

How Priority-Based Budgeting Supports Goals and Saves Money

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As a frequent speaker on priority-based budgeting, I am continually struck by the level of interest in reimagining budgeting. The reasons behind this interest are clear — state and local governments face the twin challenges of balancing tighter budgets and aligning scarce resources with key initiatives as federal stimulus funding winds down and uncertainty around federal funding increases.

To meet these challenges, local governments are adopting priority-based budgeting methodologies and software to fund ambitious goals while still saving money.

Priority-based budgeting aligns resources and funding with community priorities and outcomes, unlike traditional line-item budgeting models.

- It gives government leaders tools to analyze spending, reallocate funds to initiatives their community values most, and build for the future with the right programs in place.
- It examines programs and services across departments to determine their broader impact, enabling leaders to make better-informed budget decisions.
- It takes the line-item budget and translates it to the organization's priorities.
- It helps leaders in challenging fiscal conditions allocate resources strategically and create new funding models for lower-priority programs.

Strategies, Not Slashing

Government leaders should use priority-based budgeting to make strategic decisions, not to slash budgets. The first choice is not simply to cut lower-priority programs and eliminate staff. To successfully implement a priority-based budget, all departments must see a way to win.

Instead of cutting or eliminating programs, priority-based budgeting can encourage departments to develop new revenue sources, creative partnerships, and alternative funding models.

For example, one Wisconsin county's parks and recreation department used priority-based budgeting to shift a range of programs to fee-based models and cost-sharing approaches with private, public, and nonprofit partners. This approach enabled the department to maintain service levels and make its programs 100% self-sustaining, which allowed the county to reallocate general fund resources to other priorities.

The county referred to it as a "fiscal independence plan." The key for the department was the feeling of empowerment. Opening up possibilities on how the programs were funded allowed the county to control its destiny.

Using AI for Budgeting Impact

The transition to a priority-based budgeting process can seem daunting, especially the process of aligning line items to programs and priorities.

To lessen this lift, the latest priority-based budgeting solutions can access existing financial systems and use artificial intelligence (AI) and machine learning (ML) capabilities to automate the correlation of budget line items and staffing to programs, costs, and impact.

For example, a solution using AI/ML could help police departments see how staff devoted to areas such as patrol, investigations, and administration also support broader goals — and connect the budget line items for personnel and other expenses to those priorities.

Solutions that leverage AI can also provide a playbook containing specific allocation and revenue opportunity guidance based on the experiences of others in the priority-based budgeting community. A playbook containing specific budgeting recommendations enables ROI optimization for a government's highest priorities.

Finally, governments can use consultants to navigate the transition to priority-based budgeting. Some providers offer fractional staffing, allowing a jurisdiction to work with a priority-based budgeting expert on a part-time basis to implement new budgeting processes.

Real-World Outcomes

Priority-based budgeting is currently helping state and local governments optimize expenditures in challenging fiscal environments.

- Collier County, Florida, has used priority-based budgeting to identify more than \$150 million in potential savings and new revenue opportunities and ensured that budgetary decisions are data-driven and reflect community needs.

- A major city in the Pacific Northwest is piloting priority-based budgeting in key departments to reallocate resources and identify new revenue streams in response to a projected \$250 million budget shortfall.
- Another community, in the Mid-Atlantic region, is using priority-based budgeting to implement a cross-cutting climate action plan that was adopted by city leaders but not directly funded.

With priority-based budgeting, governments can focus on the real-world value of programs instead of line-item budget minutiae.

What organizations want out of the budget transformation is to get the juice from the squeeze — to focus on the impact of programs with sound quality data. The goal is to provide maximum benefit with limited resources, which creates innovation and ingenuity to meet the community's needs.

Writer bio:

Chris Fabian has helped more than 300 local governments implement priority-based budgeting. Fabian is the co-founder of what is now Tyler Tech's Priority Based Budgeting (<https://www.tylertech.com/products/priority-based-budgeting>), a budgeting methodology that leverages machine learning and AI to predict and identify priority-based budgeting opportunities and savings. Fabian is senior director of product strategy for ERP budgeting at Tyler Tech. He has served as an internal business consultant for local government. Fabian can be contacted at (303) 520-1356 or chris.fabian@tylertech.com.