



# WHAT IS EQUITY-BASED BUDGETING?

Equity-based budgeting is a framework for distributing government resources in a way that actively addresses systemic disparities and promotes fairness across communities. This approach [prioritizes spending](#) that meets the greatest needs, repairs historical harms, and expands opportunities—particularly for populations that have been historically underserved or marginalized. While much of this work occurs within the scope of governments' ongoing operating budgets, such expenditures can still reflect strategic commitments to advancing equity across core areas such as public safety, health, and education. The overarching goal of equity-based budgeting is to ensure that [factors](#) such as income, gender, race, ethnicity, geography, or other demographic indicators no longer determine life outcomes in areas like health, education, or economic mobility. By centering equity in fiscal decisions, this model seeks to [improve access](#) to essential services, strengthen underserved neighborhoods, and direct resources toward high-impact programs, ultimately fostering more economically stable communities and greater [public trust](#) in government.

## CORE PRINCIPLES OF EQUITY-BASED BUDGETING

Equity-based budgeting is grounded in several key principles that guide its implementation and ensure effectiveness in addressing disparities and promoting fairness.

1. **[Data-Driven Decision Making](#):** A fundamental principle of equity-based budgeting is the use of data broken down by historically underrepresented economic and demographic characteristics to identify disparities and bias in tax systems and inform resource allocation. By collecting and analyzing data disaggregated by these factors, policymakers can pinpoint where inequities are most pronounced and direct funding to areas of greatest need.
2. **[Community Engagement](#):** Effective equity-based budgeting requires active involvement from communities, particularly those that have been historically excluded from decision-making processes. Participatory budgeting and public consultations are essential methods for incorporating the voices of historically marginalized groups in shaping fiscal policies. This ensures that the distribution of public funds reflects the priorities and needs of those who are most affected by systemic inequalities. [Transparency and accountability](#) are also crucial, as the public must be informed about how funds are being allocated to advance equity goals.
3. **[Focus on Outcomes](#):** Equity-based budgeting emphasizes measurable results, such as improved health, education, or economic conditions, rather than simply building on past spending through incremental increases. The goal is not only to assess current outcome levels (e.g., high school graduation rates) but also to evaluate whether public spending



contributes to improving those outcomes over time, especially for underserved populations. This approach encourages funding decisions tied to demonstrated progress and impact, ensuring that both new and existing programs are assessed based on their effectiveness in advancing equity, rather than merely sustaining the status quo.

4. **Address Structural Inequities:** One of the core objectives of equity-based budgeting is to directly target investments in communities and populations that have been historically underserved, including communities of color, low-income groups, and individuals with disabilities. [Racial equity assessments and similar tools](#) are used to guide funding decisions, ensuring that investments are made in a way that dismantles long-standing structural inequities and supports communities in their efforts to overcome systemic barriers.

Using these principles enables governments to make more informed, inclusive, and equitable decisions about how public funds are distributed, helping to build a more just society.

## BUDGET FORMATS AND CONSIDERATIONS FOR EQUITY-BASED BUDGETING

State and local governments typically use one or more of [four standard budget formats](#): line-item, performance-based, program, and zero-based budgeting. Each format serves specific administrative and fiscal functions and shapes how decisions about public resource allocation are made. While these formats were developed for purposes such as cost control, performance monitoring, and planning, equity has not historically been a core component of their design.

- **Line-Item Budgeting** organizes expenditures by specific categories of inputs, such as personnel, supplies, or equipment. This format emphasizes financial control and comparability across fiscal years. However, it provides limited information on the outcomes or distributional impacts of spending across population groups.
- **Performance-Based Budgeting** links expenditures to outputs and outcomes, often using performance indicators to evaluate programs or services. This structure allows for the potential inclusion of equity-related metrics, such as service access or demographic disparities, if those are incorporated into performance goals and reporting.
- **Program Budgeting** allocates resources according to broad policy objectives, such as education or public safety, regardless of agency structure. When equity is explicitly defined as a policy objective, this format can accommodate efforts to track spending toward that goal.



