



Strategies to help state and local governments do more with less

Innovating your way out of financial disruption can deliver better, longer-lasting results than slashing budgets.



State and local governments are under increasing financial strain as rising costs, slowing revenues, and mounting obligations converge. In the face of these pressures, governments must find a way to do more with less. But instead of looking for ways to cut budgets or services or reallocate scarce revenue, now is the time to unlock capacity, to *innovate* your way out of an impending financial disruption instead of trying to cut your way out.

Those who will successfully continue to advance their missions are those who take a strategic approach, acting now with smart, deliberate actions. When these efforts are aligned with the unique needs of each agency's mission, workforce, and customer base, leaders can sustain performance, build resilience, and reinforce public trust even in the face of constrained resources.

We're all familiar with the idea of spending money to save money, such as preventative maintenance on vehicles or adding insulation to houses, for example. There are similar opportunities for governments to rethink strategic roadmaps and make such investments now. In many cases, the up-front investments are not substantial. Small investments now can unlock significant capital and capacity where the journey not only pays for itself, but also can pay for other efforts.

With the landscape shifting, it's critical to know where to invest. Organizations often have unrealized improvement opportunities, both small and large, that can greatly enhance operational performance. The key lies in identifying specific inefficiencies, gaps, and potential solutions tailored to your organization. Involving your people, often an untapped asset, is an ideal way to help uncover these opportunities. By applying a people-centric lens to discovery and intentional innovation, organizations can move toward a more sustainable and efficient future state, enabling them to successfully do more with less.





We see three areas where government leaders should focus:



1 Leverage the technology you already have.

A surprising amount of capability often sits unused or underutilized in the technological solutions an agency may have already invested in.

Identify the hurdles causing operational inefficiencies.

This is the low-hanging fruit. Technology is central to most operational functions. But when technology is not well aligned with strategic objectives, business processes, or user needs, it can become more of an impediment than an enabler. Technology misalignment is a source of friction that can lead to inefficiencies or missed operational goals, including higher-than-expected support call or ticket volumes, increased processing times, and data inaccuracies.

By working directly with users, organization leaders can uncover many of the pain points users experience and the workarounds they are often forced to devise to get things done. This detailed understanding of user hurdles is critical to identifying realistic solutions to operational inefficiencies. Targeted low-cost fixes, including nontechnical changes such as improvements to reference guides or training, can have an outsized impact.

At one state agency, for example, partner groups were frequently submitting applications with incorrect or missing information. This delayed processing and required agency employees to spend time on outreach and additional reviews. By working directly with those partners, the agency discovered that certain questions were phrased in a way that was difficult for the partners to understand what was being asked. A simple change—clarifying the questions—enabled the agency to increase use of automation to process applications and reduce the need for manual intervention, increasing employee capacity and enabling the agency to meet its targets.

Keep in mind that not every inefficiency has to be addressed at once in a major “moon-shot” effort. A strong technology foundation can provide a platform for continuous, incremental, multiyear improvements. For example, one state agency deployed the ServiceNow platform for creating and managing automated business workflows across IT and employee service needs. It provided a way to centralize and create consistency for internal operational processes to better stabilize the organization throughout a multiyear modernization program. They started small, focusing on access management, and then steadily added modules over the years based on priority needs and operational gaps.

Implement a “no-wrong-door” customer portal.

Online customer portals, too, can dramatically increase agency productivity by enabling customer self-service and offloading tasks from employees. They can reduce call volume and improve information accuracy and accessibility by enabling customers to bypass paper forms and enter information digitally.

Washington, D.C., for example, implemented a customer portal and mobile app called District Direct that provides streamlined eligibility for over 60 health and human services programs, reducing application times to 20 minutes.¹ This self-service tool not only greatly enhanced the user experience by providing a streamlined and intuitive interface to benefits, but also reduced the administrative burden on case workers.

The portal’s “no-wrong-door” approach helps individuals navigating government services access what they need regardless of their starting point or level of expertise. For example, whether a user first clicks on “Health Services” or “Financial Assistance,” the system can intelligently guide them to relevant resources based on their needs. If they initially searched for medical assistance, but financial aid is also pertinent to their situation, then the portal can intuitively recommend additional services they qualify for. This approach not only simplifies the user experience and promotes equitable access to support but also increases an agency’s return on investment (ROI) for existing technologies by integrating journeys across legacy applications.

¹ “The Benefits Enrollment Field Guide,” Code for America Labs, Inc., 2024.



2 Reexamine your organizational models.

Addressing structural inefficiencies is crucial to improving employee potential and sustaining effectiveness. Rather than implementing sweeping, top-to-bottom reorganizations, targeted refinements to your organizational model can drive significant and long-term benefits.

