



Information Technology Advisory Council (ITAC) Agenda

August 05, 2026 – 1:00 p.m.
VITA, Mary Jackson Boardroom

Agenda

Agenda item	Speaker(s)
Call to order and welcome	Vice Chair
Rollcall	Staff
Review of agenda	Staff
Readoption of Remote Participation Policy	Staff
Approval of minutes	Staff

Presentations and discussion

Digital Services Team	David Wilkinson Chief Transformation Officer of the Commonwealth
Cost in Market Analysis	Shabeen Vijayan Director, Enterprise Sourcing and Risk Management/ Andrew Bartlett Market and Analytics Manager
Commonwealth of Virginia AI Strategic Framework	Micheal Watson Chief Information Officer of the Commonwealth
Officer Elections	Staff
Public comment	

Other business

Staff

Adjourn



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Information Technology Advisory Council meeting

August 5, 2026



Agenda

Readoption of Remote Participation Policy

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Digital services team

David Wilkinson

Chief Transformation Officer of the Commonwealth

Cost in market analysis

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Digital services team

David Wilkinson
Chief Transformation Officer of the Commonwealth

August 5, 2026

Questions?



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Market research: End-user computing and server, storage and data center

Andrew Bartlett
Market and Analytics Manager

August 5, 2026

Request for proposals: End-user computing services

- Phase: Future procurement announcement posted to eVA
- Target posting: Summer 2026

Sourcing lead and single point of contact

Renee Tabb

Renee.Tabb@vita.virginia.gov

- Scope: VITA is seeking a supplier that will
 - Deliver fully managed, secure and compliant enterprise-wide end-user computing (EUC) services
 - Offer flexibility to support management of supplier-owned devices and Commonwealth-owned/leased devices in a hybrid environment
 - Provide strategic input on transformative efforts that modernize the environment while containing costs

Sources of market information

Current market conditions and trends

- **Gartner analyst interactions:**
 - Devices/hardware
 - Software
 - IT services/labor
- **Original equipment manufacturers:**
 - Dell
 - HP
- **Earnings calls for major chip producers as well as chip users**
- **RFI responses from supplier community (2025)**
- **Procurement, IT asset management and operational strategies:**
 - Incumbent supplier proposal received in 2025
- **Internet web search**



Executive summary



Hardware

- Global demand for **AI and data-center computing coupled with supply chain disruptions** is pushing up prices
- EUC impact: Original Equipment Manufacturers are updating **prices monthly** from 3-20%
- Server, Storage, Data Center (SSDC) impact: Server prices have increased from **50-125%** in the past two quarters depending on configuration



Software

- **SaaS** suppliers continue to raise prices once customer base is large enough. Ex: Microsoft increasing M365 cost from 3-33% depending on package as of July 1, 2026
- Several software suppliers have **moved from perpetual licenses to subscription based**
- SSDC impact: Potential increase of **30-50%** in the next contract (70% confidence)



Labor

- Bifurcation in the labor market between the in-demand **AI, data, cybersecurity talent** commanding higher rates and others remaining relatively flat
- VITA should be prepared to see **5-8% labor inflation** on the rate card related to this dynamic (50% confidence)

Market situation for laptops

Market forces driving cost increases:

- **Global demand for AI and data-center computing coupled with supply chain disruptions is pushing up prices for memory, storage, processors and metals.**
 - **Dell:** large orders from federal agencies have led to unpredictable lead times and price instability
 - **HP:** Long-term stability is unlikely; “**unprecedented**” market conditions since the pandemic continue to affect all PC components
 - **Micron Technology** (chip maker) CEO: “DRAM and NAND industry demand continues to significantly exceed industry supply. We expect tight conditions to persist **beyond calendar 2027.**” (June 24, 2026)

Market situation for laptops

Timing of price increases:

- HP began receiving alerts of major supplier increases in **October–November 2025**
- Dell only gets a **90-day window** from manufacturers
- Since then, costs have increased **every 30 days**, driven by supplier de-commits and rising component costs
- Range of increases: 3% (initial) → **over 20%** (highest around January)
- HP will increase prices in July by 5%. Dell expects price increase in early August from **10–15% for Q3**

Forecast outlook:

- Market price escalation is expected to continue through 2027 and likely beyond. Three big chip makers (SK Hynix, Samsung, Micron) have entered long-term agreements for 3-5 years that will reduce chips available to the market. SK Hynix CEO believes 2027 will be the worst from a supply perspective, and “customer demand will remain higher than our supply capacity even beyond 2030.”

