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

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Aims

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 website using a random sample of 400 U.S. counties.

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, 2008). 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 for excellence in financial reporting through the program established in 1984 by the GFOA, 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 specifically in charge of the budget.

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 SPSS 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 specifically in charge of the budget.

Analysis

Table 1. Budget on Website vs Openness

<table>
<thead>
<tr>
<th>Element</th>
<th>Budget on Website</th>
<th>Openness</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Website</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Website</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>100.0%</td>
<td>100.0%</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>0.009</td>
<td>0.10</td>
<td>0.09</td>
<td></td>
</tr>
<tr>
<td>FTE</td>
<td>0.003*** (0.0014)</td>
<td>0.44</td>
<td>0.16</td>
<td>0.02</td>
<td>0.63</td>
</tr>
<tr>
<td>Economic Stress</td>
<td>0.269*** (0.0679)</td>
<td>0.03</td>
<td>0.25</td>
<td>0.31</td>
<td></td>
</tr>
<tr>
<td>Elder/Vacation</td>
<td>1.073* (0.626)</td>
<td>0.24</td>
<td>0.02</td>
<td>0.12</td>
<td>0.10</td>
</tr>
<tr>
<td>Minority Democratic</td>
<td>0.368*** (0.0799)</td>
<td>0.09</td>
<td>0.13</td>
<td>0.68</td>
<td></td>
</tr>
</tbody>
</table>

Heterogeneity

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>Three Elements</th>
<th>0.183***</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Website</td>
<td>0.35</td>
<td>0.03</td>
</tr>
</tbody>
</table>

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 Elder/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 Elder/Vacation Variable means that moving from the lowest to the highest score for this 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.

While considerable research on county governments have focused on e-government and what is being done to promote interactive business activities and democracy, one should not move to fast ahead of the reality. It is true that many county websites allow people to pay their tax bills on line or to obtain permits through the website, these activities should not cause us to lose sight of the fact that there is very little budget and financial information made available on the web. It is interesting that the relationship between the states and their counties have traditionally been top down in demanding county governments to conduct certain activities, but fail to demand website budget openness. This is especially noteworthy because many states require by statute local governments to publish materials in a newspaper or to provide access to budget material at a library, but fail to require local governments to use the web. Our assumption was to conclude that if budget transparency is seen as a sine qua non for good government, then county governments have much to do to improve their status.

References


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