning more of your business operations to digital impact citizen experiences with your agency?

Your Department

These survey findings, particularly regarding the largest areas of impact from digital practices, confirm and align with findings from other surveys of private sector companies across all US markets over the last 12 months. In short, agencies a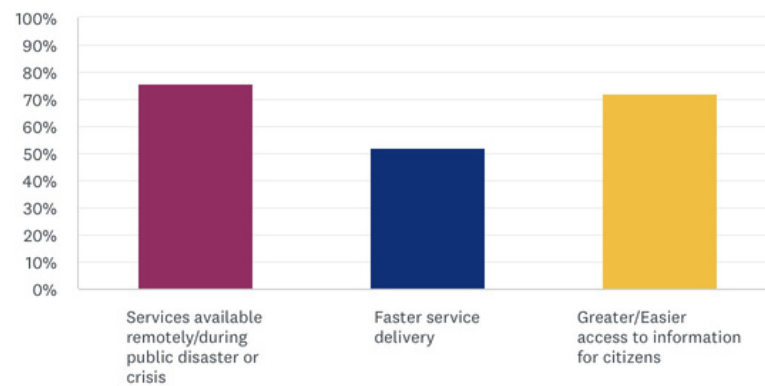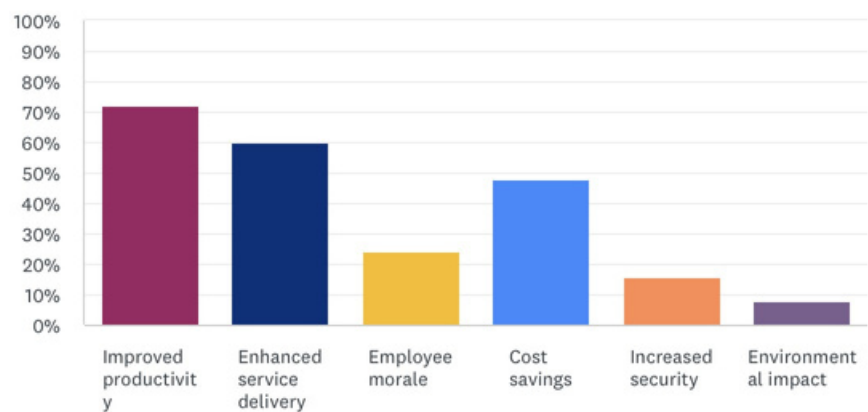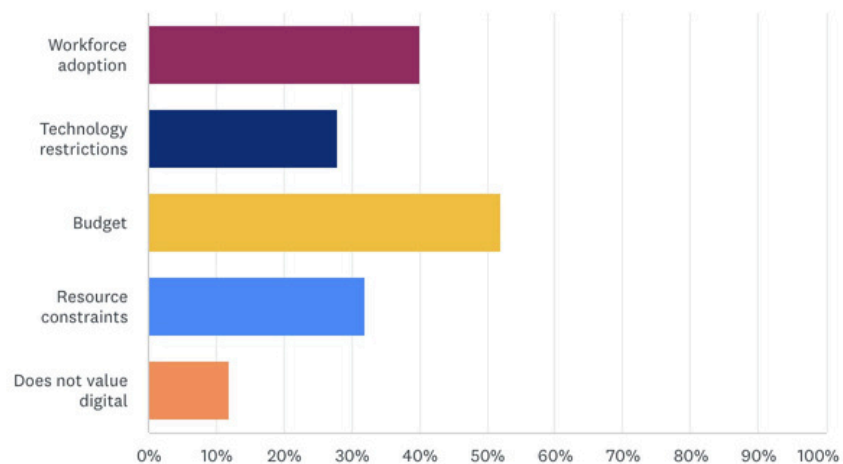nd businesses are finding that digital transformations genuinely enable their teams to deliver a better service to their citizens and clients in a more secure environment at a lower cost basis.

