

# Building an

# AI READY

# Government

BY MICAH GAUDET

Cities and counties are proactively thinking and preparing for generative AI. The advent of this technology brings with it a wave of excitement and promise unlike any other technological transformation that I've seen in the public sector.

It has captured our imagination. The generative AI market was valued around \$10.79 billion in 2022, and by 2025 that value is expected to double.<sup>1</sup> American businessman and *Shark Tank* star Mark Cuban famously said in a CNBC interview, "There's only two types of companies in this world, those who are great at AI and everybody else."<sup>2</sup> The same can be said about cities and counties.

Beyond all the hype, though, is an underlying sense of uncertainty, often leading to fear. The fear of misusing AI and facing potentially devastating consequences and liabilities for our communities looms large. These concerns highlight the critical need

for robust AI governance. The most common questions I encounter, from executives at Los Angeles County to city administrators in rural Georgia, are about creating effective and safe AI policies. How can leaders ensure the effective and safe use of generative AI, when it's almost impossible to keep up with all the new tools?

The answer can't be found in policies alone. Generative AI is changing too fast for policies to be effective. New tools are coming online all the time, so as soon as a government finalizes an AI policy, it's immediately out of date.

Instead, we need to completely rethink the ways in which we manage transformative technologies—because our existing bureaucratic processes may be set up for failure. But there is a potential implementation framework that provides leaders with a structured approach to prepare for, evaluate, and deploy AI tools effectively. This framework emphasizes the mindset needed for successful integration and consists of three key pillars: people,

processes, and technology. This foundation allows us to create a practical framework for a holistic and sustainable approach to AI adoption in the public sector.

## PILLAR 1: PEOPLE

Talent is the cornerstone of successful AI implementation. Local governments need critical thinkers who have problem-solving skills and the ability to align AI adoption with strategic goals.

The barrier to effectively and safely using AI in local government is not the absence of AI policies. Well-crafted policies and robust governance structures can absolutely benefit the responsible use of AI in local government—these guidelines help ensure transparency, accountability, and alignment with organizational values. But policies are static documents that cannot adapt quickly enough to the rapid pace of change in AI. More importantly, policies are only as effective as the people interpreting and

implementing them on the ground. Even the best-laid plans can falter if the right individuals are not in place to bring them to life.

Nobody understands this more than government finance professionals. Again, we need robust and effective finance policies, which are essential for good governance, transparency, and accountability. Ultimately, though, it is people (not just policies) governance, and training that will determine the effectiveness of sound fiscal practices in your organization. Policies are the playbook, but we still need the players to bring those plays to life.

#### **Talent development and training.**

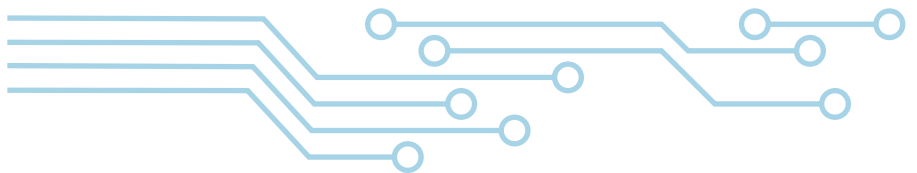
According to a report from Microsoft and LinkedIn, only 39 percent of workers have received AI training from their employers, and just 25 percent of companies intended to offer generative AI training in 2024.<sup>3</sup> But local governments reap rewards from investing in training and development programs that equip staff with the skills and knowledge they need to work effectively with AI technologies. Imagine the frustration of spending time to create robust accounting policies, while ignoring the need to train team members on how to use accounting software. A city that does this would be rolling the dice and waiting for the inevitable audit to reveal some kind of bad practice. The same philosophy applies to generative AI. Employees need to know how to use the tools to use them safely and effectively.

**Human-centered AI.** The “human-in-the-loop” approach ensures that human oversight and decision making remain central to AI implementation, a vital approach for maintaining accountability. It also ensures that AI outputs are critically assessed and contextualized by human expertise, preventing over-reliance on automated processes and mitigating potential biases inherent in AI models.

Local governments often lack the resources or expertise to train



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AI models from scratch, but they can focus on training and holding team members who interact with these AI systems accountable. This is the old adage about not believing everything you see on the Internet. Properly trained staff are better equipped to recognize errors. By empowering staff with the knowledge and skills to oversee AI operations, governments can ensure that AI applications align with community values and ethical standards.