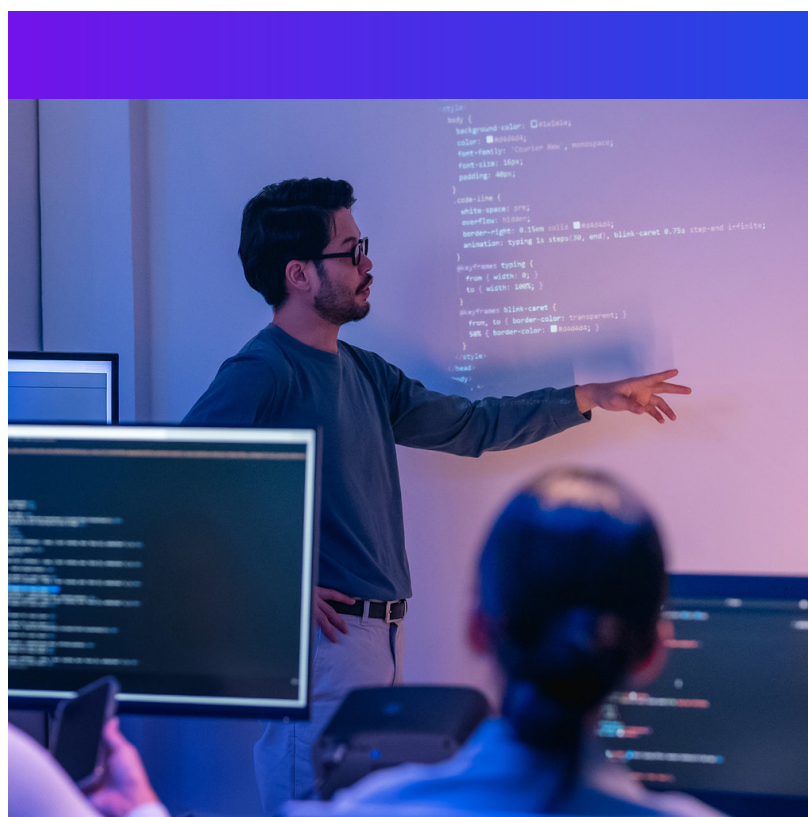
While technology can streamline operations, the real transformation lies in how teams are organized and collaborate. Examining your organizational structure can reveal bottlenecks, redundancies, and untapped potential, enabling a more agile and responsive workforce. By refining organizational roles and relationships, organizations can enhance communication, boost morale, and foster innovation. This avenue can help increase the value you derive from your technology investments and create a more effective and cohesive environment where efficiency thrives.

Evolve into more agile, less hierarchical models.

So how does an organization begin to look at structural opportunities? You can start by using a work-activity analysis as a strategic tool to identify organizational layers that hinder swift decision-making. Where the data supports it, prioritize flatter structures and open communication, while planning for workforce redeployment and reskilling to help ensure appropriate adoption of the new model. Establish clear governance frameworks to delineate responsibilities and align operational realities with compliance needs.

While structural inefficiencies can stem from hierarchical layers, departmental silos often contribute significantly. Address these silos by identifying existing collaboration patterns and forming interdisciplinary teams to facilitate better integration. Leverage collaboration technologies to better align communication practices with actual information-sharing requirements to help enhance overall organizational cooperation and effectiveness.

AI tools such as Microsoft CoPilot and Google Gemini, for example, are transforming cross-department collaboration by breaking down traditional barriers that hinder information sharing. These intelligent platforms help enable more seamless communication by automating routine tasks, suggesting relevant content, and providing real-time insights, thus freeing up valuable time for creative problem-solving and strategic initiatives. Using features such as predictive text, smart scheduling, and integrated communication channels, teams can better align their efforts and work toward common goals. These tools can help create a more cohesive and efficient workplace where departments no longer operate in isolation but engage in dynamic, collaborative workflows, helping to drive innovation and boost overall organizational efficiency.



Consolidate redundant operations.

Consolidating redundant operations into a unified structure is a huge opportunity for government agencies to improve service delivery and drive operational efficiency. By streamlining operations, agencies can achieve significant cost savings through reduced overhead, lower technology expenses, and more optimized staffing levels.

Call centers are an obvious target. A single, consolidated call center can facilitate better resource management, enabling the agency to deploy staff more effectively based on fluctuating demand and to implement training programs that elevate service quality. Consolidation can help foster a more cohesive organizational culture, promoting consistency in service standards and enhancing communication across teams. Moreover, a centralized system helps simplify data management, allowing for more robust analytics and insights, which can help drive continuous improvement and informed policy decisions.

