DEPARTMENT OF ADMINISTRATION

1. Department of Administration
Operating Bill (CCS HB 53 (brf sup maj fld H), Sec. 28(d))

NON-COMPLIANCE

(d) The amount necessary to maintain, after the appropriation made in (c) of this section, a minimum target claim reserve balance of one and one-half times the amount of outstanding claims in the group health and life benefits fund (AS 39.30.095), estimated to be $10,000,000, is appropriated from the unexpended and unobligated balance of any appropriation that is determined to be available for lapse at the end of the fiscal year ending June 30, 2026, to the group health and life benefits fund (AS 39.30.095). It is the intent of the legislature that the rate for the employer contribution to the AlaskaCare employee health plan for the fiscal year ending June 30, 2027, be set based on the full actuarial rate without relying on lapsed funding.

The Department of Administration (DOA) took conservative steps to balance the Group Health Life Fund over the next several fiscal years to reduce reliance on lapse funding. The DOA, in consultation with the Office of Management and Budget, adopted a stair-stepped, conservative approach that increases employer contributions, increases employee premiums and approved plan changes which should yield estimated savings to the cost of the plan. The selected options prioritize fiscal prudence while still addressing funding sustainability and member equity.

> **Legislative Fiscal Analyst Comment:** The plan implemented by DOA and OMB refers to a "stair-stepped, conservative approach" "reducing reliance" on lapsing funding in order to balance the cost to the employer and employee.
>
> This reduced reliance still projects to use between $18.5 million and $26.3 million in FY27. Without further policy changes, DOA projects a need of $27.0 to $50.5 million by FY30. This indicates that additional steps are necessary for the fund to remain solvent.

2. Office of Information Technology / Licensing, Infrastructure & Servers
Operating Bill (CCS HB 53 (brf sup maj fld H), Sec. 1)

It is the intent of the legislature that the Office of Information Technology shall present a plan to the Co-chairs of the Finance committees and to the Legislative Finance Division by December 20, 2025 to contain the growth of information technology costs relating to cloud services and software licensing in the Executive Branch.

A plan containing the growth of information technology costs relating to cloud services and software licensing in the Executive Branch will be provided to the Co-chairs of the Finance committees and to the Legislative Finance Division by December 20, 2025.

Legislative Fiscal Analyst Comment: The Department provided the requested report on December 19, 2025. It is included in this packet as **Attachment 1**.

3. Office of Information Technology / Chief Information Officer
Operating Bill (CCS HB 53 (brf sup maj fld H), Sec. 1)

It is the intent of the legislature that the Office of Information Technology shall present a prioritized plan to the Co-chairs of the Finance committees and to the Legislative Finance Division by December 20, 2025 for the uses, costs, and expected benefits of projects using artificial intelligence.

A prioritized plan for the uses, costs, and expected benefits of projects using artificial intelligence will be provided to the Co-chairs of the Finance Committees and the Legislative Finance Division by December 20, 2025.

Legislative Fiscal Analyst Comment: The Department provided the requested report on December 19, 2025. It is included in this packet as **Attachment 2**.

Attachment 1

THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Department of Administration
Office of Information Technology

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December 19, 2025

Honorable Finance Co-Chairs
Alaska State Legislature
State Capitol Building
Juneau, AK 99801

Dear Finance Committee Co-Chairs:

The Department of Administration is submitting the following report, "Licensing and Cloud Services: IT Growth, Associated Costs, and Cost Containment," in response to legislative intent language included in CCS HB 53(BRF SUP MAJ FLD H).

In this report, the Office of Information Technology (OIT):

- Explains cost containment priorities for fiscal year (FY) 2026-2028.
- Provides an overview of the current state of IT costs for the executive branch, including cloud and licensing challenges and opportunities.
- Describes strategic next steps for cost containment within three areas: Governance and Oversight, Optimization of Cloud Spend, and Software Asset Management.

We appreciate the opportunity to provide additional information to the Legislature about information technology (IT) costs for the State of Alaska.

Sincerely,

DocuSigned by:
DFC79A53C0734CD...

Bill Smith
Chief Information Officer
Office of Information Technology

cc:
Alexei Painter, Director, Legislative Finance Division
Jordan Shilling, Director, Governor's Legislative Office
Lacey Sanders, Director, Office of Management and Budget
Paula Vrana, Commissioner of Administration
Niel Smith, Deputy Chief Information Officer
Colin Amundson, Chief Workforce and Finance Officer
Forrest Wolfe, Legislative Liaison

Licensing and Cloud Services

IT Growth, Associated Costs, and Cost Containment

This report is submitted by the Office of Information Technology to the co-chairs of the Finance committees and the Legislative Finance Division in response to Legislative intent language included in CCS HB 53(BRF SUP MAJ FLD H).

OFFICE OF INFORMATION TECHNOLOGY
One government, empowered by innovative technical collaboration

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Executive Summary

Information Technology (IT) costs – whether for computing power, data storage, or software – continue to rise due to growing consumption in the delivery of services and external inflationary pressures. These factors have outpaced the cost efficiencies and realized savings that have been provided by process and technology improvements. The scale of Alaska's IT environment magnifies these pressures: more than 900 software vendors, 1,700 products, and an estimated 1.8 million installations support the day-to-day operations of state government.

Consumption-based pricing, annual license escalators, and vendor lock-in create persistent upward pressure that are difficult to manage department by department.

Every employee, every department, and even critical life-safety functions such as public safety and cybersecurity depend on software and cloud infrastructure.

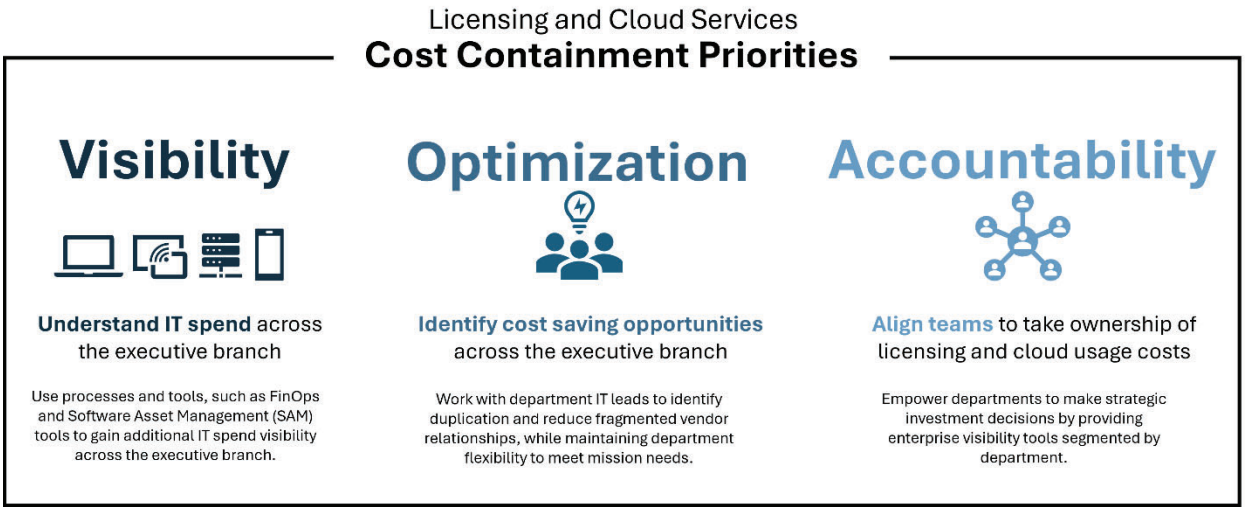
Cloud platforms and enterprise software have delivered improved scalability, security, and service delivery, but they represent a fundamental shift from more fixed-capital models to recurring operating expenses. Overall, (***capital + operating***) expenditures over time are often reduced, but year over year ***operating*** costs can climb.

The prices of IT services continue to rise due to several factors. While usage-based pricing models give us the ability to only pay for what we use, the increasing use of digital services can result in accumulating costs. Vendors typically increase prices annually, and once an organization commits to a vendor, switching can incur significant expenses. Managing these challenges across multiple departments can make it difficult to control overall costs.

The Office of Information Technology (OIT) manages enterprise IT across the executive branch. *OIT's IT spend is a portion of statewide IT expenditures.* Each department budgets for and has IT expenditures which make up the rest of our State's total IT spend for the executive branch.

State government relies on a complex network of vendors, devices, software licenses, and cloud services to operate. **In the State of Alaska, there are over 42,000 licenses tied to over 20,000 devices.** This creates persistent challenges for cost containment that requires governance, financial discipline, and technical oversight.

Throughout this report, we will reference three cost containment priorities – visibility, optimization, and accountability – that will guide our approach to tracking IT growth and managing IT costs.