- **Zero-Based Budgeting (ZBB)** involves building budgets from a zero base each cycle, requiring justification for each expenditure request rather than relying on historical allocations. Although equity is not an inherent feature of this format, it can be considered if included in the criteria used to evaluate funding proposals.

The way expenditures are categorized and justified in these formats can influence how equity considerations are integrated into budget decisions. Traditional approaches, such as line-item budgeting and zero-based budgeting, often emphasize historical spending patterns, departmental structures, or financial inputs, which may make it more complex to assess or realign spending in response to equity goals. Formats that focus on outcomes or policy objectives, such as performance-based or program budgeting, may offer greater flexibility in incorporating equity considerations, particularly when supported by appropriate metrics and guidance.

## POSITIVE IMPACTS OF EQUITY-BASED BUDGETING

The goal of equity-based budgeting is to address historical systemic disparities by intentionally allocating resources where they are needed most. At its core, the framework has the potential to improve access to essential services, involve historically excluded voices in decision-making, and ensure that public investments reflect community needs and values.

When implemented effectively, this approach can lead to a wide range of [positive outcomes](#) for governments and the communities they serve. These include enhanced quality of life for marginalized populations, stronger [public trust](#) in the budgeting process, and more economically stable communities through [targeted investments](#) in areas such as public safety, education, transportation, and health infrastructure. Equity-based budgeting can also improve the [effectiveness of public spending](#) by prioritizing high-impact programs and avoiding continued investment in outdated or low-performing services. It also encourages deeper [community engagement](#) by involving historically excluded voices in the decision-making process, ensuring that budgeting priorities reflect the lived experiences and values of all residents. [This inclusive approach](#) is aimed at not only improving policy outcomes but also strengthening the legitimacy of government actions. Finally, by prioritizing preventative investments—such as early infrastructure repairs or community-based health interventions—governments can [mitigate long-term costs](#) and reduce the need for reactive, high-cost responses in the future.



## CHALLENGES OF EQUITY-BASED BUDGETING

While equity-based budgeting holds significant promise, its implementation is not without substantial challenges. These challenges stem from both conceptual complexities and practical limitations that can undermine the effectiveness of even well-intentioned efforts. One of the most fundamental obstacles is ideological conflict over the very [definition of fairness](#). Policymakers and stakeholders may disagree on whether equity means ensuring equal opportunities (“leveling the playing field”) or equal outcomes (“evening the scoreboard”), a distinction that reflects deeper tensions between equity and equality. This debate can become highly polarized and stall progress before meaningful action is taken. Moreover, without clearly defined goals and sustained institutional commitment, there is a risk that equity efforts remain [symbolic rather than substantive](#), invoking moral language but ultimately resulting in performative gestures that fail to produce real change.

[Shallow implementation](#) is another concern. Equity considerations are sometimes reduced to checkbox exercises or vague narrative prompts in budget documents, lacking the rigorous analysis needed to understand how programs affect disparities in practice. Stakeholder resistance further complicates implementation, particularly when [resource redistribution challenges](#) established power structures or is perceived as a threat to already-served or politically influential groups. Even when equity initiatives are embraced, measuring their effectiveness can be difficult. [Outcomes](#) like educational achievement are influenced by numerous external factors, making it hard to isolate the impact of specific budget decisions.

Moreover, equity-based budgeting can fall into two opposing traps: [ineffective idealism](#), where purist approaches alienate potential allies, and [technocracy](#), where excessive reliance on experts excludes meaningful public engagement and ethical nuance. Lastly, there is a risk of incentive distortion. If too much emphasis is placed on [marginalization](#) as a basis for funding, it may inadvertently encourage groups to portray themselves as disadvantaged, undermining cooperation and the broader goals of holistic budgeting.

Another important limitation is that most equity-based budgeting initiatives focus exclusively on the distribution of spending, without addressing how public funds are raised in the first place. Yet revenue systems themselves can reinforce inequity—for example, when regressive taxes disproportionately burden low-income households or under-tax high-wealth individuals and corporations. Without applying an equity lens to both the revenue and expenditure sides of the budget, governments risk perpetuating structural disparities even while attempting to correct them through spending.

Overcoming these challenges requires clear definitions, inclusive processes, and a commitment to both ethical principles and practical outcomes.