That said, as agencies continue to execute on their digital transformation strategies, here are some additional insights on how these impacts will grow or change over the next 12-18 months:

Security

Agencies' digital transformations will ultimately be anchored in and dependent on the speed of their move to the cloud. Hosting applications, documents, and processes in the cloud, foundational to any digital strategy, is overwhelmingly the most effective way to provide the most secure, cost efficient, anytime/anywhere access to authorized people. The role and importance of security will expand to include "finer grain" roles and permissions that frame authorized access and ensure privacy standards will become a critical evaluation criteria for all cloud-based software applications.

Cost Savings

The importance and impact of cost savings will increase and expand as the business cases for digital transformation initiatives continue to show measurable and increasing direct and indirect cost savings. While cost savings will increase, these savings can and will need to become a funding source to continue investing in the agency's digital initiatives. In short, business cases will expand to evaluate how the portfolio of digital initiatives create a more scalable service or function that enables people and functions to absorb increasing volumes of work and deliver that work or service at the same or lower operating cost basis.

Productivity

The importance and impact of productivity will increase and expand beyond an individual efficiency lens, and focus on the scalability of persons, team, and process. To that end, the role of digital processes and the impact of automation of those processes will create a force multiplier to the productivity and scalability of people, team, and process.

Employee Morale

The importance and impact of employee morale will increase and expand as agencies face some key people risks over the next 12-18 months. First, state and local government will continue to face turnover from their deeply tenured employee base who may choose retirement vs. retraining to digitally-based processes and systems. Second, agencies will be competing for new talent who will expect more digitally-based systems and technology.

Employee morale, particularly with the loss of existing knowledge and challenge of learning new processes and technologies, will require robust change management and communication practices to achieve adoption of digital initiatives. Equally important, employee morale will expand to employee engagement as employees see their contribution levels increasing along with their ability to participate in the continuing improvements of their digital processes and tools.

Key Actions to Expand and Increase Digital Impact

There is no single digital technology platform or ERP that can address and solve the agency's digital transformation strategy requirements. This transformation will require a series of technology and software decisions that ultimately create a digital ecosystem. This creates an opportunity for agencies to make a series of lower risk Docufree - State of Digital Operations in Government 24 decisions, using their operating budgets, and create a shorter path to making an impact.

Author Your Own Blueprint to Create a Path to Low Risk

The agency must be the author of their digital transformation technology blueprint that can act as the guide and control point for its series of technology decisions.

Digital transformation blueprints all start with the digital foundation anchors:

- Digital Process/Automation
- Digital Forms Design/Management
- Digital Documents/Content Management.

The decisions set forth in the agency's blueprint create an opportunity for the agency to make a series of lower risk, smaller operating budget decisions (<$30k each), that deliver a shorter path and time to impact/value with their people and citizens.

Be Better with SaaS

Software applications have two foundational and required criteria: 1) Software as a service (SaaS) delivery model which speeds up the agency's access to that software's innovations and improvements and 2) application interoperability so each can integrate and share information with the agencies other line of business applications, particularly the applications the agencies determined represent their system of record.

Agencies must move the success goal line, beyond implementation and "go live" milestones, to user adoption and improvements. This new goal line shifts responsibility to the agency (vs. the vendor) and requires that 1) the agency define the digital initiative champion(s) and 2) utilize more robust change management and communication practices.

In this report we have read about the measurable benefits of digitization and digital process automation for state and local government agencies. In our survey, SLG agencies described benefits such as improved productivity, streamlined process organization, less time on monotonous overhead tasks, increased efficiency when working remotely, and overall better, faster service to citizens after implementing digital solutions. These solutions include digitization of paper-based processes and digital process automation. In our recent survey of SLG agencies, our team uncovered several reasons why some agencies are hesitant or slow adopters when it comes to digital solutions. We will unpack the top five reasons here:

The Value of Digital

Less than 10% of survey respondents indicated their agency did not value digital. This is an encouraging trend and demonstrates almost universally the understanding that digital solutions provide meaningful value for agency operations. The business case and measurable return on investment for digital is clearly understood and easy to make.