Constraints

Despite progress, several structural challenges continue to place upward pressure on statewide IT costs. These are not the result of department mismanagement but of systemic realities that require coordinated responses.

Fragmented Visibility **-** Today, building a complete picture of Statewide IT expenditures is extremely difficult. Departments track costs individually and, as a result, identifying opportunities for enterprise savings beyond the small percentage of services managed centrally is problematic.

Volatile Consumption-Based Costs **-** Cloud and subscription services scale with usage. While this brings flexibility and avoids paying for excess capacity, it also creates unpredictability in budgeting and makes forecasting difficult.

Segmentation/Duplication **-** Departments must retain flexibility to meet mission needs. However, when similar solutions are purchased independently, it can result in duplicated contracts, unused licenses, increased workloads or fragmented vendor relationships that increase overall enterprise costs.

Opportunities

Despite the challenges of rising costs and complex funding models, the State is positioned to capture meaningful opportunities that strengthen both fiscal discipline and service delivery.

Strategic Decision-Making Through Transparency **-** With clearer visibility into IT expenditures, the State has the opportunity to make strategic investment decisions that effectively enable future capabilities.

Enterprise-Level Alignment **-** By approaching IT services more wholistically, the State can reduce duplication, ensure consistency, and strengthen collaboration across departments while still supporting individual department missions.

Sustainable Financial Planning **-** Transitioning from capital-based funding toward operating models presents the opportunity to build budgets that more accurately reflect long-term obligations and ongoing service needs.

Strategic Partnerships with Departments **-** Continuing to increase collaboration between departments can transform cost containment into a joint effort that balances fiscal responsibility with innovation.

Value Creation from Technology Investments **-** As IT services become more efficient, the State has an opportunity to capture and reinvest those gains—reducing manual workloads, modernizing processes, and improving services for Alaskans.

Where We Are Today

In the face of our extremely complex environment, we have worked to gain greater visibility into our overall IT expenditures to help the State adapt to changes in costs.

The Office of Information Technology (OIT) manages enterprise IT software licenses and cloud services across the executive branch, including the purchasing, contract management, license distribution, utilization tracking, audits and performance reviews associated with those licenses and services. These enterprise licenses represent about 30% of the statewide license cost. Most statewide IT expenditures are managed by individual departments.

OIT's visibility across the executive branch is provided by financial codes and through the Investment Review Board (IRB)—a review process for large IT purchases. Ongoing process improvements for direct expenditures and standardized visibility of statewide expenditures provide an opportunity to materially impact the statewide spend.

This report documents our progress in stabilizing cloud costs, identifies opportunities for optimization, and presents a multi-phased roadmap that balances fiscal responsibility with the need to maintain secure, reliable services for Alaskans. With focus, the State is positioned to improve IT cost visibility and long-term IT cost controls.

Current State of Costs

Cloud Services

The State's rapid cloud migration project is complete, with Azure serving as the primary platform. For Alaska, "the cloud" is not a single system but a combination of services: Oracle's cloud platform for enterprise applications, Microsoft's Azure for most of our servers and business applications, a broad portfolio of software-as-a-service (SaaS) tools used by departments across the enterprise, and the

ongoing effort to migrate the State's mainframe to cloud infrastructure. These platforms now deliver the backbone of State technology operations, with on-premise facilities comprising a smaller part of the hybrid environment.

This transition has delivered significant value. From a security perspective, cloud providers deliver constant monitoring, rapid patching, and resiliency features that would be cost-prohibitive for the State to replicate in its own data centers. By moving into the cloud, the State has also reduced its technical debt—the aging servers, storage, and networking equipment that previously required millions in replacement costs no longer burden the capital budget. Instead, these functions are now delivered "as a service," meaning we fund only what we consume, as we consume it. Rather than tying up resources in equipment that depreciates quickly and becomes outdated, the State now pays for scalable, modern, and reliable services.

Challenges in Cloud Cost Management

While migration to cloud services has delivered security, scalability, and long-term value, it has also introduced a new set of financial realities. Managing cloud expenditures requires balancing the benefits of flexibility with the challenges of controlling consumption, shifting funding models, and changes in how services are used across the enterprise.

> ***Rising Consumption and Pricing -*** Cloud services follow a consumption-based model, which means costs grow as more services are consumed. Departments increasingly rely on cloud-based solutions to deliver services more efficiently, which bring benefits but create enterprise-wide cost pressures. In addition, vendors raise per-unit pricing regularly, often without alternatives for opting out of added features or bundled services.
>
> ***Funding Structure Misalignment -*** Historically, IT infrastructure expenditures were generally funded through capital appropriations, which covered one-time projects. Cloud services by contrast, distribute infrastructure cost over time as recurring operating expenses. Over the past several years, OIT has been steadily transitioning cloud expenditures into the operating budget, with the majority of this migration scheduled for FY27.
>
> ***Cultural Barriers to Cost Management -*** Another challenge lies in actively managing usage. In a legacy environment built with excess capacity, it was normal to leave technology services online 24x7. In the cloud, this mindset can drive unnecessary costs. Managing utilization closely is a requirement for effective cloud cost management.

The Role of FinOps

To manage these dynamics, the Office of Information Technology has implemented a FinOps program. FinOps – short for *Financial Operations* – is a discipline that brings together finance, technology, and business teams to manage cloud spending more effectively. It is a way to ensure the State gets the most

value from its cloud investments by making cloud costs visible, understandable, and actionable across teams.

This integrated approach transforms cloud costs from a purely technical matter into an enterprise-level financial strategy. Already, FinOps has allowed the State to identify idle or oversized resources, leverage reserved instances for long-term savings, and avoid expenditures that would otherwise make cloud costs 50% higher than present levels.

Software Licensing

Software has become the foundation of modern government operations, enabling everything from internal productivity to the delivery of essential services that Alaskans depend on every day. Across our two largest volume vendors, the State manages over 42,000 licenses deployed to over 20,000 hardware devices. This does not include the hundreds of smaller vendors that the State works with. Without disciplined oversight, this volume inevitably drives duplication and waste.

Software licensing is one of the largest recurring expenses in the State's IT budget. Inflation, vendor pricing models, and growing technology consumption all contribute to upward pressure on costs. While these tools often create efficiencies at the department level, the State's overall budget still feels the impact. Without active management, software spending can grow faster than other areas of the budget, creating difficult trade-offs and reducing flexibility in how State dollars are allocated.

Challenges in Software Licensing

Rising Unit Costs - The cost per license unit continues to increase year after year. Inflation is one driver, as well as the standard practice of routinely adding new features or bundling additional services.

Growing Technology Consumption – In the course of providing needed services, the State is consuming more technology each year. Departments adopt new software and expand their use of enterprise tools because these investments typically create efficiencies, reduce manual work, meet compliance needs and save employee time at the department level.

Enterprise-Level Cost Tracking Limitations - Many enterprise agreements are purchased to capture economies of scale and lower overall prices. While this approach is fiscally sound at a macro level, it also makes it difficult to tie specific consumption back to individual departments. Because we often lack transaction-level detail at the department level, costs appear concentrated at the enterprise level.

Cost Tracking and Visibility - In 2021, the State implemented standardized cost tracking across departments to bring visibility into major IT cost categories. This effort enabled visibility into software-related expenses. It was a critical first step in building the foundation for an ongoing process to improve insight and transparency into software costs as part of a broader cost containment strategy. Maturing this reporting framework is critical.

The Value of Software Asset Management (SAM)

In July 2025, OIT launched a Software Asset Management (SAM) program, starting with its two largest enterprise agreements: Microsoft and Adobe. The program is designed to provide near real-time visibility into the utilization of more than 90% of licenses under these agreements.

Historically, software license management depended on annual reviews, a slow and resource-intensive process because usage data was difficult to obtain and analyze. That meant licenses could sit unused for months (sometimes years) before being identified and reclaimed.

When the initial phase of the SAM program is complete, the State will be able to:

- Shut off unused licenses quickly, ensuring we stop paying for accounts no longer in use.
- Recycle existing licenses, issuing them to new users instead of buying additional ones.
- Accurately match spending to actual need, reducing waste and improving predictability.

Software Asset Management (SAM) helps organizations to track and manage software use across all departments.

- **Statewide Visibility:** Understand what software is being used per user and why.
- **Smarter Purchasing:** Only pay for the software used.
- **Compliance Oversight:** Prevent costly penalties from audits or license violations.

The value of SAM is straightforward: every unused license deactivated or recycled represents direct savings for the State and more responsible stewardship of public funds. Beyond cost savings, the program also creates a single source of truth for software usage building transparency, accountability, and trust in how IT dollars are managed.

With continued support, SAM will expand to additional vendors, strengthen central contracting, and deliver lasting cost control. Over time, this positions the State not just to manage expenses, but to actively drive down costs across one of the most expensive areas of the IT budget.