## EQUITY-BASED BUDGETING IN ACTION

As demonstrated by two major Chicago-based local governments—Cook County and the City of Chicago—applying equity-based decision-making in the budget process for a large government is an iterative process. As demonstrated by two major Chicago-based local governments, Cook County and the City of Chicago, applying equity-based decision-making in the budget process for a large government is an iterative process. Both governments have taken steps to incorporate equity into policy and budgeting decisions, including on revenues and expenditures.

### Cook County

According to Cook County, its focus on strategic planning, community engagement, and data-driven decision-making has positioned it as a leader in implementing equity-based budgeting with measurable impact. Cook County has adopted a phased approach to embed equity into its budgeting process. This approach involves policies, community-led initiatives, and the use of data-informed tools. The foundation was laid with the [2018 Policy Roadmap](#), which establishes six priority pillars—health, housing, economic opportunity, public safety, community development, and social services—and was expanded in the [2024-2027 Policy Roadmap](#) to refine the County's long-term focus on reducing systemic disparities. It is important to note that these initiatives originate within the Office of the President; separately elected County offices maintain control over their own equity and budgeting efforts.

Building on this foundation, the County established the [Cook County Equity Fund](#) in 2021 with an initial investment of \$40 million, which grew to over [\\$102 million](#) in FY2025. The fund supports programs focused on historically marginalized communities, including gun violence prevention, reentry support for individuals who were formerly incarcerated, and community violence intervention strategies in partnership with organizations like the [Government Alliance for Safe Communities](#). To ensure these investments reflect community priorities, Cook County launched the Equity Fund Task Force in 2021, composed of residents, service providers, and advocates, to help guide the allocation of equity resources. This participatory structure aligns with the County's broader community budgeting processes, which prioritize transparency and responsiveness.

Since 2018, the Cook County Department of Budget and Management Services has introduced a series of reforms to embed equity into fiscal decision-making. The New Revenue Business Case form requires that any proposed revenue changes undergo legal, financial, policy, and equity review. Building on that foundation, in 2024, the County began periodic revenue reviews to assess tax regressivity and equitable enforcement, leading to changes such as reducing adoption filing fees to improve access. Looking ahead, equity-based key performance indicators



will be integrated into performance metrics beginning in 2027, creating a framework for long-term accountability.

At the same time, Cook County has strengthened opportunities for residents to shape budget priorities. The participatory budgeting pilot launched in 2025 incorporates community feedback into Equity Fund allocations, with full-scale participatory budgeting set to begin in 2026 through townhalls and surveys. These efforts build on earlier engagement through [ARPA Community Voices](#), which convened countywide surveys and neighborhood conversations to inform sustainability planning.

The County's equity-driven approach was also visible throughout its COVID-19 response. Starting with the 2020 [CARES Act funding](#), funds were targeted to mitigate the pandemic's disproportionate impact on vulnerable populations. This strategy carried through to the distribution of [\\$698 million](#) in American Rescue Plan Act (ARPA) funds, guided by tools such as the [Racial Equity 2030 scoring model](#), PolicyLink's [socioeconomic outcome framework](#), and the [COVID-19 Community Vulnerability Index](#) (CCVI). These [investments](#) prioritized health, housing, transportation, and economic development, and included initiatives such as food security assistance, homeless shelter assistance, and the creation of the Cook County Early Warning Network. Importantly, Cook County has [expanded its equity investments without raising taxes or cutting essential services](#), illustrating that equity and fiscal discipline are not mutually exclusive.

Together, these initiatives reflect Cook County's long-term vision of embedding equity into every stage of public resource allocation—from grantmaking and service delivery to multi-jurisdictional collaboration.

## City of Chicago

The City of Chicago notes that it has implemented significant structural changes to embed equity throughout its operations. As part of this work, the City established and codified the [Office of Equity and Racial Justice \(OERJ\)](#) to lead and coordinate enterprise-wide efforts toward institutional change. In recent years, the Office of Equity and Racial Justice and the City's budget department, the Office of Budget Management (OBM), have instituted processes that have strengthened the integration of equity-based frameworks and tools into the City's policymaking, service delivery, and resource allocation.

