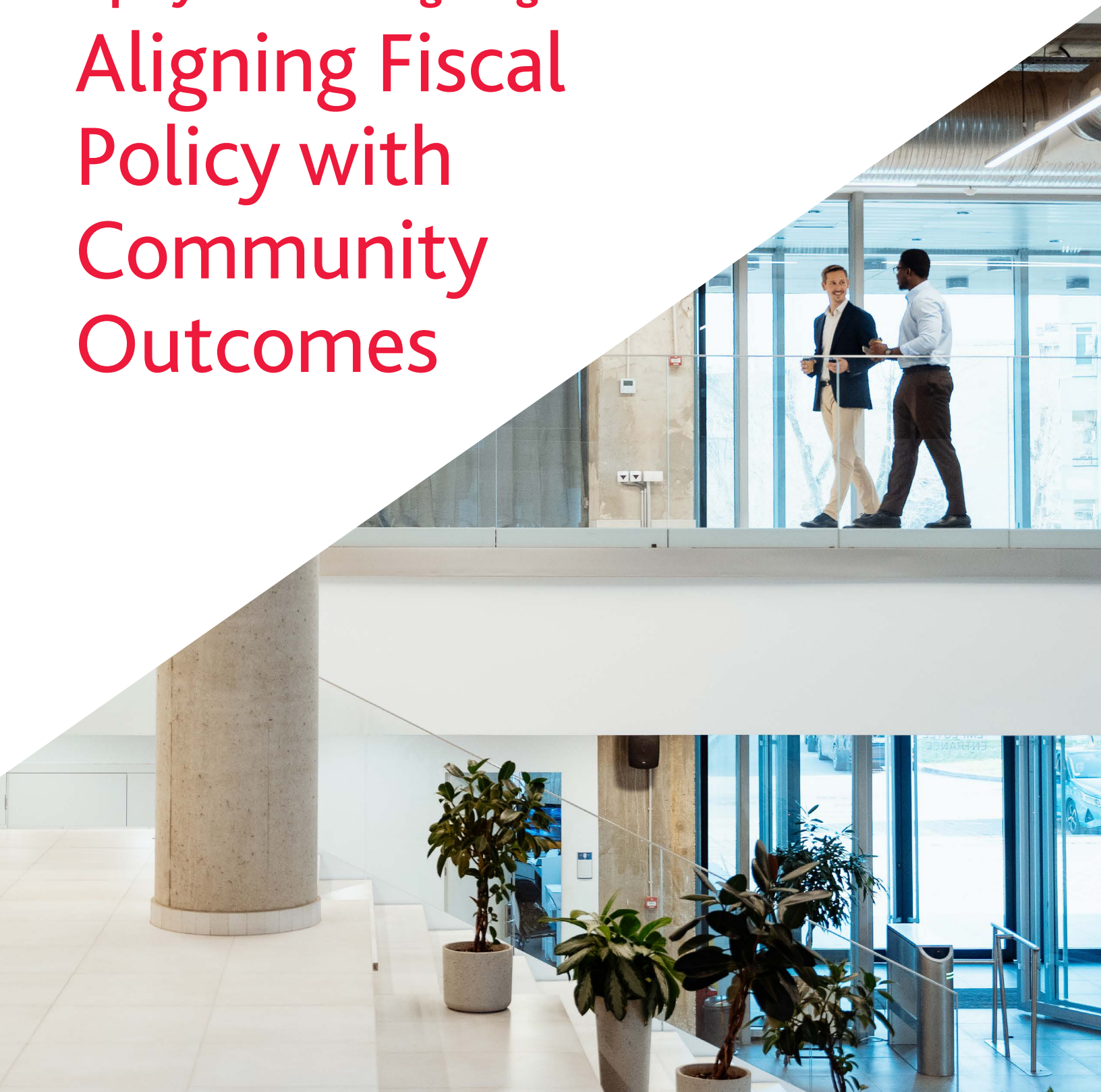
BDO

Equity-Driven Budgeting

Aligning Fiscal Policy with Community Outcomes



State and local governments are under increasing pressure to demonstrate that fiscal decisions promote equitable outcomes across communities. Equity-driven budgeting reframes financial management as a strategic tool to address disparities, improve access, and strengthen public trust.

WHAT MATTERS MOST

- Equity is becoming a core expectation, not a supplemental analysis.
- Budget decisions must increasingly show measurable community impact.
- Finance leaders play a significant role in linking dollars to outcomes.

WHY THIS MATTERS NOW

Public expectations of government financial management are evolving. Balanced budgets and clean audit opinions remain essential, but they are no longer sufficient on their own. Stakeholders are asking a more fundamental question: "Are public resources being allocated in ways that produce fair and inclusive outcomes?"

Equity-driven budgeting addresses this question by integrating demographic insights, outcome-based metrics, and transparency into the budget process. For finance leaders, this represents a shift from traditional stewardship to strategic influence over community impact.

A balanced budget is no longer the finish line; governments are now expected to deliver balanced opportunities.

From Efficiency to Equity

Historically, budgeting has emphasized fiscal discipline, cost control, and compliance with statutory requirements. While these remain foundational, governments are increasingly expected to demonstrate how financial decisions address disparities, expand access to services, and improve long-term outcomes across populations.