Oversight and Review – The Investment Review Board (IRB)

The Investment Review Board (IRB) is an oversight tool already in place that reviews technology expenditures above $25,000. Managed by OIT, the IRB has proven useful in identifying duplication and ensuring alignment with enterprise technology and security standards.

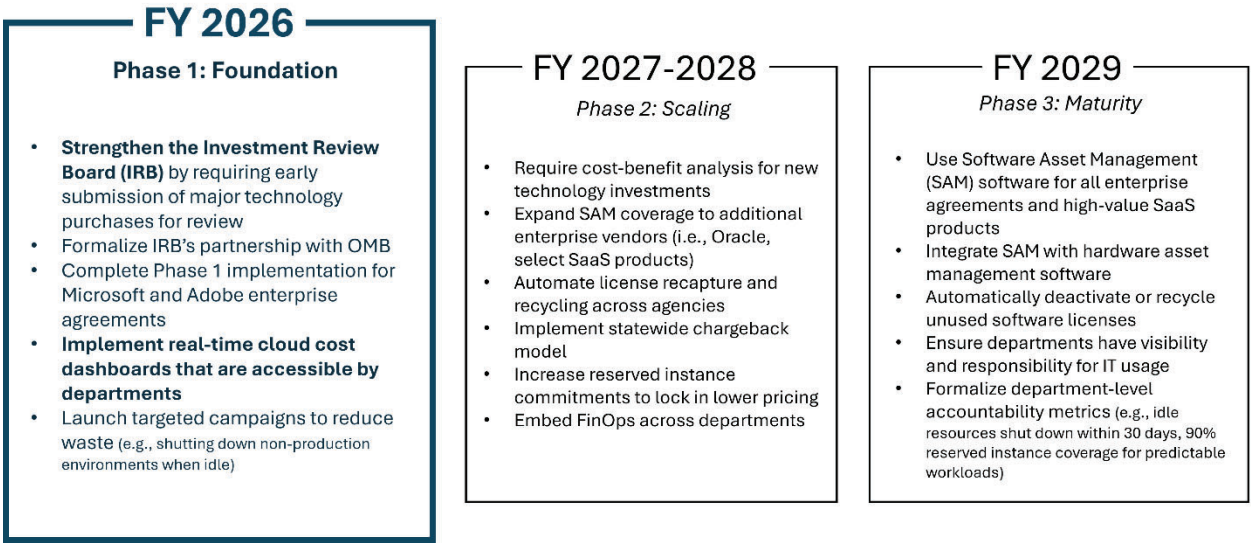
OIT is currently maturing the IRB to provide greater transparency around IT expenditures and working to provide additional value to departments as they move through the process. When engaged early in the procurement process, the IRB is uniquely positioned to capture enterprise-wide activities and help departments meet their mission requirements. Maturing this process will transform the IRB into a proactive instrument for cost savings, accountability, and enterprise-wide consistency.

Strategic Cost Containment Plan: Next Steps

The preceding sections demonstrate both the necessity of cloud and software to every aspect of State operations and the challenges that drive costs upward year after year. The solution is not to reverse modernization, but to ensure that the tools we already have — FinOps, SAM, IRB, centralized procurement, and standardized cost tracking — are fully leveraged, expanded, and supported with the right governance.

The cost containment plan is not a new layer of bureaucracy, but a disciplined execution and maturity of practices already underway, scaled to deliver enterprise-wide impact. It rests on three integrated pillars that connect directly to the challenges described above:

- Coordinate activities across departments by clearly articulating ***Governance and Oversight*** of IT expenditures.
- Mature and implement procedures to ***optimize cloud spend (FinOps)*** across departments, making cloud costs visible, understandable, and actionable across teams.
- Mature and implement ***Software Asset Management (SAM)*** for all enterprise software to increase efficiency and actively drive down costs.



FY 2026 contains activities that target establishing the foundation of the cost containment plan. Taking FinOps and SAM from small pilot implementations to more scalable models, building additional transparency, and continuing IRB development are examples of that foundational activity.

Our strategic plan has three focus areas: Governance and Oversight, Optimization of Cloud Spend, and Software Asset Management.

Governance and Oversight

- Strengthen the Investment Review Board (IRB) by working closely with OMB as a fiscal authority alongside OIT's technical review.
- Move IRB earlier in the procurement cycle, enabling duplication checks and alignment to enterprise standards with time to support the department decision cycle.
- Publish spend dashboards ensuring transparent oversight.
- Formalize the existing chargeback working group of department Administrative Services Directors (ASDs) into a broader IT financial governance process.
- Provide training for department leaders on FinOps and SAM to promote cost ownership.

Optimization of Cloud Spend

- Expand FinOps to monitor all platforms (Azure, Oracle, SaaS, and mainframe migration).
- Provide department-level reporting ("show back") in FY26, moving to chargeback in FY27 so costs are tied to consumption decisions.
- Automate right-sizing and shut-down of idle resources, such as development environments left running.
- Leverage enterprise purchasing mechanisms (reserved instances, committed use) to reduce unit costs.
- Establish an additional dedicated FTE focused solely on cloud cost control to accelerate adoption of FinOps best practices.

Software Asset Management

- Complete Phase 1 (Microsoft and Adobe) by FY26, covering over 90% of enterprise licenses.
- Secure resources to expand SAM beyond Phase 1, focusing on additional vendors and the integration of hardware asset management.
- Enhance hardware asset management to link licenses directly to installed software on machines, giving true usage visibility rather than relying on human reporting.
- Reclaim unused licenses within 30 days, reassigning them rather than buying new.
- Use SAM data to enforce compliance, avoiding costly audit penalties.
- Eliminate redundant department-level contracts that overlap with enterprise agreements.

Summary

Over the past several years, the State of Alaska has made significant advancements in modernizing its IT infrastructure. These improvements have enabled departments to leverage emerging technologies, enhance security, increase system resilience, and offer additional capabilities. However, as the demand for IT services has grown to better serve Alaskans, overall costs have continued to rise due to external inflationary pressures.

It is crucial to modernize our approach to managing these costs to ensure the provision of services in an affordable manner. Systemic methodologies such as FinOps and SAM offer visibility into usage and cost, facilitate service optimization, and involve all functional teams in the effective management of licensing and cloud utilization. By utilizing these tools and adopting a coordinated strategy, the State can manage costs effectively while continuing to benefit from modern and more efficient technologies.

Appendices

Implementation Roadmap Detail

Phase 1: Foundation (FY26)

Goal: Establish visibility, accountability, and governance structures.

Governance & Oversight

- Strengthen the Investment Review Board (IRB) by requiring early submission of major technology purchases for review.
- Formalize IRB's partnership with OMB so that fiscal and technical reviews are conducted together.
- Stand up an IT Financial Working Group (OIT, OMB, Department ASDs) to coordinate on IT expenditures.
- Establish routine reporting cycles and dashboards for transparency.

Software Asset Management (SAM)

- Complete Phase 1 implementation for Microsoft and Adobe enterprise agreements.
- Standardize license usage reporting across all departments.
- Begin integration of SAM with hardware asset management to validate license usage against installed assets.

Cloud FinOps

- Roll out real-time cloud cost dashboards accessible by departments.
- Pilot a chargeback model with the existing department ASD working group to test allocation approaches.
- Launch targeted campaigns to reduce waste (e.g., shutting down non-production environments when idle).

Expected Outcomes:

- IRB elevated into a practical cost control mechanism.
- First statewide visibility into software and cloud expenditures.
- Concrete cost savings from reclaimed licenses and rightsized cloud resources.
- Clear accountability framework between OIT, OMB, and departments.

Phase 2: Scaling (FY27–FY28)

Goal: Scale optimization efforts and align funding structures.

Governance & Oversight

- Transition the IRB from a review function into an enforcement mechanism by tying outcomes directly to budget recommendations.
- Require cost-benefit analysis for new technology investments to ensure alignment with enterprise standards.

Software Asset Management (SAM)

- Expand SAM coverage to additional enterprise vendors (e.g., Oracle, select SaaS products).
- Automate license recapture and recycling across departments.
- Integrate hardware asset management to improve accuracy of license tracking.

Cloud FinOps

- Implement statewide chargeback or "show back" model so departments are accountable for their share of usage.

- Increase reserved instance commitments for predictable workloads to lock in lower pricing.
- Conduct department-level training programs to embed FinOps practices and cultural change.

Expected Outcomes:

- IRB + OMB partnership produces enforceable fiscal discipline.
- Broader license coverage under SAM with measurable reductions in redundant purchases.
- Cloud cost growth is held in check through cultural adoption and financial accountability.

Phase 3: Maturity (FY29 and Beyond)

Goal: Achieve sustainable, transparent, and accountable IT cost management across the enterprise.

Governance & Oversight

- Transition IRB + OMB partnership into a standing Enterprise IT Financial Governance Council with clear authority to enforce alignment.

