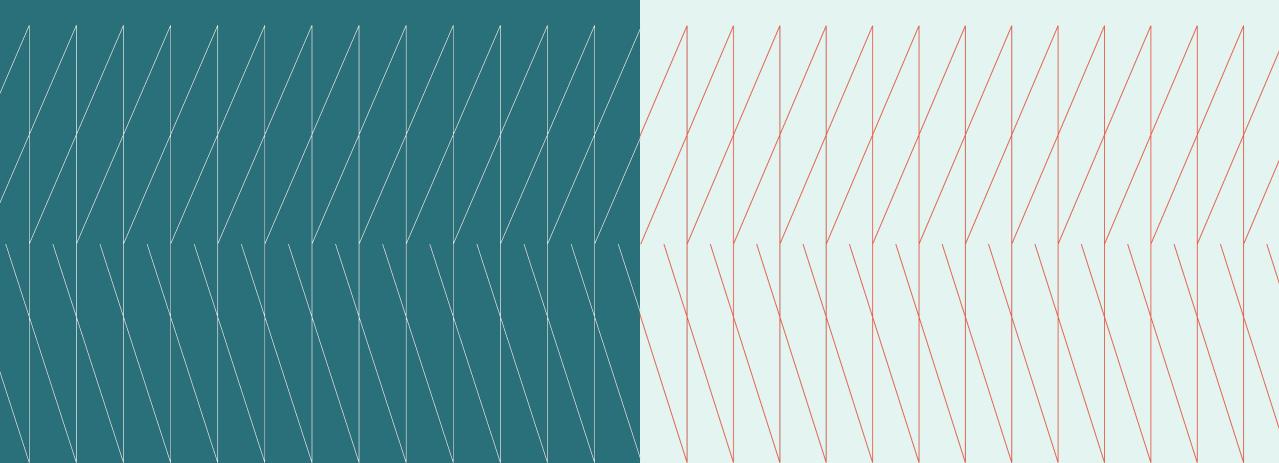# Government CIO
# Expert Exchange

## Q2 Executive summary
May 21, 2025

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# Overview

In this Expert Exchange session, several CIOs convened to discuss federal funding cuts, strategies for securing funding, and the adoption of AI. The agenda was created based on advanced interviews with participants.

# Hosts

Anita Mikus
Kyndryl, Vice President, Government

Jeff Pany
Kyndryl, Enterprise Architect

# Key topics

# State leaders bracing for deep cuts

- Leaders expect state agencies to be affected by deep technology funding cuts at the federal level. These may affect funding for everything from state departments of transportation (DOTs) to Medicare and Medicaid, as well as state regulatory agencies and others. In addition, upgrades to technology, or the lack thereof, may impact things like cybersecurity and fraud reduction.

- Several states have dedicated grants teams who advise about federal grant opportunities and submit proposals and reports. In some cases, grants teams are advising a pause on submitting funding proposals, as they wait and see which programs will be cut. Some types of initiatives, such as environmental quality, are very likely to get discontinued by the second Trump administration.

- To improve their chances for approval, leaders are reviewing the language that they use in proposals – particularly related to diversity, equity, and inclusion (DEI). However, in many cases, agencies are changing the language that they are using, but not necessarily changing the work or the goals related to how the technology functions.

"There's a saying, 'History may not repeat itself, but it rhymes.' So, with these fundings going away, we're going to see problems that were solved in the past coming back. So that's the struggle."

— Kyndryl Government CIO Expert Exchange Member

When tech debt reaches a tipping point – and how to manage it

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# Funding priorities for technology and cybersecurity

- With the anticipated funding cuts, state information technology leaders are looking for innovative ways to replace those grant dollars. One strategy they are using is to work collaboratively with agencies throughout their state to help provide lobbying, technical support, and other information for grant opportunities.

- Some leaders are having to decide at the state level what they will resource and what they will cut. While many tech leaders don't relish making these kinds of decisions or influencing them, they are keeping their eyes on the technology transformation and security priorities that they will continue working on, absent federal funding.

- Larger states with strong economies may have greater flexibility to invest in technology initiatives—such as those focused on environmental sustainability—even when federal funding is uncertain. However, regardless of a state's size or fiscal health, state budgets remain sensitive to federal policies and funding decisions. For instance, efforts to implement state-run healthcare systems could place significant strain on existing technology infrastructure.

"We're pushing out a couple of projects that maybe are less aligned with the federal government's current thinking, and pulled up some of the things that are a little bit more aligned... We found some strategic shifts that are still aligned with our direction.

— Kyndryl Government CIO Expert Exchange Member

# Generative AI and machine learning

- While people often use terms for AI interchangeably, there are two distinct kinds of technology that state leaders are working with: generative AI and agentic AI solutions. Agentic AI is an extrapolation of machine learning, but now they have decision-making and task-oriented capabilities as well. Different state agencies are putting together a variety of use cases for each of these technologies, and they are beginning to track the efficacy of their pilot projects.

- The leaders shared the different ways they are using generative AI and ML to increase efficiency and reduce costs.

Some examples include advanced records review, chatbots to help with user questions and interface, and a screening device that helps to ensure that state applications are complete before submission.

- As they increase the adoption of AI, states are putting various guardrails around the new technology. For instance, many systems can reduce the timeline or amount of clerical work for human employees, but they may need a human in the loop to make certain decisions.

- Data privacy and security are also big concerns regarding the use of large language learning models, such as ChatGPT and others. Several leaders shared that they have been hearing from their "over-zealous" state privacy officers. Some states are asking for a list of every employee who has used AI, a request that would be impossible to satisfy.

> "I have over 20 use cases that we are using AI with already, intelligent document processing being one of them, and fraud analytics another…So, we are using generative AI and machine learning to get to a place where we have optimized to the best of our ability."
>
> — Kyndryl Government CIO Expert Exchange Member

A blueprint for the future: building the world's first AI-native government

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The Expert Exchange is hosted by Kyndryl, Inc. Please contact Anita Mikus or Jeff Pany with any questions about Kyndryl or this Exchange.