Labor rate trends

- IT **labor** costs have continued to **rise moderately**, with significantly higher premiums (**5-15%+**) for critical skills in **AI, cloud, cybersecurity and data**
- Persistent **talent shortages** and strong demand in these areas drive ongoing wage inflation and pricing variability
- CPI in June had an annual rate of 3.5%. The Cleveland Fed Nowcast currently expects 3.42% annual rate in July (as of 7/31/2026).
- Current **infrastructure contracts have a cap of 3%** or CPI, whichever is less every 12 months
- VITA should **be prepared to see 5-8% labor inflation** on the rate card over the first two years of the contract (50% confidence)

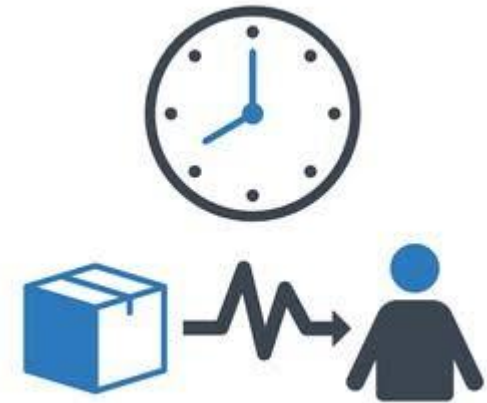
Strategic considerations for EUC

Lead times (from HP):

- Normal condition lead times: **3–4 weeks**
- Current environment: **6–8 weeks** for Z-Class devices (Commonwealth standard)
- Elite/pro class: **8–12 weeks**
- Lower-end educational devices: **2–3 months** due to Intel/AMD prioritizing high-end silicon
- HP can escalate priority orders when the customer gives early notice

Contracting implications:

- HP continues to do **30-day price holds**
- However, industry-wide: OEMs are unlikely to accept **firm fixed pricing beyond 90 days** due to volatility



EUC RFI lite: Focused market research - July 2026 (1 of 2)

- Risks/benefits of reducing models from **20+ to ~6**:
 - Actual savings depend on final device selections and refresh strategy
 - Organizations of similar scale commonly experience measurable reductions in total cost of ownership over the contract term from **~15 to 25%**
- **Bulk purchases**:
 - Quarterly storage costs can add up to **~2% to 3%**
 - Typically, **10% bulk discount** can be achieved but without quick deployment, savings will be lost
- Device storage and fulfillment, the **hybrid model** is typically the preferred approach
 - Balances centralized, local and regional storage
 - Balances inventory availability, storage costs and supply chain resiliency

EUC RFI lite: Focused market research - July 2026 (1 of 2)

- Multiple industry leaders explicitly recommend implementing **user personas** that standardize core options while allowing for controlled exceptions
- HP suggests transitioning away from calendar-based refreshes and adopting a **digital employee experience** (DEX) solution to trigger hardware refresh based on user telemetry
- Multiple industry leaders also share a common focus on **aligning their rollout phases** with VITA's device refresh cycles

Note: Questions directly sent to six respondents to the 2025 EUC RFI

Server storage and data center

- Server prices **increased 50-125%** in the past two quarters
 - Expectations are for further price increases **up to 300%** over 2025 prices by mid-2027
- Quote validity windows have shrunk to as little as **seven days**
- Some suppliers have revised terms and conditions to allow price changes all the way up to the date of shipment
 - Making budget planning extremely difficult
- Traditional contracting levers, like discounts and price caps, cannot offset this volatility.
 - Market advisory companies recommend negotiating discount percentages instead.
- Software cost will increase and many software suppliers have eliminated perpetual licenses and now **require yearly subscriptions** that tend to increase year over year.
- Currently estimate software costs will increase **30-50%** from current contract levels based on price increases

Cloud services (1 of 2)