In 2024, New Jersey modernized 13 call centers handling 10 million calls. The upgrade raised the share of callers reaching an agent from 6 to 15 percent, cut costs nearly in half, and reduced wait times from 40 minutes to under 2 minutes.² Ultimately, consolidating call centers can lead to improved customer satisfaction, as the agency can provide faster, more reliable responses to inquiries, aligning its operations with today's growing expectations for responsive and efficient public service.

Although it can deliver impressive results, consolidation should be only the first of a one-two punch combination. The second phase should include the implementation of tools designed to help improve the experience for both customers and staff.



² "Our Work: Call Center Modernization," State of New Jersey Office of Innovation, August 27, 2025.



3 Explore strategic partnerships.

Agencies are often run as completely independent organizations, resulting in significant duplicate infrastructure, processes, and efforts across governments. Significant efficiencies can be found by identifying partnerships, both within government and externally with the private sector. As more pressure is put on state agencies, public partnerships can ease the workload and cost across certain programs and technologies, as well as improve the experience of the agency's employees and customers.

Share ideas—and technologies.

Reliable technology and data are essential to long-term operational success. But implementation and maintenance costs can be cumbersome, especially in today's realities. Organizational development in government must evolve to support interdisciplinary collaboration and data fluency. Look for opportunities to create cross-functional partnerships to avoid resource competition.

Technology consolidation is one such opportunity. Technology that cuts across agencies enables those agencies to share costs, management, and services. But there are other benefits: shared technology can facilitate information sharing across agencies and help make the user and customer experiences more consistent and centralized.

A shared data repository, for example, can help increase coordination, transparency, and cost savings. By centralizing access to vital information, agencies can work collaboratively, minimizing redundancies and eliminating duplicate efforts, resulting in reduced operational costs. This collective resource can empower agencies to make more informed decisions, improving service delivery to the public while optimizing budget allocations.

Streamlined operations help foster innovation and create more responsive public services, strengthening inter-agency communication and promoting accountability—and ultimately, help agencies to do more with less.

Use next-gen managed services.

Outsourcing has long been a common strategy for organizations to offload routine, nondifferentiating, back-office functions and achieve economies of scale they can't on their own. But now a new generation of managed services has emerged that goes beyond the back office. In addition to functions such as IT and cybersecurity, they now include strategy, finance, risk and regulatory management, and more, opening up a world of possibilities to enhance operational efficiency and productivity and improve service quality.

Importantly, this new generation of managed services, sometimes called “managed services 2.0” or “services-as-software,” reduces dependence on costly, people-based delivery models by leveraging AI and other advanced technologies to automate many functions, while still providing specialized domain expertise and sector-specific experience. They're packaged as a subscription with predictable costs, and service-level agreements based on outcomes, not uptime.



How KPMG can help

Today, state and local governments must be proactive in their response to changing economic realities if they are to continue to serve their customers and advance their missions. KPMG can help.

We're placing people experience at the forefront. Our experience-focused framework puts people at the center of transformations to help drive operational goals and long-term success. By shaping the change to consider people's needs, ways of working, and cultural implications, the KPMG Government Experience approach can help improve employee retention, drive system usage, increase ROI, improve data accuracy, and create sustainable behavioral change.

We're experienced, nimble, and flexible. KPMG has worked with federal, state, and local governments for more than a century, so we understand the unique issues, pressures, and challenges public sector agencies, education institutions, and healthcare organizations face—and we're helping them manage financial disruption today.

We offer clarity and insight. As a trusted advisor, we can help you make sense of everything impacting state and local governments, from regulatory mandates to emerging technologies. We can help align your efforts with leading practices from both the private and public sectors and help keep you moving forward quickly with confidence and conviction.



We see the big picture. We can help you anticipate and adapt to the wide-ranging impacts transformation can have on your organization, including budgets and financial controls, business processes and operating models, and employee growth and retention. We can help you understand your data—where it comes from, what controls are required, how to maximize value locked in it, and how to share that value across organizations. We can help you harness the power of AI ethically and responsibly with trusted AI principles and governance models for managing risk.

We can help you from strategy through implementation. Unlike business-only consultancies, our more than 15,000 technology professionals have the resources, the skills and experience, the battle-tested tools and solutions, and the close alignment with leading technology providers to achieve your vision, quickly, efficiently, and reliably. And unlike technology-only firms, we have the business credentials, subject matter professionals, and public sector experience to help you deliver measurable results, not just blinking lights.

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