

State and Local AI Readiness Report

Adoption, Barriers and What Comes Next



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INTRODUCTION

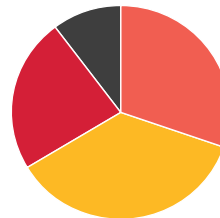
Government agencies are no longer asking whether AI can deliver value. Increasingly, the focus is on how to implement it responsibly, govern it effectively, and scale it across the organization. New research from Granicus, Carahsoft and GovLoop shows that **trust, governance and data readiness** — not a lack of use cases — are now the primary barriers to adoption.

Momentum around AI continues to build across government as agencies either already use AI or plan to adopt it, reflecting a growing shift from experimentation toward deployment.

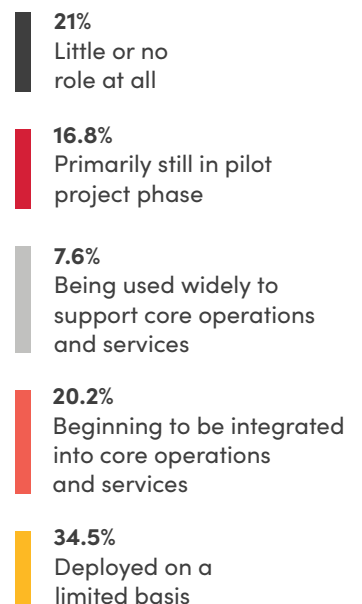
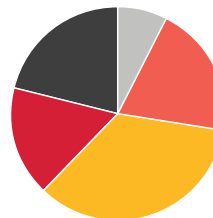
The evidence is already visible in public-sector operations. The Office of Personnel Management uses AI on its USAJOBS website to give job-seekers recommendations based on their skills, and the Transportation Security Administration's new PreCheck Touchless ID uses AI and biometric facial recognition to expedite airport travel.

"Government agencies are really looking for two things from AI: a better experience for residents and some meaningful relief for staff," said Karthik Anbalagan, General Manager of Emerging Technologies at Granicus. "The best use cases can do both."

What best describes your attitude toward AI?



What role does AI currently play in your agency's operations?



Government use of AI is growing, albeit slowly. Surprisingly, more than 20% of survey respondents say the technology has little or no role at their agency at all, while less than 10% say it is being used widely.

Yet enthusiasm does not automatically translate into readiness. As agencies move from experimentation to deployment, questions around governance, accountability and data management become harder to ignore. Anbalagan argues that organizations need three forms of governance:

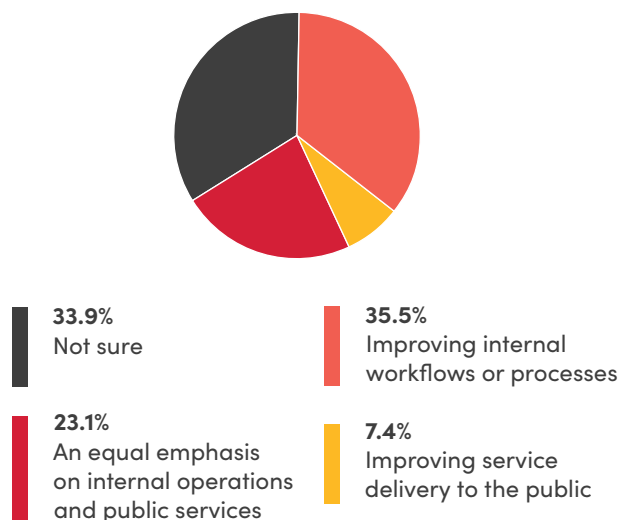
- >> **Content governance:** How AI is used to create, manage and publish digital content.
- >> **Data governance:** The standards and controls applied to the data used to train, test and operate AI.
- >> **Workforce governance:** How agencies prepare employees for new skills, responsibilities and ways of working.

The government itself is trying to help. The General Services Administration launched in August 2025 USAi, a shared platform for agencies to test multiple vendors' models at no cost.