Software Asset Management (SAM)

- Expand coverage to all enterprise agreements and high-value SaaS products.
- Fully integrate with hardware asset management to validate license installations against actual use.
- Build an ongoing license recapture program where unused licenses are automatically deactivated or recycled.

Cloud FinOps

- Move from cost monitoring to standardized cost allocation across departments, ensuring every department has visibility and responsibility for its share of usage.
- Formalize department-level accountability metrics (e.g., idle resources shut down within 30 days, 90% reserved instance coverage for predictable workloads).
- Continue cultural adoption by embedding FinOps roles within department IT teams.

Funding & Policy Alignment

- Treat cloud and software costs as recurring operating expenses in budget baselines rather than exceptions.
- Establish a savings reinvestment model: documented cost reductions can be repurposed for modernization or efficiency projects, incentivizing departments to actively participate.

Expected Outcomes:

- Predictable and stable year-over-year IT expenditures, limited to inflationary increases.
- Comprehensive visibility into both software and cloud spend across all departments.
- Demonstrated cost savings from license recapture, cloud rightsizing, and procurement alignment.
- Stronger partnership between OIT, OMB, and departments, ensuring technology investments are strategically aligned and fiscally responsible.

Attachment 2

THE STATE of ALASKA
GOVERNOR MIKE DUNLEAVY

Department of Administration
Office of Information Technology

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December 19, 2025

Honorable Finance Co-Chairs
Alaska State Legislature
State Capitol Building
Juneau, AK 99801

Dear Finance Committee Co-Chairs:

The Department of Administration is submitting the following report, "State of Alaska's AI Plan: Use Cases, Costs, and Benefits," in response to legislative intent language included in CCS HB 53(BRF SUP MAJ FLD H).

In this report, the Office of Information Technology (OIT):

- Outlines the State's artificial intelligence (AI) priorities for fiscal year (FY) 2026-2028.
- Provides an overview of where we are today in deploying responsible AI.
- Describes the strategic framework for maturing AI development and adoption to address State challenges.

We appreciate the opportunity to provide additional information to the Legislature about AI within the State of Alaska.

Sincerely,

DocuSigned by:
DFC79A53C0734CD...
Bill Smith
Chief Information Officer
Office of Information Technology

cc:
Alexei Painter, Director, Legislative Finance Division
Jordan Shilling, Director, Governor's Legislative Office
Lacey Sanders, Director, Office of Management and Budget
Paula Vrana, Commissioner of Administration
Niel Smith, Deputy Chief Information Officer
Chris Letterman, Chief Technology Officer
Forrest Wolfe, Legislative Liaison

Artificial Intelligence (AI)

State of Alaska's AI Plan: Use Cases, Costs, and Benefits

This report is submitted by the Office of Information Technology to the co-chairs of the Finance committees and the Legislative Finance Division in response to the Legislative intent language included in CCS HB 53(BRF SUP MAJ FLD H).

OFFICE OF INFORMATION TECHNOLOGY
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Executive Summary

The State of Alaska is embracing the transformative potential of Artificial Intelligence (AI) to enhance our government's efficiency and service delivery. Our strategic plan prioritizes the implementation of AI in three key areas: driving innovation, leveraging existing tools, and building internal capabilities.

The Office of Information Technology (OIT) manages enterprise IT networks and infrastructure, including software licenses and cloud services, that allow for AI tools to be utilized across the executive branch in our State of Alaska IT environment.

Administrative Orders (AO) and AI

AO 359 | Utilize technology and AI to review large datasets in order to better report how State of Alaska funds are being spent.

AO 360 | Leverage technology, such as AI, to support digitization, automation, and public access to permitting information.

Priorities

1. ***AI-Driven Innovation:*** Guided by AO 359 and AO 360, we support departments in AI initiatives that address longstanding administrative challenges. These efforts aim to unlock new opportunities and drive significant improvements in government operations.
2. ***Leveraging Existing Tools and Processes:*** By integrating secure AI tools into our enterprise environment, we are leveraging scalable and cost-effective pathways to deploy AI solutions. This approach minimizes risks while maximizing value, helping us enhance government services and internal operations.
3. ***Building Internal Capabilities:*** We are committed to growing our internal expertise to harness emerging technologies. While budgetary and staff constraints exist, we will strategically utilize external expertise for complex AI projects requiring specialized knowledge.

Costs

Implementing AI solutions involves both initial investments and ongoing costs. Previous State of Alaska investments in cloud infrastructure, have provided a foundation for emerging technologies. Our focus on scalable and secure AI tools ensures cost-effectiveness while maintaining the highest standards of data security.

Expected Benefits

Artificial Intelligence (AI) represents a significant leap forward in technology, enabling computer systems to help people perform tasks that typically require significant investment of time to conduct research, surface knowledge, perform comparative analysis, and solve complex problems. AI has successfully proven its contribution in areas like large data analysis, report generation, content generation, and more. The adoption of AI promises to yield substantial benefits for the State of Alaska:

- Enhanced Services: AI tools integrated into public facing websites and services, such as the chat bot in the new myAlaska mobile app, enable citizens to more easily find, understand and consume State government information and services.
- Efficiency Gains: State employees utilizing AI tools search, summarize large data sources, and generate content faster to improve citizen services such as processing licenses, benefits and managing public records.
- Predictive Capabilities: Utilizing the Alaska AI Opportunity Radar, we will prioritize projects based on their impact, ranging from everyday efficiencies to major applications.

Expected Challenges

- **Developing AI Expertise:** As AI is integrated into our IT systems, our workforce needs to improve their AI knowledge and expertise. For IT staff, AI developer skills will be essential for assisting departments with implementing AI use cases. For State of Alaska employees, understanding responsible AI use and increasing AI training opportunities will be an important factor for continued AI adoption.
- **Custom AI projects:** One-of-a-kind, special AI projects will be in demand by departments looking to integrate AI into their specific business functions. While these projects can bring value, they are often complex, require specialized IT expertise and resources, and are costly to implement and manage.

Our strategic plan for AI adoption aligns with our goal to improve government efficiency and service delivery. By prioritizing innovation, leveraging existing tools, and building internal capabilities, we expect to realize significant benefits while managing IT costs effectively.

Where We Are Today

In Spring of 2024, Governor Dunleavy instructed his cabinet to explore responsible AI opportunities to improve services to State employees and citizens. To assist with this effort, OIT brought industry specialists to Anchorage and Juneau to provide presentations to commissioners outlining the art-of-the-possible using AI. Afterwards, departments worked to match their business challenges with possible use cases for AI solutions.

Over 400 potential use cases were generated. Many of the common use cases could be addressed with employee-level enterprise tools, so OIT focused on providing these capabilities to departments and their employees. We have also deployed advanced tools across the executive branch, from those focused on individual employees, to environments that support advanced AI applications. All of these deployments have been made with security and compliance in mind, providing a safe environment for innovation.

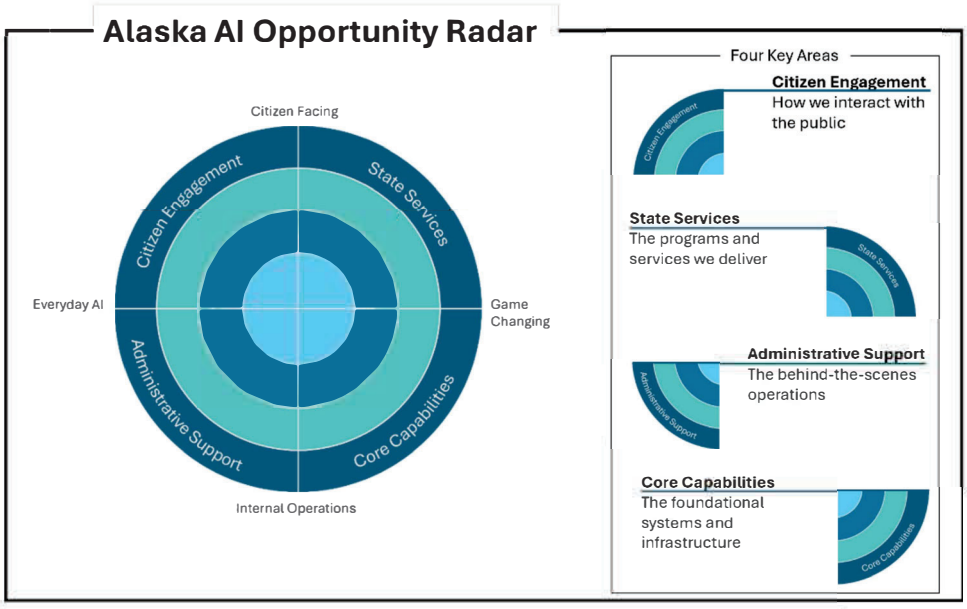
OIT worked with Microsoft AI specialists to determine how these opportunities align with our available tools and provided feedback to departments. This exploration of capabilities and potential use cases informed the path of early adoption. Focusing on currently available, cost-effective and secure AI tools, OIT worked to link departments with quality partners to pursue proof of concept opportunities.