Our studies show that business processes increase in efficiency between 35% and 65% when transitioning from a manual, paper-based process to a digital, automated process — imagine what your team could do with 35%-65% more time for a given process. When the benefits outweigh the costs, what is holding agencies back from implementing digital solutions now? SLG leadership is realizing more and more over the past decade the benefits of digital and are understanding that digitization and digital solutions are valuable investments.

Technology Constraints

Software as a Service (SaaS) solutions have changed the game for SLG agencies when making technology choices. CIOs and technology leaders have learned they can operate more quickly and with fewer risks with SaaS solutions as compared to legacy on premises technology solutions. SLG agencies are opting for nimble, efficient, cloudbased SaaS solutions for digital automation. Similarly, SLG agencies that have started transitioning to cloud-based solutions or have a cloud migration strategy are finding SaaS solutions to be the most efficient options for the future state of their technology.

Budget Concerns

SaaS solutions offer a predictable annual subscription model that is much easier to budget for SLG agencies than legacy up-front implementation models. Many SaaS subscriptions can be included in SLG operational expense budgets making it easier for budget leaders to predict and operate from year to year. The outdated legacy software model that required an enormous up-front implementation and deployment was much more difficult to budget and often required outside funding sources to stand up the solution.

Resource Constraints

In our survey, SLG leaders shared concerns about resource constraints especially after economic effects of the COVID-19 pandemic. Valuable human and technology resources are sometimes a limiting factor for considering new projects or to provide necessary services to its citizens. Digitizing manual paper-based processes provides an immediate operational impact to SLG agencies that allow for valuable resources to focus on primary objectives instead of manual time-consuming tasks. Digital solutions ease the burden of agency resources by shifting the responsibilities to the provider for implementation, support, and in some cases operations. In this era of resource constraints, digital solutions are the much needed answer for SLG agencies.

Workforce Adoption

Workforce adoption and change management are important considerations when selecting digital solutions. Simply standing up a solution and turning on the lights won't solve the problem on their own. Each business process has a purpose that ultimately provides a service to the agency or to citizens. This purpose must be understood and taken into consideration when implementing any solution. Identifying key agency stakeholders for feedback and buy-in is extremely important for the success of any solution.

Additionally, the implementation process must take into account the transition from the old manual paper-based process to the new digital process in order for the solution to succeed. We often call this the "backfile" and "day-forward". Any successful digital solution must be able to solve both.

Whether it's digitizing existing paper, migrating relevant data from legacy solutions, or handling an intake of future content, the solution must be able to seamlessly fit into the business process. Careful, relevant user training is also important. Anyone can read a manual, but thoughtful user training that demonstrates how the digital solution solves the business process is extremely valuable for increased adoption.

Our team has provided innovative digital solutions to solve process challenges for SLG agencies for over two decades. The future is SaaS, cloud-based digital solutions that offer immediate operational impacts to SLG business processes. Our goal is to simplify the way people work with the power and speed of digital.

The Bottom Line

The future of government work is digital—and the goal isn't to replace people, but to remove the friction that slows them down. According to a 2024 industry report, 80 percent of local government leaders cite speed and efficiency as top digital priorities, reinforcing the urgency of purposeful transformation. Success starts with a strategic plan and the right tools—from process automation to AI governance frameworks. While 62 percent of state governments are currently developing AI policies, only 9 percent have finalized them—leaving room for forward-thinking agencies to lead the way. By embracing innovation now, governments can streamline performance today while building more resilient, future-ready institutions for tomorrow.

About Docufree

Docufree is a services-led leader in digital transformation solutions including: large-volume document capture; data extraction and integration; intelligent process automation; cloud-based document management; and Enterprise Digital Mailroom services. Today, over 2,000 enterprises and government agencies rely on Docufree to empower their workforces with the information they need and ensure processes are executed with speed, accuracy, and compliance from wherever work needs to happen. For more information, visit www.Docufree.com. Follow us on LinkedIn and X (formerly Twitter) @Docufree, then like us on Facebook.