Since 2023, the City of Chicago has required all departments to create and maintain [Racial Equity Action Plans](#) (REAPs) as part of a citywide strategy to embed equity into core government functions. These multi-year strategic plans outline how each department will work to advance more equitable outcomes through their operations, including service delivery,





polymaking, budgeting, human resources, and program design. Progress on these plans is reported each year to the City's Chief Equity Officer and made [publicly available](#) as part of the annual budget process. To support consistency across departments, the city uses a [standardized Budget Equity Tool](#) which guides agencies in assessing how their budget proposals may impact racial equity, identifying disparities, and setting measurable objectives; Proposal that involve new equity investments are then [jointly reviewed](#) by the Office of Budget and Management (OBM), the Office of Equity and Racial Justice (OERJ), and representatives from the Mayor's Office. Departments must describe equity rationales for new or revised revenues, identify potentially affected stakeholders, and explain how proposals mitigate disparate impacts.

Internally, OBM and OERJ collaborate with departments to walk through budget submissions and equity tools, and the City has provided training and technical assistance to help more than [30 departments](#) apply equity methods. Action plans and the Budget Equity Tool [appendices](#) document both transactional improvements and more transformative initiatives, with ongoing work to strengthen measurement and accountability. The city's [Annual Equity Report](#) and its accompanying appendix aim to track department-level progress, highlight equity-related initiatives, and provide a public, accessible way to monitor department progress online.

Equity considerations are also incorporated into the City's [revenue planning](#), including reviews of existing revenue sources and how implementation may affect different populations. Led by OBM, the City's revenue and management ordinance form, used by departments each year to submit revenue and management ordinance update requests, incorporates questions to ensure new revenues are evaluated through an equity-based lens and seeks to identify the impact of new revenues on community stakeholders. In addition to an equity-based review, new revenue proposals also undergo financial, legal, policy, and legislative review by staff members from the Department of Law, Budget, Legislative Affairs, and the Mayor's Office.

[Community engagement](#) is a critical component of this process. Chicago conducts town halls, community surveys, and equity roundtables, all of which are designed and promoted in collaboration with community partners. These efforts create a period for citywide discussion on budget allocations and enable departments to receive direct feedback from the community on budget priorities. The City's equity planning and its COVID-19 relief strategy unfolded in tandem, with federal recovery funds reinforcing the same goal of addressing longstanding racial and economic disparities.

In addition to departmental planning efforts, the City of Chicago directed a portion of its federal COVID-19 relief funding toward equity-focused initiatives to communities most impacted by COVID per federal guidance. As part of its American Rescue Plan Act (ARPA) implementation, the city allocated approximately [\\$480 million](#) to projects designed to support populations and



neighborhoods most affected by the pandemic, with many programs co-designed alongside community members and all developed with equity at their core. [Allocation decisions were informed by data tools](#) such as the COVID-19 Vulnerability Index and the Economic Hardship Index, which helped identify areas with elevated needs. Departments collected outcomes data beyond minimum federal requirements, and the City conducted an ARPA sustainability analysis to assess policy, fiscal, and equity implications, informing decisions on which programs to continue to shift toward outcomes-oriented budgeting. The Office of Budget Management (OBM) also established [mechanisms](#) for monitoring and reporting on implementation and launched a [public dashboard](#) showing the impact that such investments had within Chicago communities. These processes enhanced transparency and demonstrated that public resources were directed in a manner consistent with the City's stated equity goals.

## CONCLUSION

Equity-based budgeting reimagines public sector budgeting as a powerful tool with the potential to drive systemic change. The experiences of Cook County and the City of Chicago illustrate how this approach is taking root: through institutional reforms that align planning, accountability, and community voice. While both of these governments have made strong moves in this approach, there is still a way to go to implement equity-based budgeting across all areas of their budget process. By embedding principles of fairness, justice, and inclusion into fiscal decision-making, this approach aspires to move beyond addressing immediate disparities and towards dismantling long-standing barriers. When implemented with genuine commitment and institutional buy-in, it can help create the conditions for all community members to thrive. While the path toward equity is complex, the opportunity to promote long-term inclusivity and shared prosperity makes this work both necessary and transformative.