To better understand AI's impact on government operations and service delivery, GovLoop teamed with Carahsoft and Granicus to

survey 121 state, local and federal government employees. While AI adoption is accelerating, this research shows agencies are less constrained by use cases than by trust, data and operational readiness — pointing to a need for more governance-first AI strategies. The results reveal where agencies are making progress and where adoption continues to stall.

What has been the primary driver of your organization's investment in AI?



WHAT THIS MEANS

Government employees are largely optimistic about AI's potential, but optimism alone is not driving investment. Agencies are pursuing AI for both resident experience and operational efficiency, suggesting leaders increasingly view AI as a business transformation initiative rather than simply a technology project.

CONCERNS REGARDING AI USE

About 62% of survey respondents said they feel moderate to high pressure to keep up with residents' expectations for faster, simpler services, and 70% said they think AI will strongly help at work. While confidence is high, adoption is far from universal. Nearly one-third of respondents remain unconvinced AI will significantly improve their work. The top three concerns that respondents have are: security of the AI model and underlying data (65%), training the workforce to use AI effectively (60%), and unintended bias in data or outcomes (43%).

Security concerns are often rooted in uncertainty rather than direct experience. Many agencies still lack a clear understanding of how modern AI systems access information, apply guardrails and align with internal governance policies. Many agencies still lack a clear understanding of how modern AI systems source information and align with internal governance policies.

Security concerns are unsurprising given agencies' responsibility to protect sensitive data and maintain public trust. According to Anbalagan, many of those concerns stem from uncertainty about how AI systems access and use information. As a result, agencies need more education on how modern AI

What do you see as the top concerns around AI? (Pick three.)

65% Security of the AI model and underlying data



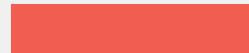
60% Training the workforce to use AI effectively



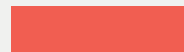
42.5% Unintended bias in data/outcomes



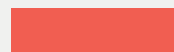
37.5% Poor outcomes due to data quality



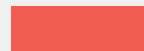
27.5% Insufficient budget for the broad deployment of tools



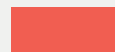
25.8% Employee resistance to the use of greater automation



20.8% Uncertainty about quantifying ROI



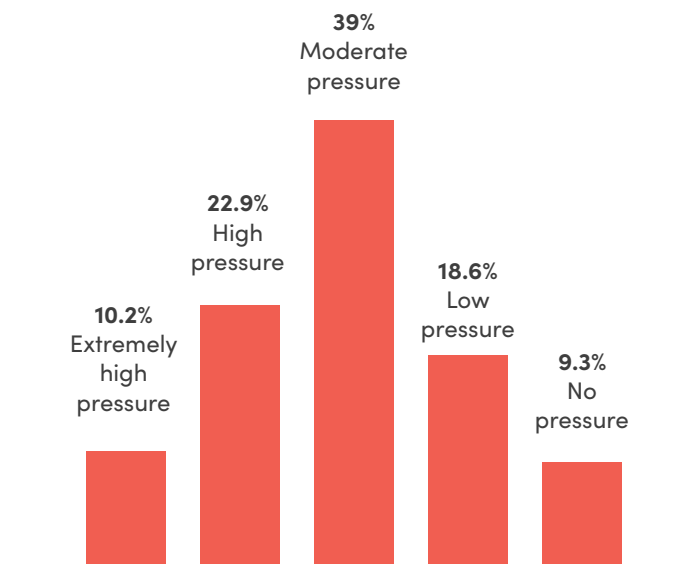
16.7% Lack of compelling or relevant use cases



models operate and how they can align with organizational policies. “Trust starts with knowing where the answer came from,” Anbalagan said. “Many security concerns come from not knowing what information an AI system is using. Agencies need confidence that AI is using their approved, authoritative content – not pulling information from somewhere on the open internet.”

Trust ultimately sits at the center of both security and bias concerns, he added. Hallucinations, or false, fabricated or misleading information that AI presents as factual, don’t help either. “AI is only as good as the information behind it,” Anbalagan said. “If your content is outdated, confusing or duplicated, AI is just going to give you those same problems faster.”

How much pressure is your agency currently under to keep up with resident expectations for faster, simpler services?



