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States Look to AI for Its Potential to Help with Finances.

Artificial intelligence holds promise for creating budget-saving efficiencies, aiding in audits and helping with compliance. But the emerging technology also poses challenges that could affect spending.

Artificial intelligence has quickly become a buzz topic among state leaders, and lawmakers in 31 states considered nearly 200 bills related to AI last year. Recent leaps in generative AI have the potential to create budget-saving efficiencies, such as reducing application processing times and freeing up staff capacity for other work. At the same time, however, states must deal with the risks that AI could pose to vital systems, particularly public information and data security.

In states throughout the country, auditors and public finance departments are exploring the possibility of using AI to lower the cost of monitoring and oversight, reduce risks, and streamline administrative processes. One recent report estimated that AI could boost productivity by $519 billion a year across all U.S. governments.

For instance, the Government Finance Officers Association, or GFOA, is working with Rutgers University to pilot how AI can help governments comply with the federal Financial Data Transparency Act, which requires that financial disclosures filed for outstanding bond debt be machine readable starting in 2027. GFOA previously estimated that implementing reforms needed to comply with the law could cost governments at least $1.5 billion by the deadline. But if the GFOA-Rutgers project is successful, an AI-powered data extraction process could make ongoing compliance virtually cost-free while reducing the risk of error.

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Route Fifty

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MARCH 20, 2024

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