Category	FY2026 Trend	FY2027 Planning Assumption	Confidence
General cloud IaaS*	5–10% projected cost increase in Q3/Q4 2026	Stabilize or modest additional increase	Medium
Managed databases/caching [†]	10–15% projected price increase	Continued elevation, partial relief possible Q3–Q4 2027	Medium
GPU/AI compute**	~20% cost increase effective July 1 at AWS	Elevated through mid-2027; no near-term relief	High
Microsoft M365 (Gov) [‡]	+10–13% July 2026	Remaining 3% increase phases in 2027 per federal regulations	Confirmed
DRAM/memory baseline*	Peak Q1–Q2 2026	Gradual relief the second half of 2026–2027; full normalization 2028 at earliest	High
Hardware refresh costs*	15–25% increases will materialize in Q3/Q4	Persist through 2027; plan at elevated rates	High

Cloud services (2 of 2)

*Driven by increased DRAM and NAND pricing

**AWS increased prices in January for reserved GPU (the EC2 Capacity Blocks for ML) by 15%

†Estimate from various sources. Memory intensive uses would likely be at the higher end while less memory intensive processing could be below this level

‡Sourced from Microsoft webpage. Approximately 33% of hardware cost increases pass through to the end user and not 100% because of the mix of equipment already in the CSP

Questions?





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Commonwealth of Virginia AI strategic framework

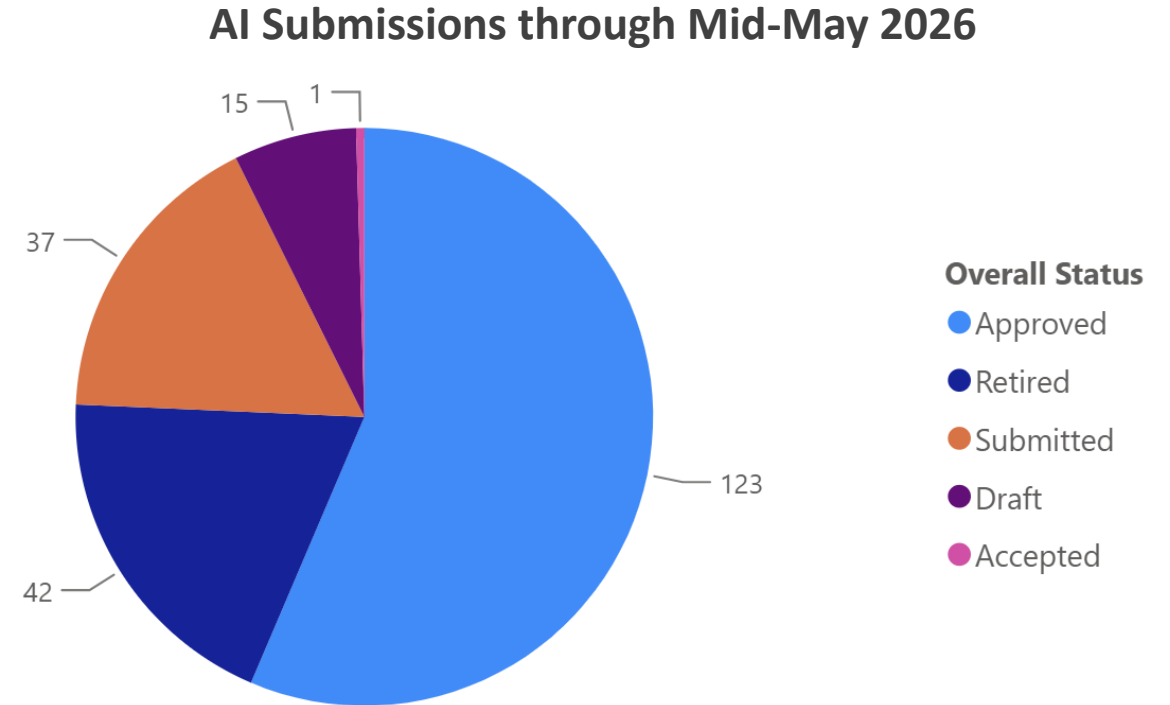
Michael Watson
Chief Information Officer of the Commonwealth

August 5, 2026



Introduction

- AI adoption continues to increase across agencies
 - Late October 2025: approx. 90 approved use cases
 - Mid-November 2025: 112 approved use cases
 - Mid-May 2026: 123 approved use cases
- November 2025 JLARC review highlighted gaps
- Legislative attention is rising
 - Public trust is fragile amid rapid technology changes