The step beyond the “human-in-the-loop” approach is having the right

human in the loop. Simply having human oversight and review of content produced by generative AI tools isn't enough—we need to have good oversight. When using AI in Human Resources, someone familiar with HR practices should review the outputs; and when using AI in Finance, team members familiar with that functional area should assess the outputs. This is why training should be tailored to the specific functional areas of government. This kind of oversight helps catch and correct any potential biases or errors the AI might introduce.



## PILLAR 2: PROCESSES

The next key pillar is the development and refinement of processes. AI initiatives must be strategically aligned with the organization's mission and continuously monitored and evaluated for success.

**Strategic alignment.** Most local governments have mission statements, or at least general and strategic plans outlining their vision for the community. Adopting AI should not be your organization's mission. Instead, AI is a tool to help achieve the government's objectives. AI initiatives must be aligned with the organization's overarching mission and strategic goals. If AI does not contribute to meeting your organization's objectives, then it should not be deployed in that area. It's a waste of time and resources to focus on efforts that don't support the mission. Conversely, when we focus our energy on the mission, we achieve results.

Regularly assess AI initiatives using key performance indicators (KPIs) to measure their success and impact. KPIs should be specific, measurable, achievable, relevant, and time-bound, tailored to each AI project and focused on beneficial outcomes for the community. Continuously review and refine AI projects based on feedback and performance data to ensure they remain aligned with organizational goals.

To practically align AI initiatives with the city's mission, follow these steps:

- 1. Review the mission and strategic plans.** Begin by thoroughly understanding your organization's mission statement, general plan, and strategic plan. Identify the key objectives and desired outcomes outlined in these documents.
- 2. Identify potential AI applications.** Look at the specific goals and challenges within your mission and strategic plans. Brainstorm potential AI applications that could address these challenges or help achieve these goals. For example, if

one objective is to enhance financial transparency and efficiency, consider AI tools that can automate budget analysis and financial reporting.

- 3. Evaluate the relevance of AI.** Assess whether AI can genuinely contribute to each identified goal. If AI does not provide a clear advantage or solution, it should not be pursued for that objective.
- 4. Prioritize AI projects.** Rank the potential AI projects based on their alignment with the mission, their potential impact, and feasibility. Focus on projects that offer the most significant benefits and can be achieved within your current resources and constraints.
- 5. Develop a clear vision.** For each prioritized AI project, develop a clear vision statement that outlines how the AI initiative will advance the city's mission. This vision should include specific objectives, expected outcomes, and a timeline.
- 6. Create an action plan.** Develop a detailed action plan for implementing each AI project. This plan should include steps for development, deployment, and evaluation, ensuring that the project remains aligned with the mission throughout its lifecycle.
- 7. Monitor and evaluate.** Continuously monitor the progress of AI projects against the set objectives and expected outcomes. Use key performance indicators (KPIs) to measure success and make necessary adjustments to keep the project aligned with the mission.
- 8. Iterate and improve.** AI projects should not be static. Regularly revisit and refine AI initiatives based on feedback and changing needs. This iterative process helps maintain alignment with the mission and ensures ongoing relevance and effectiveness.

## PILLAR 3: TECHNOLOGY


A successful integration strategy aligns with the organization's mission and prioritizes people as the end users. The third and final pillar is technology, which involves effective data management, choosing the right AI solution (not just using AI for the sake of it), and establishing the necessary infrastructure for sustainability.

**Data management.** Effective AI implementation relies on high-quality, well-organized data. Before deploying AI solutions, local governments must address fundamental data management issues, including improving data quality, breaking down data silos, and standardizing data collection and storage practices. By implementing a structure to ensure data accessibility, security, and privacy, municipalities can create a solid foundation for successful AI applications.

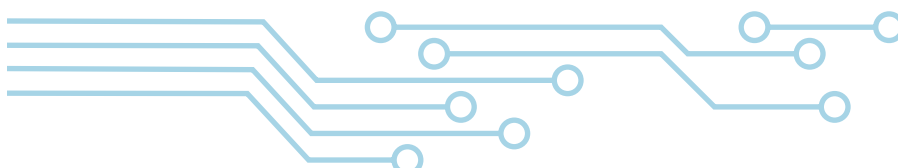
Data ownership is the foundation of data protection and data management. It's essential to own and control the data you manage, especially when considering AI for chatbots or automating financial reporting. If the solution doesn't allow your organization to own the data, it probably isn't the best choice. You might ask, "What about tools like ChatGPT? We don't own the data there; should we avoid those solutions?" The answer is to proceed with caution, not avoidance.

