Explaining County Government Budget Transparency In an Age of E-Government

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Explaining County Government Budget Transparency In an Age of E-Government
Jonathan M. Birds, Leander D. Kellogg, and E. Lee Bernick
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Overview
This research seeks to explain what best budgetary practices individual U.S. counties employ and how much of this information they are sharing with their constituents via their county websites using a random sample of 400 U.S. counties.

Abstract
This research seeks to explain budgetary transparency practices of individual US counties by examining the extent of information sharing with constituents via their websites. There are 3,138 counties and county equivalents in the United States. This study evaluates a random sample of 400 US counties where 19% of the represented counties having populations of 100,000 or more residents, matching the same ratio of counties with populations of 100,000 or more residents nationally. We create a four-level categorical dependent variable measuring budget transparency. Using an ordered probit analysis with six independent variables we are able to explain the probability of counties having transparent budgeting practices.

Background
An important part of achieving higher public service and improving the governmental budgetary process involves the availability and clarity of the budget itself (Baban, 2009). The Government Finance Officers Association (GFOA) has presented counties and other local governments with budgetary standards that represent “best practices” in the field. These practices have generally been accepted as the standard for good budgeting and some previous research has used the presentation of a budget award as a measure of having an acceptable budget (Rickards, 1990). In his study of Texas counties and cities, Rickards (1990) noted that one of the most common budget challenges for local governments is the ability to allow “outsiders” to access and understand the financial decisions that officials make. Many counties have won either the distinguished budget award or CAFR award for excellence in financial reporting through the program established in 1984 by the GFOA. Not only must a county publish a budget to be eligible to win an award, but it must also meet the criteria set forth by the GFOA. As well as presenting local governments with guidelines for budget formulation and adoption, there are also guidelines given for auditing, annual reporting, accessibility, understandability, economic development, and technology. Four major hypotheses were developed for this work:

Hypothesis 1:
The more economically stressed the county, the less open.

Hypothesis 2:
The more homogeneous a county, the more open.

Hypothesis 3:
The older the population, the less open.

Hypothesis 4:
The more liberal a county, the more citizen involvement/open.

Methodology
A sample of 400 large and small counties was drawn randomly using SSPS of the entire population. There were 324 small counties drawn as well as 76 large counties (population over 100,000) to represent the total population. About 19 percent of counties in the U.S. have populations greater than 100,000. Using county website information, the data were collected across a number of variables related to the budget information availability and ease of access for constituents. It was noted if counties had a posted budget available for access, how easy the budget was to find on the website, and the availability of any comprehensive annual financial reports (CAFR). The accessibility of the budget information was not only measured by availability, but also by the number of clicks a person would have to make to actually access it. Also data were collected on any links placed on the homepage that take the user directly to the budget information. Lastly, it was noted if the county maintained a separate budget office and budget officer outside another branch of the government that was strictly in charge of the budget.

After cleaning and assessing any issues with the data, three dependent variables were added together to create a scale for “openness” of government. The “budget type variable” was recoded from it’s original form (1=line item budget, 3=other type of budget) to be a binary 0 and 1 variable. This variable added with the “having a budget website” variable and the “CAFR” variable made up the “openness” scale.

Ordered probit was used to analyze the predicted probability of having higher scores on the openness scale reflecting transparency in the county. The major independent variables were: size of the county board, FTE, the economic stress factor, the older/vacation factor, the minority democratic factor, and the heterogeneity factor.

Analysis

Table 1. Budget

<table>
<thead>
<tr>
<th>Budget on Website</th>
<th>Openness</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Website</td>
<td>45.0%</td>
</tr>
<tr>
<td>Yes</td>
<td>46.8%</td>
</tr>
<tr>
<td>No Website</td>
<td>8.3%</td>
</tr>
<tr>
<td>Yes</td>
<td>21.9%</td>
</tr>
<tr>
<td>Total</td>
<td>100.1%</td>
</tr>
</tbody>
</table>

Note: Totals may not equal 100.0% due to rounding

Table 2. Explaining County Budget Transparency (an Ordered Probit Model)

<table>
<thead>
<tr>
<th>Independent Variable</th>
<th>Coefficients</th>
<th>No Budget Information</th>
<th>One Element</th>
<th>Two Elements</th>
<th>Three Elements</th>
</tr>
</thead>
<tbody>
<tr>
<td>Size of County Board</td>
<td>0.034***(0.0117)</td>
<td>0.09</td>
<td>0.10</td>
<td>0.39</td>
<td></td>
</tr>
<tr>
<td>FTE</td>
<td>0.003**(0.0014)</td>
<td>0.44</td>
<td>0.16</td>
<td>0.63</td>
<td></td>
</tr>
<tr>
<td>Economic Stress</td>
<td>0.269***(0.0679)</td>
<td>0.60</td>
<td>0.25</td>
<td>0.31</td>
<td></td>
</tr>
<tr>
<td>Older/Vacation</td>
<td>1.073**(0.0626)</td>
<td>0.24</td>
<td>0.02</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>Minority Democratic</td>
<td>0.768**(0.0799)</td>
<td>0.71</td>
<td>0.09</td>
<td>0.13</td>
<td></td>
</tr>
<tr>
<td>Heterogeneity</td>
<td>1.838***</td>
<td>0.35</td>
<td>0.03</td>
<td>0.14</td>
<td></td>
</tr>
</tbody>
</table>

Table 3. Probit Analysis

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficients</th>
<th>Standard Error</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Stress</td>
<td>0.31</td>
<td>0.06</td>
</tr>
<tr>
<td>Older/Vacation</td>
<td>0.30</td>
<td>0.06</td>
</tr>
<tr>
<td>Minority Democratic</td>
<td>0.26</td>
<td>0.06</td>
</tr>
</tbody>
</table>

Findings and Conclusion
The results of the ordered probit analysis are presented in Table 2 and the Pseudo R2 indicates that the model has a good fit (Long and Freese, 2006). All six of the variables are significant and in the direction hypothesized. More specifically, as the size of the elected county board increases the probability of being in one of the more open categories increases. This is also true for the size of the administrative staff in a county (FTE). The Heterogeneity variable and the Minority/Democratic County variable also indicate that they help explain openness. On the other hand, the Economic Stress and the Older/Vacation variables both work against Openness. As we hypothesized, two variables had a negative effect on counties being more open. Counties with older populations and with seasonal housing are more likely to be in the “No Budget” category. (In discussing the values presented in Table 2 we multiply the values by 100 to obtain percentages.) In other words, the 24% for the Older/Vacation Variable means that moving from the lowest to the highest score for the variable increases the probability of no budget information and also decreases the likelihood of having all three budget elements by 10%. Similarly, counties with higher populations under economic stress are 60% more likely to be in the “No Budget” and 31% less likely to be in the most open category.

References

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