AI Deployment Objective and Principles

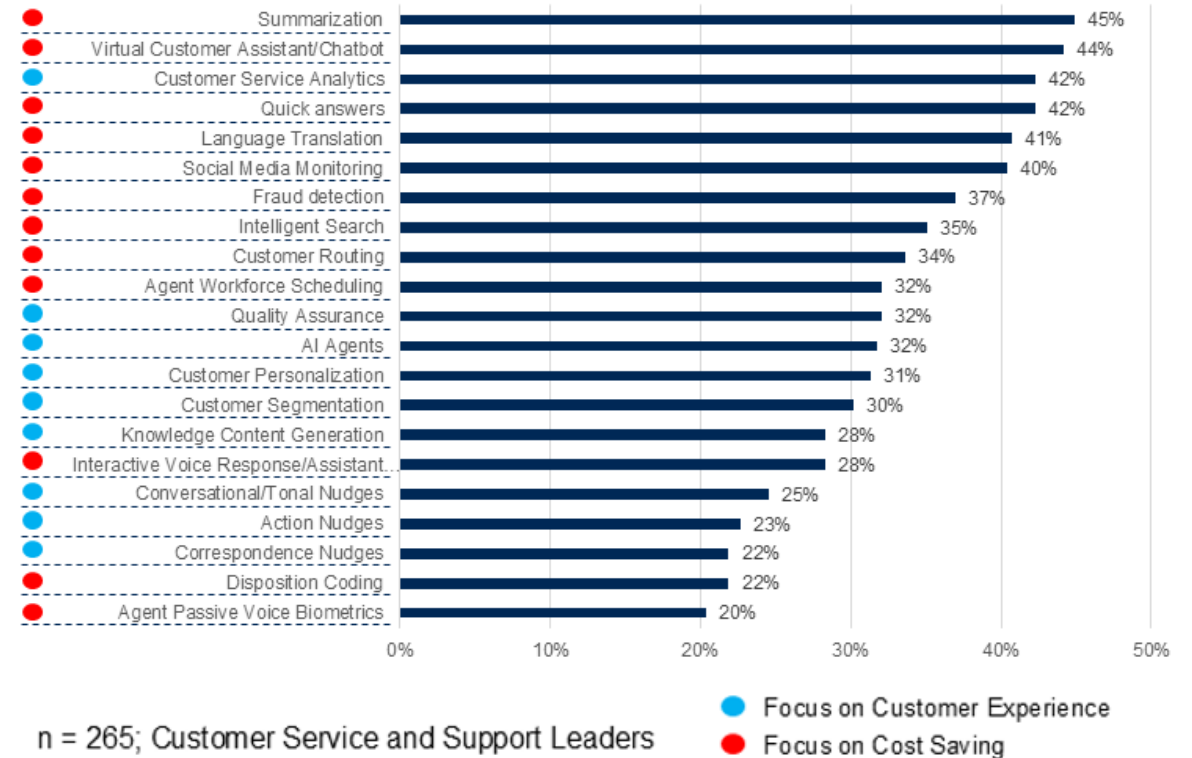
- AI deployment objectives
 - Safe
 - Strategically aligned
 - Cost effective
- Principles
 - Clear business objectives for AI use
 - Human accountability for consequential decisions
 - Disclosure of AI use involved in decision making
 - Defined roles for AI use within an organization
 - Governing documents define AI strategy and implementation
 - Evidence that AI does not produce biased outcomes

AI Governance

- Understand roles and responsibilities
 - Executive sponsorship needed
 - Business unit champions
 - Technology guidance
- Validate business case efficacy
 - Automation does not equate to value
 - Intentional integration with business process
- Safe, trustworthy and secure
 - Can't be used as an attack vector
 - Provides accurate and usable responses
 - Protects Commonwealth data
- Best tech to use for the case
 - Token consumption planning
 - Model selection strategy