Our task is to move from idea generation and small-scale deployment into an environment where the AI tools we have in place are routinely used to solve problems, gain efficiencies and improve services. We must continue to enhance our capabilities as well as our partner relationships to maximize value for Alaskans. This plan is designed to capitalize on our foundation and build repeatable processes that enable rapid and scalable AI implementation.

Current Framework and Adoption

Alaska's AI Opportunity Radar

To help guide AI innovation, we are utilizing an AI Opportunity Radar, originally designed by Gartner[1]. This framework supports the goal of positioning the State of Alaska as a leader in utilizing AI to enhance public services and operational efficiency. The Alaska AI Opportunity Radar looks at four key areas: Citizen Engagement, Administrative Support, State Services, and Core Capabilities.



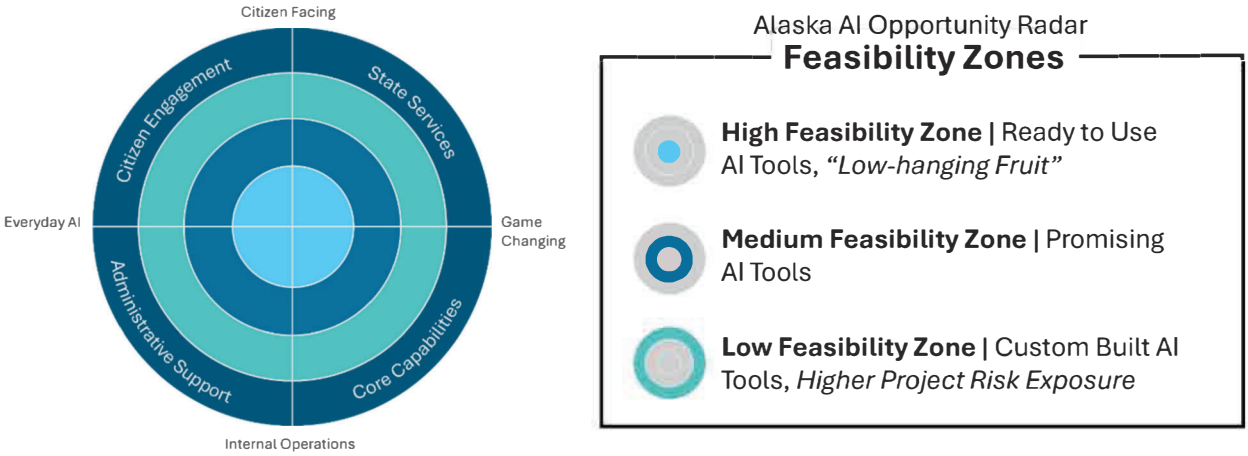
Our version, the Alaska AI Opportunity Radar, is a visual tool that allows us to map AI initiatives according to our State government goals.

These initiatives range from everyday efficiencies, like meeting summaries with action items, to major transformations, such as predicting policy impacts. This framework helps us identify and prioritize AI projects based on their potential impact and feasibility. As Alaska State government continues its AI journey, it is important to recognize the benefits and challenges of using a unified framework.

Opportunity Radar: Feasibility Zones

The framework itself is made up of rings, like a target. These rings are meant to show how practical it is to use certain AI technologies right now to address State government challenges.

[1] Gartner is a research firm that produces technology data, trends, and research reports that are used by industry leaders for business and analytic insights.



The inner rings represent the feasibility of AI use cases:

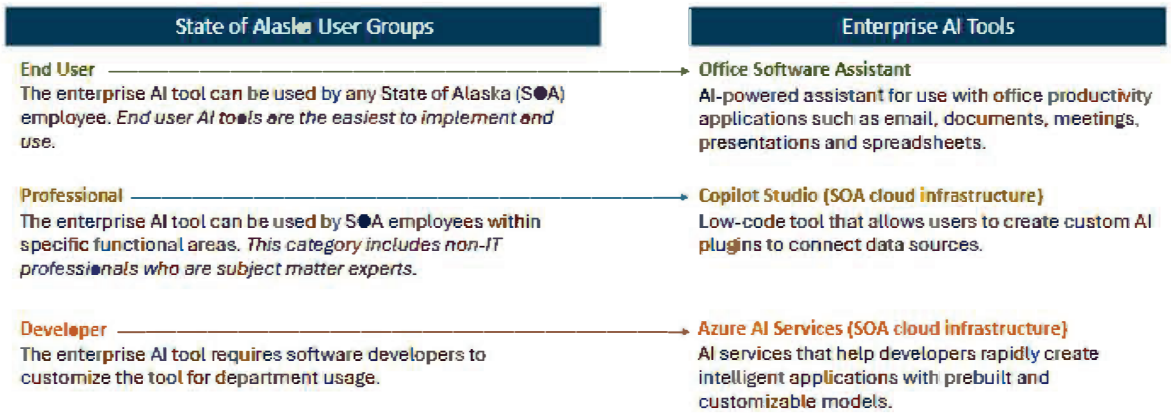
- *High Feasibility Zone* – These are the 'low-hanging fruit'. The AI tools here are ready to use, affordable, and easy to plug into what we're already doing.
- *Medium Feasibility Zone* - These tools show promise but aren't quite there yet or require more complex development. They may be more expensive or harder to fit into current systems, so they will take more time and effort to implement.
- *Low Feasibility Zone* - These are the big bets. They're new, custom built, and could be game changers, but they also come with higher project risk, time and potential cost.

You can see how several identified business challenges align with this framework in the Appendices section of this report.

Enterprise AI Tools Currently in Use

The State of Alaska has made strategic investments in Microsoft's Cloud and AI ecosystem to accelerate responsible AI adoption across departments. These tools are integrated into our existing enterprise environment, offering secure, scalable, and cost-effective pathways to deploy AI solutions that improve government services and internal operations.

Microsoft's AI solutions are delivered to the State via familiar methods. This means these AI solutions take advantage of the State of Alaska's existing cloud technology platforms, applications and permissions currently in use by departments. The high-level integration with existing State technology standards and platforms means AI tools are often housed in the same cloud locations as protected State data, simplifying design, and reducing cost and effort.



Employees: Empowering State Employees with Everyday AI

OIT deployed AI tools to over 14,500 executive branch employees to enhance worker efficiency in searches, summarizing texts, data analysis, writing, and conducting research. Over 800 licenses for more advanced Microsoft Office AI tools were deployed to further boost work productivity in Teams meetings, email management, document generation, and presentation building. The results below are from a two-month pilot confirming significant improvement in worker efficiency.

Key Results:

- **Pilot users reported enhanced productivity, better communication, and more efficient meetings.**
- **Significant time savings reported (2 hours/week for higher value tasks, much higher seen in an extended study in another state government).**
- **Over 30 training sessions focused on the 200 State workers in the pilot.**
- **Pilot users reported feeling less overwhelmed by their workload after receiving AI tools and training.**

Professionals: Copilot Studio Low Code AI Tool

OIT equipped professionals across the executive branch with AI tools that do not require developer experience. Copilot Studio enables professional staff to create intelligent solutions, such as chatbots, by connecting relevant data sources like document libraries and policy repositories to AI tools. This approach empowers non-technical staff to create custom AI tools that integrate with internal systems, automate workflows, and extend capabilities.

Enabling Developers: Toolkits, Discovery, and the myAlaska Mobile App

For programmers and developers, OIT has emphasized a robust set of AI tools available within the State's online Microsoft footprint called a 'tenant'. These tools became available with our cloud migration and OIT conducted a series of discovery exercises to build awareness within departments. Within our cloud environment, departments can leverage different AI Large Language Models (LLMs)—not just those provided by Microsoft.

Significant Activities:

- Deployed myAlaska mobile app 24/7 chatbot functionality to respond in real-time to questions about State services.
- Completed DNR digitalization proof of concept, which uncovered additional use cases such as streamlining digitizing land records and ingesting public forms.
- Connected DEC with a technology partner to improve air quality information systems and data quality.