Federal and state initiatives, particularly in housing, infrastructure and economic development, are accelerating this shift by encouraging or requiring equity impact analysis.

WHAT IS EQUITY-DRIVEN BUDGETING?

Equity-driven budgeting is the intentional alignment of financial decisions with fair and measurable community outcomes. It includes the following core principles:

- **Fairness:** Allocating resources based on need, not just historical patterns.
- **Inclusivity**: Providing access to services across all communities.
- **Transparency**: Clearly communicating the decisions and their impact.
- **Measurement**: Tracking outcomes to assess effectiveness.

A key distinction in this model is the shift from inputs to outcomes:

METRIC TYPE	EXAMPLE	FOCUS
Input	Funding for transit expansion	Dollars allocated
Output	Miles of transit added	Services delivered
Outcome	Reduced commute times in underserved areas	Impact achieved



Equity-driven budgeting shifts the conversation from how much is spent to who benefits, and whether it makes a measurable difference.

Building an Equity-Driven Budget Framework

Implementing equity-driven budgeting requires integrating data, governance, and performance measurement into existing financial processes.

INTEGRATE DEMOGRAPHIC AND SOCIOECONOMIC DATA

Finance teams should incorporate data such as:

- Income levels
- Geographic disparities
- Service access gaps
- Demographic trends

This allows for more informed decisions on where resources can have the greatest impact.

ESTABLISH EQUITY IMPACT STATEMENTS

For major programs and capital projects, governments are increasingly adopting equity impact statements. These assessments evaluate:

- Who benefits from the investment?
- Who may be underserved or excluded?
- What is the expected impact across communities?
- What are the mitigation strategies for unintended consequences?

Leading practice: Embed these statements into budget approval workflows.



Without data, equity remains an aspiration. With data, it becomes an accountable strategy.

ALIGN BUDGETING WITH COMMUNITY OUTCOMES

Effective equity-driven budgeting links strategic priorities, budget allocations, and measurable outcomes.

Examples:

- Workforce funding tied to employment outcomes in targeted populations
- Infrastructure investments tied to accessibility and mobility improvements

This transforms the budget from a financial document into a strategic roadmap for community impact.

MEASUREMENT AND ACCOUNTABILITY

Equity-driven budgeting requires disciplined tracking and transparent reporting. Key actions for finance leaders include:

- Establish baseline conditions (e.g., service disparities)
- Define measurable targets
- Track outcomes consistently over time
- Validate data quality and comparability

REPORTING LEADING PRACTICES

Governments are beginning to present equity metrics alongside financial results, such as:

- Distribution of services by demographic group.
- Geographic allocation of capital spending.
- Outcome improvements tied to investments.

Case in Practice: Equity Scoring for Capital Investments

Some governments are adopting equity scoring models to evaluate capital projects. Projects are scored based on:

- Impact on underserved populations.
- Improvement in access to essential services.
- Alignment with long-term equity goals.

These scores are then considered alongside traditional factors such as cost and feasibility.

Budget Equity Scoring Illustrative Example

PROJECT	COST	EQUITY SCORE	COMMUNITY IMPACT	FUNDING PRIORITY
Transit Expansion (Zone A)	$25M	High	Serves low-income communities	High
Downtown Streetscape	$10M	Medium	Economic development focus	Medium
Park Renovation (Zone B)	$5M	Low	Limited demographic impact	Low

Challenges to Implementation and How to Address Them

COMMON BARRIERS

- Data limitations: Incomplete or inconsistent demographic data.
- Political dynamics: Differing perspectives on prioritization.
- Organizational silos: Lack of coordination across departments.

PRACTICAL SOLUTIONS

- Start with pilot initiatives before scaling.
- Invest in data infrastructure and analytics capabilities.
- Form cross-functional teams (finance, policy, program).
- Communicate clearly how equity-driven budgeting improves outcomes.



Sustained success depends on framing equity as a tool for better decision-making, not just redistribution.



How BDO can help

BDO State and Local Government practice helps governments and communities thrive. Contact us to learn how we can support you through a comprehensive, proactive, and tailored approach.

For more information on our service offerings, visit **bdo.com/governments**

CFO Action Checklist

- Incorporate demographic data into budget analysis.
- Require equity impact statements for major initiatives.
- Align funding decisions with measurable community outcomes.
- Establish baseline metrics and track progress over time.
- Integrate equity metrics into financial reporting.
- Build cross-department collaboration structures.

FISCAL POLICY AS A FORCE FOR IMPACT

Equity-driven budgeting represents a natural evolution in public financial management. It strengthens, not replaces, traditional fiscal discipline by ensuring that resources are allocated where they can generate the greatest and most inclusive impact.

For finance leaders, this is an opportunity to elevate their role from stewards of financial compliance to architects of community outcomes.



The question is no longer just whether budgets are balanced—but whether the opportunities they create are as well.



At BDO, our purpose is to be the people you count on to grow with confidence and achieve what matters most. Our professionals provide assurance, tax and advisory services for a diverse range of clients across the U.S. and in over 160 countries through our global organization. We are proud to be an ESOP company, inspiring an ownership mindset that enables our collective success.

BDO is the brand name for the BDO network and for each of the BDO Member Firms. BDO USA, P.C., a Virginia professional corporation, is the U.S. member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. For more information, please visit: www.bdo.com.

© 2026 BDO USA, P.C. All rights reserved.