AI Deployment in Service and Support

Percent of organizations that have deployed the use case

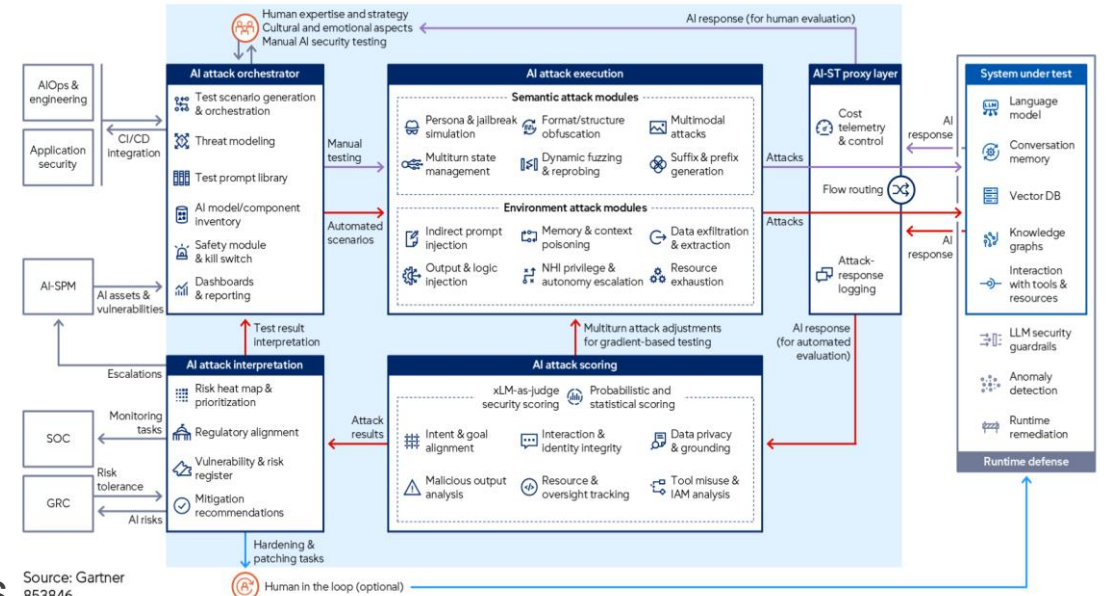


When is it safe to use AI?

Risk tier drives procurement requirements, permitted data and needed safeguards for liability protection

- Tier 1: Low probability and low impact business cases
 - Primarily for areas such as operational support
- Tier 2: Low probability and moderate impact business cases
 - Primarily for operational decisions with bounded impact
- Tier 3: Low probability and high impact business cases
 - Primarily for cases affecting citizens' rights, benefits, safety, liberty or access to public services
- Tier 4: Highest-stake deployments
 - Critical business cases with moderate probability or higher and a high or critical impact to the organization and/or its customers

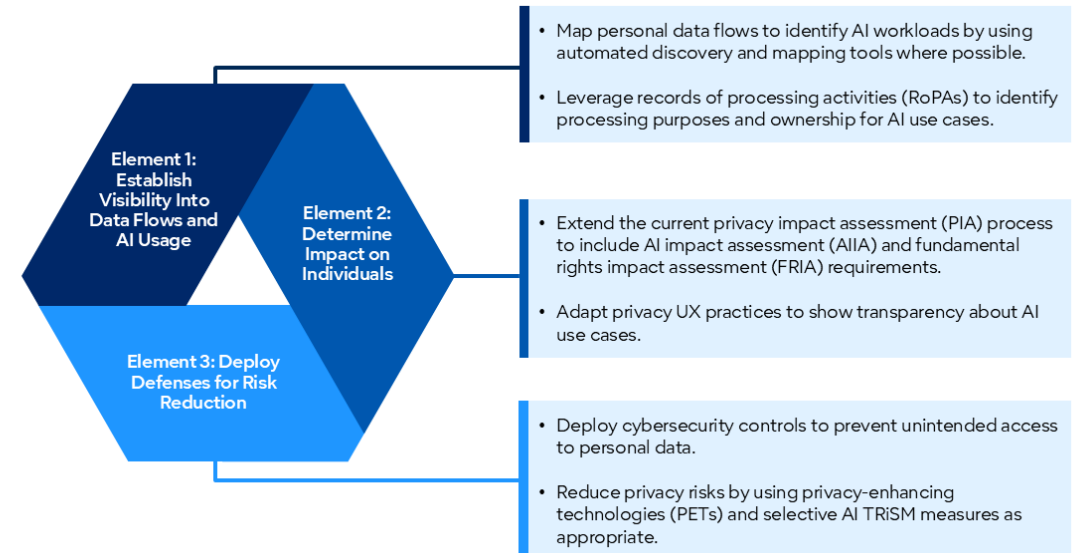
Offensive AI Security Testing Reference Architecture



Gartner.