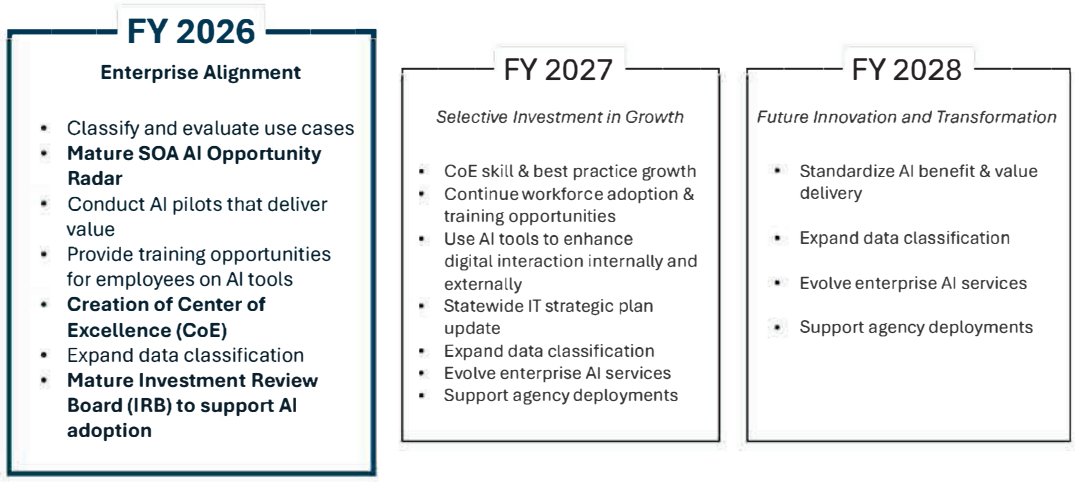
Initial experience has shown that employee training, even for relatively common AI tools like Copilot Chat, is a force multiplier for realizing maximum benefit. OIT has focused on providing training events and resources to support skill development.

Strategic Plan: Next Steps

The State of Alaska is moving forward with responsible and cost-effective adoption of AI and other emerging technologies. Our strategic plan in informed by the Governor's Administrative Orders, OIT's initial assessment of potential use cases, a foundational infrastructure that securely supports a wide range of opportunities, and our initial experience with limited AI pilots.

The following fundamental principles form the basis of our FY26-FY28 AI Strategic Plan:

- ***Focus on security*** by prioritizing established secure cloud infrastructure and supporting data classification tools.
- ***Minimize cost*** by leveraging previous investments and using the AI tools included in our enterprise environment.
- ***Establish and mature a Center of Excellence (CoE)*** to support Statewide AI development and other emerging technology. The CoE will:
    - Provide centralized guidance and support for AI and emerging technology adoption
    - Promote effective use of AI across State departments
    - Build internal capacity through training and shared resources
    - Reduce duplication and streamline innovation efforts



FY 2026 includes activities aimed at achieving value quickly while establishing processes for future AI and emerging technology adoption. These efforts include training, classification of use cases, and development of CoE and IRB (Investment Review Board).

Our strategy is organized around three AI functional groups: Employee AI Tools, Professional AI Tools, and Developer AI Tools.

Employee AI Tools

- Conduct recurring engagement surveys to track adoption and end user experiences. *Example: Pre and post training survey feedback from integrated office AI tool (M365 Copilot) proof of concept pilot participants.*
- Capitalize on enterprise partner funding programs to further training and formal adoption efforts. *Example: Microsoft funded a vendor partner to help us deploy data labels before launching office AI tools in order to protect sensitive data.*
- Build our analytic capabilities to inform return on value, adoption, and benefits realization. *Example: Track adoption and use of employee AI desktop and office suite tools.*

Professional AI Tools

- Encourage the use of transferable templates and training materials to speed adoption and minimize frustration.
- Engage with departments who have "shovel ready" use cases challenged by competing priorities and resourcing pinch points.
- Champion and implement prompt engineering and solution design around our top 4 AI opportunities:
    - Data analysis and management
    - Automating routine tasks
    - Chatbots to quickly find answers
    - Financial and accounting reviews

Developer AI Tools

- Publish a prioritized catalog of opportunities. Prioritization factors should favor efficiency gains and enhance State services.
- Mature CoE to drive AI adoption across State departments, ensuring effective use of AI tools through expert guidance, best practices, and training resources.

Custom Engagement

While our strategic plan primarily focuses on employee, professional, and developer AI tools, we recognize that departments may have custom AI project needs. The technology Investment Review Board (IRB), established by the Office of Management and Budget and managed by OIT since 2016, is designed to evaluate all proposed IT investments within the executive branch that are $25,000 or higher. This review assesses the impact of new technology on the enterprise environment, ensures security compliance, and prevents unnecessary duplication.

The following strategic plan action item is intended to address Custom AI engagement requests by departments:

- Update the Investment Review Board (IRB) process with AI project focused elements to provide additional value to departments and support Statewide objectives

Cost

Our focus is to prioritize those tools that are integrated into our existing enterprise environment, offering secure, scalable, and cost-effective pathways to deploy AI solutions that improve government services and internal operations. These tools are already integrated with the State's Microsoft 365 environment, ensuring:

- Security and compliance with existing identity and access controls
- Familiarity for staff using Word, Excel, Teams, and Outlook
- Rapid deployment of pilots and production-ready solutions
- Centralized cost management through existing enterprise agreements

AI implementation cost varies significantly with the scope of the use case and the nature of the tool selected. For instance, Microsoft CoPilot Chat is included in the existing licensing costs for all State of Alaska executive branch employees, whereas implementing a 3rd party tool with a custom deployment may run into multiple millions of dollars.

The most complex and costly option is to utilize an independent 3rd party solution. This approach, while sometimes appropriate, often involves higher levels of:

- Technical Complexity: Requires separate infrastructure for the specific use case.
- Cost: Higher cost of ownership due to standalone security, monitoring, and support.
- Customization: Custom controls for data protection, privacy, and auditability.
- Workforce Complexity: Requires technical skill and expertise not widely available within our workforce.

It is possible to utilize some 3rd party solutions and deploy them into our cloud environment. This provides the benefit of utilizing established security controls and reduces but does not eliminate potential additional cost.

AI Project Risk Exposure and Current AI Costs

To maximize return on investment and minimize risk, the State will continue to prioritize enterprise AI solutions for:

- Everyday AI use cases (e.g., chatbots, summarization, document automation)
- Department-led innovation through Copilot Studio and Azure AI Studio

State of Alaska AI Tools

Project Risk Exposure

Key | Project Risk Exposure
[*complexity, schedule, cost, resource risk*]

COST	TYPES OF AI TOOLS
$	**EVERYDAY AI** *Existing AI Tools within applications that exist in our SOA environment.* ☑ AVAILABLE NOW
$	**PROFESSIONAL AI** *Specialized AI tools within applications that exist in our SOA environment.* ☑ AVAILABLE NOW
$$	**DEVELOPER AI** *AI Tools that exist* within our SOA Azure environment. ☑ AVAILABLE NOW
$$$	**Custom Developed AI Project** *One-of-a-kind, special AI projects that are built for a department or agency.*

$ - Included in current licensing costs or an additional add on fee for use (known costs)
$$ - Requires advanced IT knowledge to utilize effectively (staff costs / time)
$$$ - Requires expertise and funding for a one-of-a-kind, custom developed AI project within a department or agency

Cost and Use by Types of AI Tools

Everyday AI: Empowering State of Alaska Employees		
AI Tool	**Cost**	**Use**
M365 Copilot Chat	No additional cost – included in M365 G5 license for State of Alaska Employees	**M365 Copilot Chat** is a secure AI chat tool for work. M365 Copilot Chat generates answers, assists with data analysis, and produces content using publicly available information, while protecting data.
M365 (Office) Copilot	$367/year per employee	**M365 (Office) Copilot** is a secure AI tool that is available within common Microsoft applications (Outlook, Word, PowerPoint, Excel, etc.). M365 Copilot can assist with document drafting, summarization, email management, and meeting insights.
Professional AI: Low Code AI Tools		
AI Tool	**Cost**	**Use**
Copilot Studio	$200/tenant/month minimum (consumption-based)	**Copilot Studio** allows non-developers to build secure AI tools using internal data. Some examples include low code chatbot development and internal workflow automation.
GitHub Copilot	$39/user/month	**GitHub Copilot** allows IT application and development teams to generate and share code which significantly increases developer productivity.
Developer AI: Tools for Programmers and Developers		

AI Tool	Cost	Use
Azure AI Studio	Consumption-based*	**Azure AI Studio** helps us build and use advanced AI tools that work with our internal State of Alaska systems, including custom solutions that improve how we find and use information.
Power BI Copilot	Consumption-based*	**Power BI Copilot** supports advanced data analytics and reporting through natural language data analysis and visualization.
Azure AI Foundry	Consumption-based* Varies by number and type of AI tool used as well as volume of data input/output.	**Azure AI Foundry** is built to handle large-scale business AI needs. It also helps employees quickly find the right information across our internal systems by using advanced search powered by AI.

**** Cost calculators are available to estimate operational costs based on solution design***

External AI Tools

External AI tools should be considered for highly specialized or research-driven use cases where existing tools are demonstrably not appropriate or cost prohibitive. Unique tools should be evaluated to ensure alignment with strategic goals, feasibility, and responsible AI principles. Our CoE and IRB functions are intended to support department decision making when considering the need for external AI tools.