WHAT THIS MEANS

The findings suggest skepticism is no longer the primary obstacle to AI adoption. Most respondents believe AI can improve their work, but confidence drops when discussions shift from experimentation to governance, security and organizational readiness. Agencies that invest in those foundations are likely to move faster than peers still treating AI as a technology initiative rather than an operational strategy.

BARRIERS TO AI USE

The survey makes one thing clear: Agencies do not have a use-case problem. They have an execution problem. The biggest limiting factors, respondents said, are a lack of staff capacity (60%), fragmented systems and data silos (52%), and risk/compliance constraints (47%).

Anbalagan believes staff capacity issues will diminish over time as agencies build familiarity with AI. The bigger challenge is helping employees identify where AI can improve workflows and service delivery.

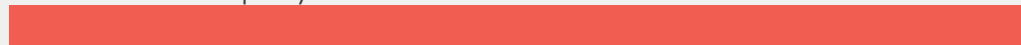
“The capacity issue will get better as people become more comfortable with AI. Right now, the bigger challenge is helping staff understand

where it can actually make their jobs easier,” he said. “You cannot technology your way around a workforce challenge. You have to invest in your people, help them build new skills and give them room to think differently about how the work gets done.”

To him, the biggest obstacle is fragmented systems and data, which impede the establishment of AI-driven workflows and automation across an enterprise. Fragmented systems create governance challenges and make it difficult to establish enterprise-wide AI workflows. They also reflect a broader lack of modern integration capabilities, such as APIs and emerging interoperability frameworks.

What barriers most limit your agency’s ability to modernize resident-facing services? (Pick three.)

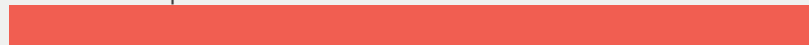
59.7% Lack of staff capacity



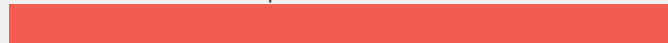
52.1% Fragmented systems and data silos



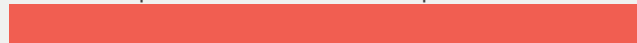
47.1% Risk/compliance constraints



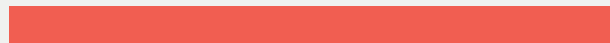
38.7% Unclear leadership direction



37% Lack of proven outcomes or examples



35.3% Procurement hurdles



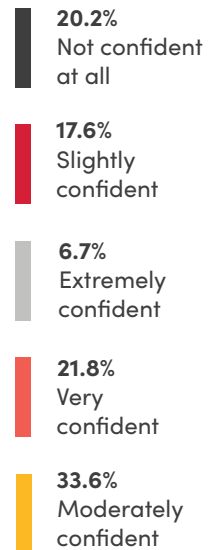
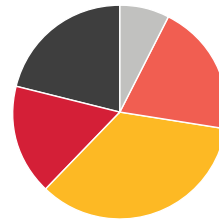
18.5% Other



As AI adoption expands, ownership is becoming a growing organizational challenge. Many agencies have AI officers: Almost 60 federal agencies have appointed one, and the role is gaining traction in state and local offices, too. “An AI officer can set the rules, but that doesn’t mean they own everything related to AI,” Anbalagan said. “This can’t just be an IT project. It has to be a shared responsibility across the organization.”

The good news is that most survey respondents said they either are moderately confident (34%) or very or extremely confident (29%) that their organization can manage AI-associated risks. Still, 20% said they are not confident at all.

How confident is your organization in managing the risks associated with AI?



WHAT THIS MEANS

Operational, rather than conceptual, challenges stand in the way of agencies’ ability to optimize AI use. Organizations that resolve governance, ownership and integration issues will likely advance faster than peers that remain focused primarily on experimentation.



THREE HIGH-IMPACT CX APPLICATIONS

If the barriers to AI adoption are operational, the most valuable use cases are those that deliver measurable operational outcomes. Notably, only 17% of respondents cited a lack of compelling use cases as a top concern.