Accountability in AI

- Transparency
 - AI deployments must include
 - Where AI is used
 - For what purpose
 - What oversight is in place
 - Material decisions require human review with authority to modify outcomes
- Bias
 - Periodic bias reviews aligned with risk tiers
 - Align with populations and decisions specified in the use case
 - Include measurable methodologies



Source: Gartner
850376

AI adoption categories

1

Knowledge Based

Enterprise-wide governed AI access for all staff

TOOLS

CoPilot Chat · Copilot Studio · Claude.ai · Claude Cowork · Gemini · ChatGPT · M365 CoPilot

2

Solution Embedded

AI embedded in commercial platforms-no custom dev needed

TOOLS

Adobe · Dynatrace (Davis AI) · Power Apps · Power Automate · UI Path · Snowflake Cortex AI, BOX

3

Development Driven

Accelerate dev, reduce technical debt, drive modernization

TOOLS

GitHub Copilot · Claude Code · AWS Transform · OpenAI Codex

4

Custom Solutions

Mission-driven GenAI built on AWS & Azure

SOLUTIONS

Smartling · VITA AI Chatbot · GA Session Agent

5

Agentic

Human-in-the-loop agents driving smart operations

TOOLS

Copilot Studio · Power Platform Plan Designer · AWS Bedrock · Azure AI Foundry

Emerging AI governance trends across the US

Protection of minors

- Age verification/parental controls
- Privacy safeguards
 - Monitoring of mental health triggers
 - Monitoring for explicit or harmful content

Required disclosure of AI use

- Political advertising
- AI-enabled chatbots
 - Deepfakes and synthetic media

Healthcare

- Requirements for Electronic Medical Records (EMR)
- AI use in insurance coverage decisions
- AI use by mental health professionals
- AI for diagnostics and clinical decision support

AI-ready Commonwealth

- Success in the use of AI depends on the Commonwealth being ready
- Readiness requires maturity
 - Workforce readiness
 - Process maturity
 - Data quality
 - Tech capacity
- Support structure to help agencies become AI ready