Summary

As the State of Alaska delves deeper into the potential of artificial intelligence, the Office of Information Technology (OIT) is actively identifying early adoption opportunities and working with department leaders to address current challenges. Building on our established technical environment provides departments with access to powerful enterprise tools that can improve service delivery, optimize workflows, and allow our workforce to take on more strategic and meaningful roles.

Looking ahead, the insights gained from our engagements with technology partners provide a clear path forward, identifying numerous AI-driven pilot projects that offer significant benefits for our State. The Alaska AI Opportunity Radar serves as a framework for evaluating these initiatives, demonstrating our readiness to embrace innovative solutions responsibly. With our solid technical foundation, we believe that our strategic approach to AI will bring significant benefits to the State of Alaska and its citizens.

Appendices

AI Adoption Pathways

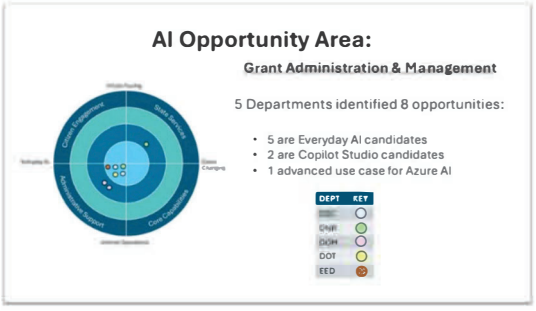
Utility, benefit realization, and value are three leading motivators for both business and government entities to embrace AI. The challenges of adoption lie in knowing what kind of AI would deliver the best combination of the three motivators. To help address this challenge, organizations have needed to adopt frameworks to help identify candidate opportunities. Once such framework, previously mentioned, is the AI Opportunity Radar, which has contributed greatly to how OIT is bringing the Governor's AI priorities for state government into reality.

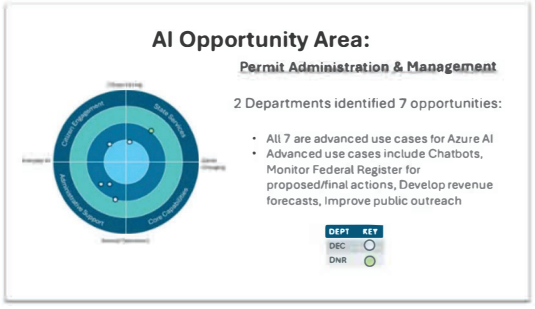
Visualizing our AI Opportunities

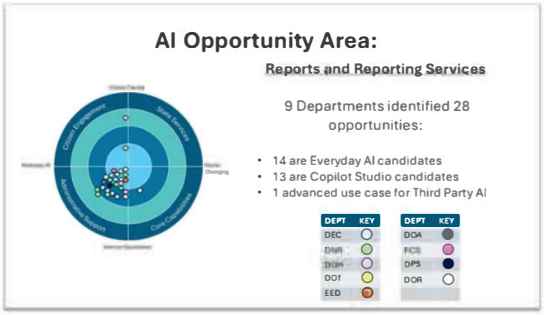
In Spring of 2024, Governor Dunleavy instructed his cabinet to explore responsible AI opportunities to improve services to State employees and citizens. To assist with this effort, Microsoft dispatched an AI specialist to Anchorage and Juneau. They provided presentations outlining the art-of-the-possible using AI. Commissioners, or their delegates, were the audience for these engagements.

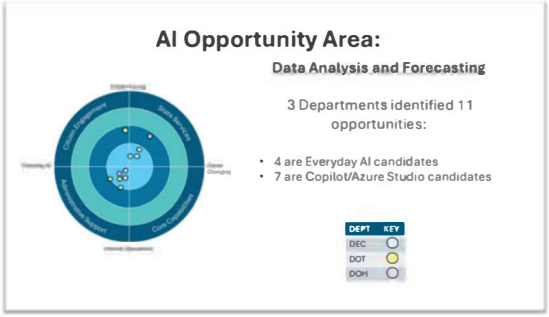
Afterwards, they devoted time to brainstorming about current department business problems and possible use cases for AI adoption. The outcomes were funneled to OIT who aggregated the information into a master list of potential AI opportunities.

OIT in turn worked with Microsoft AI specialists to determine what AI tools are available now and learn about those soon to be released that could tackle the business problems. Of the initial 400+, several were common across departments. Below, you see how four leading areas of business challenge align with Alaska's AI Opportunity Radar. This in turn provides a quick assessment of how many high and medium feasible opportunities were provided.



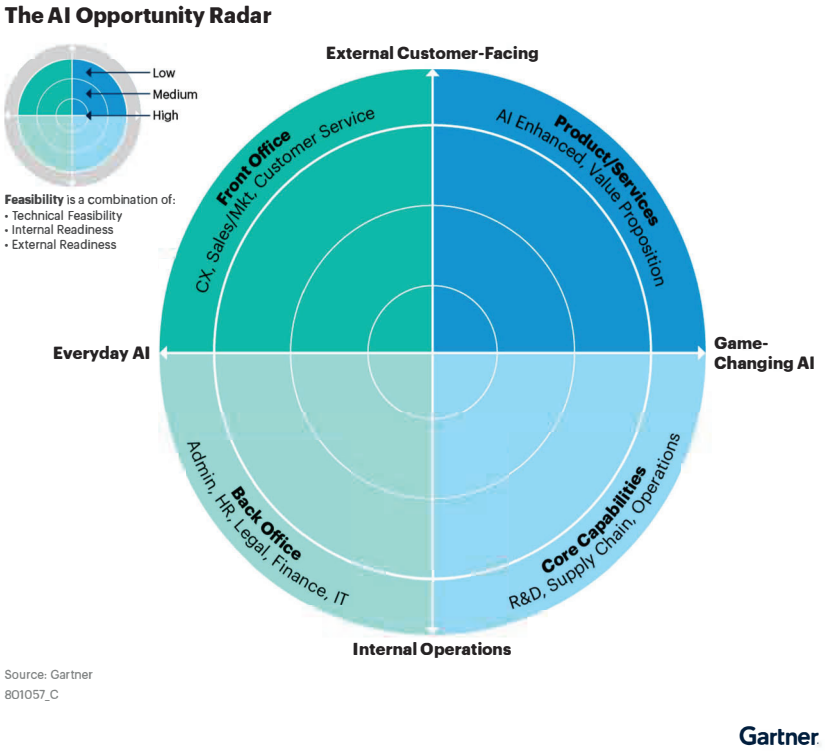






AI Opportunity Radar, A Deep Dive

States across the nation are faced with the challenges presented by the promises of AI. Maturing along the arc of AI adoption, we will see AI as less and less the 'new thing'; and more 'business as usual'. AI will soon become another ubiquitous technology; we'll soon find hard to live without – much like your iPhone or Android cellphone. And as states embrace AI's potential, many have found themselves wanting for the lack of a framework to focus attention and guide innovation. Our underlying goals to rapidly improve efficiency and enhance Alaska citizen's satisfaction with services needs a framework to assist us to move forward *thoughtfully*.



Gartner AI Opportunity Radar: Set Your Enterprise's AI Ambition
Gartner Pub ID G00801057

Gartner, a leading U.S. based think tank, provides pragmatic advice and guidance for organizations who need to maximize the value of technology in furthering business objectives. They developed the AI Opportunity Radar which is a framework designed to map AI initiatives according to an organization's AI ambition. Such initiatives include "everyday" efficiencies, such as automating emails, to "game-changing" transformations, like predicting the policy impacts of decisions. This framework helps organizations identify and prioritize AI initiatives based on their potential impact and feasibility.

This framework is what we've utilized as the basis for the Alaska AI Opportunity Radar featured throughout this document. The Alaska AI Opportunity Radar customizes the four key areas to: Citizen Engagement, Administrative Support, State Services, and Core Capabilities.

Feasibility is still predicted by the type of AI being considered, and the use case or business problem that needs to be solved. Not all AI applications are projects; some may be examinations of current processes for ways to optimize workflows or data analysis like a permitting process or responding to a citizen inquiry.

Understanding the Cost of AI

The State of Alaska has made strategic investments in Microsoft's Cloud and AI ecosystem to accelerate responsible AI adoption across departments. These tools are integrated into our existing enterprise environment, offering secure, scalable, and cost-effective pathways to deploy AI solutions that improve government services and internal operations.

This appendix outlines our current capabilities with Microsoft tools and provides a comparative view of the realities associated with adopting non-Microsoft AI solutions.