Anbalagan pointed to three particularly persuasive scenarios:

1. Call deflection.

Using voice AI, or technologies that allow machines to essentially converse with humans, agencies can provide information to the public in multiple languages around the clock. That makes it easier for people to get the information they require and unburdens workers who no longer need to handle the calls. “You can see significant call deflection with the right voice AI strategy, but the goal isn’t just to get people off the phone. It’s to answer routine questions quickly, in the language residents prefer, so staff have more time for the people who really need their help,” Anbalagan said.

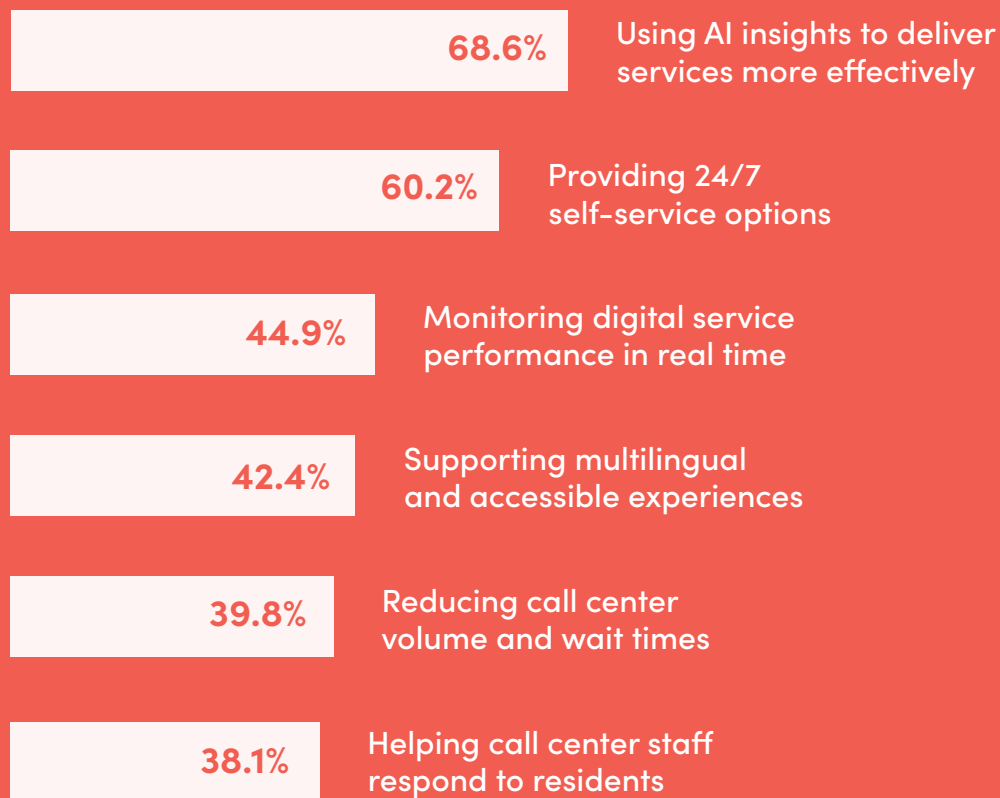
2. Time savings.

“A lot of time gets wasted when someone starts with the wrong form, the wrong information or the wrong process,” he said. “If AI can help people get on the right path from the beginning, you can take a lot of unnecessary work out of the system.”

3. Agentic automation.

AI agents can complete multi-step tasks across systems, helping agencies automate repetitive workflows, accelerate service delivery, and reduce manual effort. “The opportunity isn’t just generating content faster,” Anbalagan said. “It’s enabling AI to take action across processes that traditionally require multiple handoffs, helping staff spend less time on routine work and more time on higher-value responsibilities.”

What do you see as the best AI use cases for improving the resident experience?



Despite a slow adoption rate, AI has plenty of potential for improving resident experience. Respondents say it would be most helpful for delivering services more effectively, providing round-the-clock service and monitoring digital service performance in real time.



CONCLUSION

The debate over whether government should use AI is rapidly fading. The question now is which agencies will create the governance, data foundations and organizational ownership necessary to use it effectively. The agencies that move fastest will not necessarily be those experimenting with the most AI tools. They will be the ones building the governance, data foundations and organizational alignment required to scale AI responsibly. Their next challenge is turning that potential into repeatable operational outcomes.

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