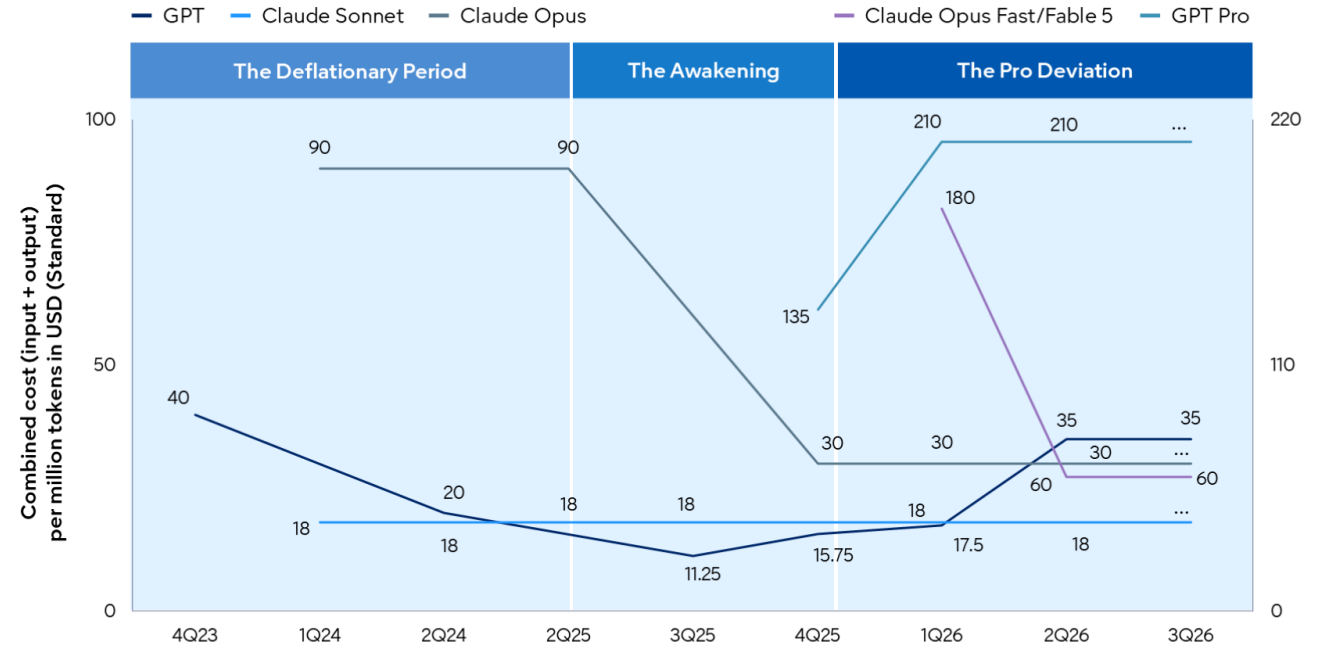
Workforce

- AI reshapes work
 - Agencies must assess readiness, create new roles, redesign existing roles
 - Investment in upskilling staff
- Reskilling pathway
 - Literacy and awareness training
 - For all employees, made available through existing training infrastructure
 - Covers AI foundations, vocabulary, principles, etc.
 - Applied training
 - For employees evaluating AI outputs, interpreting AI-supported analysis or making decisions in workflows that include AI
 - Focus on maximizing operational value
 - Builder training
 - For technical staff who need to design, evaluate, deploy and operate AI systems
 - Smaller population but highest per-employee investment

Procurement

- AI contract risk is difficult to assess
 - Untested legal language
 - Rapidly changing technology
- Supply chain instability may limit vendor capacity and resource availability
- Procurement requirements should account for market evolution and economic uncertainty
 - Evaluate both the AI technology and the vendor
 - Built-in pricing model flexibility, strategic timelines, strong data portability and exit provisions
 - Include material change provisions and protection clauses if the vendor alters model behavior, terms of service or operational practices

Token Pricing Has Begun Trending Upward

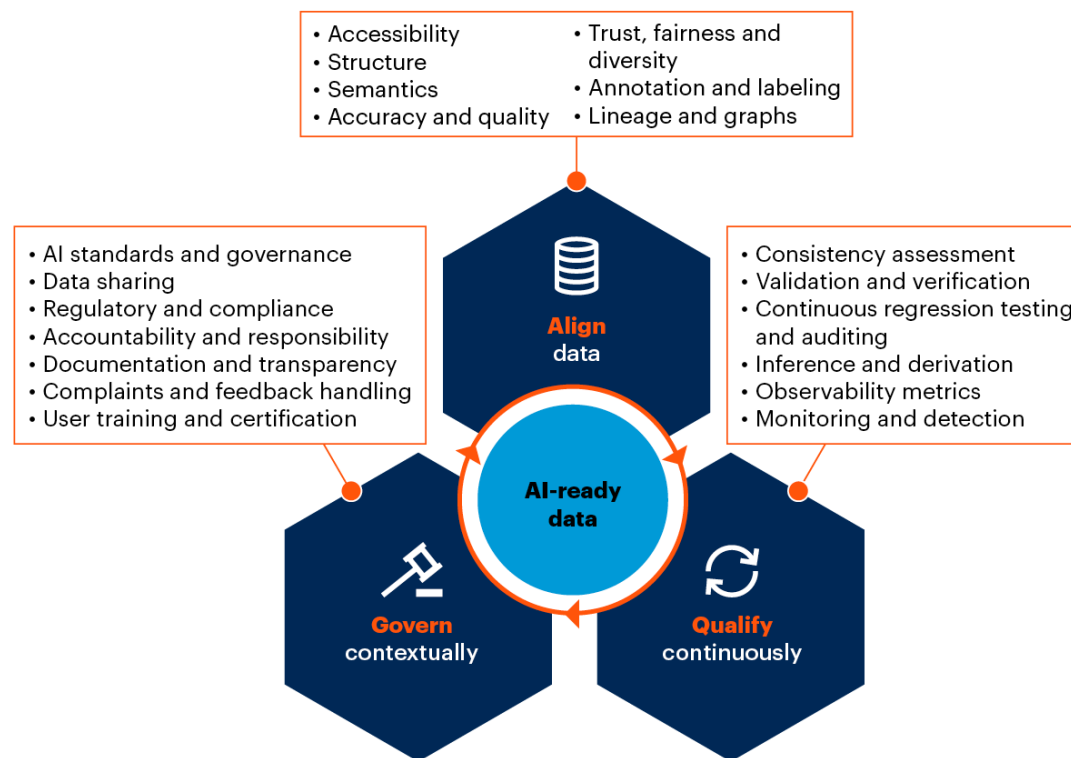


Source: Gartner
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Data readiness