A general rule for generative AI tools like ChatGPT, Claude, or Gemini is not to put anything into the system that is not already publicly available. In the public sector, most of our work can be made public, but there's a difference between can be and is. If the data isn't already publicly available, do not put it into an AI model unless you know exactly how that data will be used and can control its end use.

**AI tools and solutions.** Selecting the right AI tools and solutions is crucial for meeting the specific needs of the city. It's too easy to get caught up in the AI hype. Frankly, in the public sector, we've seen numerous taxpayer-funded gadgets and



When working with AI systems that layer onto your existing data structure, the importance of data cleanliness and accessibility cannot be overstated.



technologies that were adopted because a vendor sold them as solutions without a clear problem to solve. Let's not repeat those same mistakes with AI. Avoid looking at AI as a solution in search of a problem.

Not all generative AI models are created equally, and they perform different functions. Understanding the risk nuances associated with different generative AI platforms is critical to successful integration. High-stakes applications like predictive policing demand rigorous oversight and ethical considerations, whereas low-risk uses like generating a job description can be more straightforward to implement. We do ourselves a disfavor when we paint AI with broad brushes, ignoring these distinctions.

Instead, after reviewing the goals and objectives for your organization, identify small pilot projects that use AI to enhance your team's ability to deliver measurable results on those goals. For example, you could use Claude to review financial policies or employ ChatGPT to compare departmental policies with the municipal code. This approach allows organizations to test the feasibility and impact of AI applications in a controlled environment, with relatively low risk.

**Infrastructure investment.** Investing in the necessary infrastructure to support AI technologies is vital. This includes not only the physical hardware and software but also the development of data literacy among staff. A key

component of this investment is ensuring that data is clean, well-organized, and accessible. AI platforms rely heavily on high-quality data to provide accurate and valuable insights. When working with AI systems that layer onto your existing data structure, the importance of data cleanliness and accessibility cannot be overstated.

#### **Why clean and accessible data is crucial:**

1. **Accuracy of insights.** AI algorithms depend on large volumes of data to detect patterns and make predictions. If the data is incomplete, inconsistent, or inaccurate, the AI's output will reflect these flaws, leading to unreliable insights.
2. **Efficiency in processing.** Well-organized data reduces the time and computational power required for AI systems to process information. This efficiency can lead to faster decision making and more timely interventions, which is particularly important in critical applications such as emergency response or financial forecasting.
3. **Integration with existing systems.** AI platforms often need to integrate with existing databases and legacy systems. If the data in these systems isn't standardized and accessible, it can create significant barriers to integration, leading to increased costs, delays, and more errors.

4. **Scalability.** As AI initiatives expand, the volume of data they handle will grow. Ensuring that data is clean and well-managed from the start makes it easier to scale AI applications without encountering data bottlenecks or quality issues.

5. **Compliance and security.** In many sectors, particularly in the public domain, data privacy and security are paramount. Clean and well-organized data is easier to monitor and protect, ensuring compliance with standards and regulations such as generally accepted accounting principles or criminal justice information systems.

## **CONCLUSION**

Robust AI governance is essential, but relying solely on policies is insufficient because of the rapid evolution of AI tools. Instead, a framework that includes people, processes, and technology is needed first, providing a solid foundation upon which AI governance can be built.

By focusing on these three pillars—people, processes, and technology—local governments can create a robust framework for AI integration. This holistic approach ensures that AI initiatives are effective, ethical, and aligned with the community's needs and strategic goals. Through thoughtful preparation and structured implementation, local governments can harness the full potential of AI to serve their communities better. ■

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<sup>1</sup> *Generative AI Market Growth is Booming with 27.02%*, Precedence Research, July 2023.

<sup>2</sup> *Watch CNBC's Full Interview with Billionaire Investor Mark Cuban* video, CNBC YouTube channel, April 2024.

<sup>3</sup> "AI at Work Is Here. Now Comes the Hard Part," *2024 Work Trend Index Annual Report*, Microsoft and LinkedIn, May 8, 2024.