Current Capabilities with Microsoft AI Tools

Tool	Cost Model	Use Cases	Notes
Copilot for Office/M365	~$30–$366/user/year	Document drafting, summarization, email management, meeting insights	Included in M365 G5 suite; widely deployed across executive branch
Copilot Studio	$200/tenant/month minimum (consumption-based)	Low-code chatbot development, internal workflow automation	Enables non-developers to build AI tools using internal data
GitHub Copilot	$39/user/month	Code generation, developer productivity	Used by IT and application development teams
Azure AI Studio	Consumption-based	Custom AI model development, RAG pipelines, orchestration	Supports advanced use cases and integration with internal systems
Power BI Copilot	Consumption based on input prompts and output responses character counts (*tokens)*	Natural language data analysis and visualization	Supports advanced data analytics and reporting

Tool	Cost Model	Use Cases	Notes
Azure AI Foundry	Consumption based	Enterprise search with RAG across internal knowledge bases	Designed for enterprise AI workloads

These tools are already integrated with the State's Microsoft 365 environment, ensuring:

- Security and compliance with existing identity and access controls
- Familiarity for staff using Word, Excel, Teams, and Outlook
- Rapid deployment of pilots and production-ready solutions
- Centralized cost management through existing enterprise agreements

An important enabler of our rapid adoption rests on previous investments made by past Governor and Legislative backed resourcing for the State's Cloud First Strategy. Through cloud adoption, the State has established a secure footprint that positions us front and center for the future of emerging technologies like AI.

Reality of 3rd Party AI Adoption

With the incredible growth of AI, the vendor space has become a crowded mass market. While some 3rd party AI tools offer levels of flexibility and enhanced use case applications, they introduce significant complexity and cost. Some key considerations to consider:

Technical complexity

- Requires separate infrastructure for hosting solutions and deploying agents.
- Demand specialized expertise in Data Science, AI/ML engineering, DevOps and data governance.
- Integration with existing systems poses significant challenges and risk.

Cost implications

- Licensing, consumption, and usage costs vary by vendor and model, complicating financial management.
- Standalone security, monitoring, and support contribute to a higher cost of ownership.

Security & Compliance

- Requires custom approach and controls for data protection, privacy, auditability, and ethical responsible AI compliance.
- Introduces risk of data leakage and unauthorized access via non-standard security models.

Stretch Workforce Capabilities

- 3rd party tools often require advanced technical skill and expertise not likely available across the State's workforce.
- Creates potential for increased reliance on consultants or external vendors.
- Longer onboarding and training impacts time-to-value.

AI Adoption Foundations & Insights

Artificial Intelligence (AI) represents a significant leap forward in technology, enabling computer systems to help people perform tasks that typically require significant investment of time to conduct research, surface knowledge, perform comparative analysis, and solve complex problems. AI has successfully proven its contribution in other human endeavors like large data analysis, report generation, content generation, and more.

A notable example of AI is the Generative Pre-Trained Transformer (GPT), which functions like an advanced digital assistant. GPTs are the human interactive pathway to the underlying large language model (LLM) which is at the core of any GPT. LLMs are trained on vast amounts of information known as tokens. Tokens can be a research report, a visual like a graph, an image, a photograph, video, music, practically anything. In a recent milestone, a leading edge LLM surpassed ingestion of 3 trillion tokens containing a diverse mix of web content, scientific and academic publications, programming code, books, and encyclopedia material[2]. Training LLMs allow them to understand, summarize, and create human-like content quickly and efficiently. This makes them invaluable tools for a variety of applications, including reading and summarizing lengthy documents in seconds. To further enhance accuracy and relevance, Retrieval-Augmented Generation (RAG) techniques enable GPTs to reference trusted internal data sources to better ground responses with organizational context and up-to-date information.

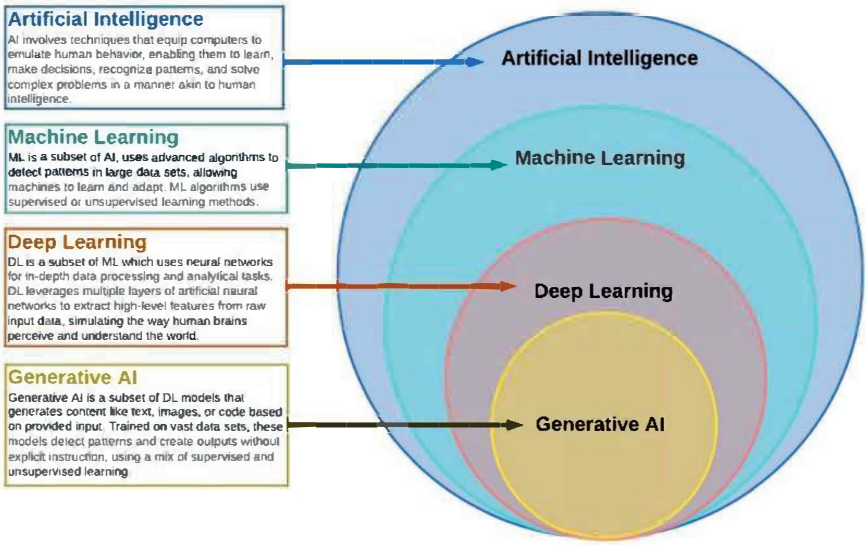


Figure 1. *Unraveling AI Complexity – A Comparative View of AI, Machine Learning, Deep Learning and Generative AI.*

AI has great potential to transform state government, especially in "knowledge work" like researching laws, analyzing policy, and processing permits. AI can automate routine tasks, allowing staff to handle more complex work. For citizens, this means quicker and more efficient services.

AI significantly impacts tasks that usually require substantial time, such as research, knowledge retrieval, comparative analysis, and problem-solving. It also excels in data analysis, report generation, and content creation.

[2] Ai2 Dolma: 3 trillion token open corpus for language model pretraining | Ai2

Words fall short to describe the enormity of change brought about by AI in everyday life. To illustrate, below we compare the rate of growth for other game-changing technologies from the Digital 2025: Global Overview Report[3].

Technology	Annual Active Users (AAU) as of 2025 Global Overview Report	Annual Rate of Change
Internet	5.56 Billon	6.5% (2000-2025)
Social Media	5.24 Billon	4.1% (2000-2025)
Mobile Phones	5.78 Billon	3.7% (2018-2025)
OpenAI (ChatGPT)	800 Millon	37.5% (2022-2025)

Below are figures around worldwide adoption trends of some leading AI generative models from their dates of ChatGPT's initial release in 2022[4,5,6,7]:

Year	ChatGPT	Gemini	Meta AI
2022	1M	-	-
2023	100M	50M	-
2024	400M	200M	500M
2025	800M	350M	**1B**

Focusing on 2025 specifically[4,5,6,7,8,9]:

Model	Monthly Active Users (MAU)	Annual Active Users (AAU)
ChatGPT	180M	900M
Gemini	80M	500M
Claude	25M	90M
Meta AI	150M	900M
Copilot (MS)	150M	588M
Mistral/Other	5M	20M
Total (2025)	~590M	**~3B**

[3] Digital 2025: Global Overview Report. DataReportal, 2025. Available at: https://datareportal.com/reports/digital-2025-global-overview-report.
[4] OpenAI, usage announcements 2022–2024
[5] Google DeepMind Gemini usage stats, 2023–2024
[6] Anthropic Claude adoption reports, 2023–2024
[7] Meta AI user base reports, 2024
[8] Microsoft Copilot adoption disclosures, 2024–2025
[9] Global mobile/internet adoption reports (GSMA, ITU), 2024

In the past 3 years, OpenAI's ChatGPT has experienced a compounded annual growth rate of more than 800%.

CAGR Formula:

$$\text{CAGR} = \left(\frac{800{,}000{,}000}{1{,}000{,}000}\right)^{\frac{1}{3}} - 1 = (800)^{\frac{1}{3}} - 1$$

$$(800)^{1/3} \approx 9.283$$

$$\text{CAGR} \approx 9.283 - 1 = 8.283 \text{ or } 828.3\%$$

That growth rate cannot be sustained forever, but taking a conservative prediction of future growth, it is likely ChatGPT will reach 4 Billon users sometime between years 2029-2030. No other technology introduced in the past 100 years can compare to such a meteoric adoption. For general comparison, the population of Earth is 8.2 Billion – to think that such a game-changing technology will potentially be in use by ½ the world's population in 5 years is nothing short of extraordinary.

Microsoft's Copilot GPT (which uses the OpenAI ChatGPT LLM) was launched by Microsoft in November 2023, and it had 83 million users during the first quarter of 2025. The principal difference between OpenAI and Microsoft's Copilot are the multiple consumption paths to interact with the underlying model, from being embedded in the Windows operating system, the Copilot mobile app, and in business productivity applications (Teams, Word, Excel, etc.). Microsoft has extended the utility by placing the technology in the immediate grasp of users.

It would be challenging to find an individual who has not engaged with or derived benefits from AI. Its widespread utility has significantly driven adoption rates, especially in customer-facing applications such as virtual agents and chatbot functionalities.