- Data foundation
 - Develop data ingestion pipeline
 - Establish data access methods and technologies
- Process maturity
 - Ensure well-defined, stable processes
 - Unclear or inconsistent processes will not benefit from AI improvement
- Records retention process
 - Update records management policies to ensure AI-generated and AI-consumed data meets Commonwealth retention requirements
- Data authorization
 - Apply data classification and authorization to data to be used in AI systems

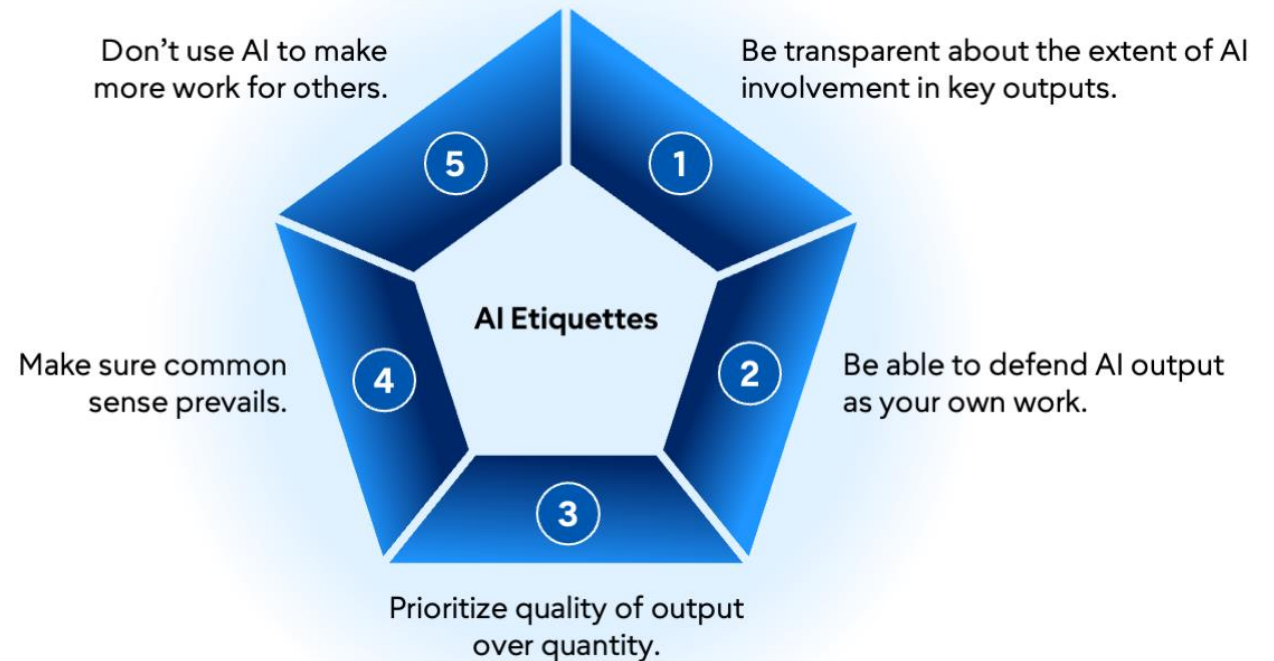
Requirements for AI-Ready Data



Source: Gartner
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VITA's near-term goals

- Evolve AI business assessment and intake
- Align policies and standards with agentic technology and new models
- Identify AI cybersecurity tools
- Establish maturity baselines
- Continue establishing statewide contracts
- Initiate workforce readiness training



Discussion topics

- What is considered adequate value when using AI?
- What are the most critical internal roles do organizations need to facilitate AI adoption?
- What level of AI investment should we target?



Questions?



Officer elections