Transparency:

A Means to Improving Citizen Trust in Government

Government Finance Officers Association

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Much has been made of the U.S. public's eroding trust and confidence in government, particularly its abysmally low levels of trust and confidence in the federal legislature.[1] The good news is that trust in local government has remained relatively steady for the last 15 years. According to a series of Gallup polls from 2001 to 2017, approximately 70 percent of people over that timeframe had either a great deal or fair amount of trust and confidence in local governments to handle local problems.[2] As of 2017, this compared to 45 percent with similar trust levels in the federal executive branch, 35 percent in the federal legislative branch, and 63 percent in state governments.

Though local governments appear more capable of earning citizens' trust than federal or state governments, they face some worrying trends. First, trust in people who hold public office has been declining steadily over the past 15 years. While about 60 percent of people had a great deal or fair amount of trust in public officials 15 years ago, only 48 percent did in 2017. Second, people's trust and confidence in their fellow Americans to make good judgements within the context of a democratic system has fallen from about 75 percent at the beginning the 21st century to 62 percent in 2017.[3] While the institution of local government itself does not appear to have suffered a loss in trust, its underlying principles, democracy and representative government, have.

Throughout American history, dissatisfaction with government institutions has often resulted in calls for increasing the amount of openness and public participation in our institutions – or, put another way, the solution to problems with democracy has been more democracy.[4]

But increasing openness and transparency may have hidden costs and unintended consequences. For example, in the 1970s, in the wake of Vietnam, Watergate, and other social stressors, many in government felt that the system needed to be "fixed" in order to retain legitimacy. Congress led the way by making its processes more transparent. One of the most consequential reforms was to make subcommittee meetings open to the public and to record votes – whereas in the past, meetings were often closed to the public and individual Congress members' votes were not recorded. The reforms were intended to make Congress more open and accountable to the public, but in practice, the solution backfired. As it turns out, most citizens are neither willing nor able to monitor individual Congress members – but special interest groups and lobbyists are. Many members of Congress feel these reforms have actually helped enable many of the congressional dysfunctions that today's public decries.[5]

In the world of local government, an unintended consequence of calls for more transparency can be found in recent Governmental Account Standards Board (GASB) pronouncements, which require local governments to spend time and money to produce new accounting reports for the public. The new information required by the pronouncements has expanded the volume and scope of financial reporting, perhaps making financial reports more difficult to navigate and understand. This works against the very goals the pronouncements were intended to promote.

Unintended consequences can be far more insidious. Take, for example, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. It had the effect of placing a government's total pension liability on its balance sheet,[6] whereas before the financial statements were only concerned with the amount the government would need to pay each year in order to remain current on the financing of its long-term pension obligations. Naturally, the government's total pension liability is a far larger number than a government's annual actuarially required contribution to the pension plan. There is value in knowing the total size of the liability, and GFOA fully endorses taking a long-term perspective on government finances.[7] However, the effect of placing such a large number on the balance sheet can be to incite panic and calls for "action" to reduce the size of the pension liability. This might lead a government to take the inadvisable step of issuing pension obligations bonds[8] or to employ even more questionable financial instruments that reduce the size of the liability on the balance sheet right away, at the expense of long-term financial health.[9]

How can local government address shaken confidence in government and in foundational American values, while avoiding unintended consequences? To answer this question, we will start by examining *why* government should be more transparent and open. Next, we discuss *how* governments can become more transparent. Finally, we examine specific transparency initiatives that a local government might pursue, with an emphasis on a government's financial sustainability.

Why Do People Trust Local Government More than Federal or State Governments?

Probably the most important reason citizens find local government to be more trustworthy than its federal and state counterparts is because citizens have face-to-face experiences with local government. For example, they might send their children to public schools and meet the teachers, or receive help from a public safety worker. Nothing builds trust like in-person interaction. Actions speak louder than words, and people pick up on many non-verbal "tells" during an in-person conversation that signal trustworthiness. A school district stating that it cares about children is a theoretical abstraction, whereas watching a teacher in the classroom is a powerful demonstration. Similarly, a police department might say it values just and fair treatment of all citizens, but an in-person interaction will prove it. In contrast, when people think of the state government they are more likely to think about arms-length transactions, like renewing license plates online. When they think of the federal government, media coverage of controversial national and international issues probably come to mind. Hence, local governments should remain mindful that much of their advantage in trust depends on the quality of the personal experiences citizens have with local government's representatives. This suggests fostering a culture where government staff see providing services fairly, respectfully, and with integrity as integral to their jobs.[10] This is crucial to gaining and maintaining citizen trust.

Why Transparency is Needed … and How to Get There

The underlying reason for transparency is to help create trust among citizens, government administrators, and elected officials. When citizens trust in government, they will be more willing to pay taxes, participate in community governance, cooperate with government officials to solve community problems, and invest in the community.

There are two main factors that contribute to how people gauge trust: competence and values.[11]

Competence concerns the ability of a person/institution to accomplish goals and perform tasks. For example, if citizens can see that government keeps local streets well-maintained, then perceptions of competence will increase. Local governments have done much to make demonstrations of competence transparent. For example, they demonstrate competent financial management through comprehensive annual financial reports. They show competent production of public services through the compilation of performance measures in budget documents.

Values address the underlying motives of an institution/person – and they speak to the emotions and moral intuition of the citizen. For example, if citizens believe an official's motives are pure, then they will be more likely to trust the official. Local governments have not done as much to be transparent about underlying values, compared to the efforts made in demonstrating competence. For instance, typical transparency programs might help show that public officials are not defrauding the public, but they don't often do much to show that officials' values align with those of constituents or that officials care about constituents as people. Integrity, dependability, and fairness are leading examples of values that go beyond basic financial probity. These values usually need to be in place for a government and its officials to be trusted.

In the next sections, we will discuss four broad strategies to demonstrate competence and good values through transparency and openness.

- **Communicate similarity in values.** Citizens trust government officials who share their values.

- **Communicate concern.** When a government official listens to citizens in a way that demonstrates thoughtfulness and compassion, the official is perceived as more worthy of trust.

- **Allow citizens to scrutinize government work.** This demonstrates competence by allowing citizens to see how government is performing. Also, the act of making performance data available may send a signal that the government values openness and integrity.

- **Help citizens understand the decision-making process.** If citizens can see that decision-making is fraught with hard choices, often with no perfect solution, they may empathize more with public officials.

Transparency is necessary, but insufficient by itself, to build trust, so it is just one piece of the puzzle.[12] Other pieces include citizen engagement and responsive and reliable public services, but those are beyond the scope of this paper.

Communicate Similarity in Values

We trust people who share our values. Making the values that the government operates by (particularly when they are widely shared by the community) transparent is important. To illustrate, consider Traverse City Area Public Schools (TCAPS), in northern Michigan. TCAPS wanted to launch a new form of budgeting and financial planning to help deal with financial distress and improve student learning. One of the first steps was to translate the new budgeting method into a set of values:

1. **Education priorities should drive the budget.** Because each year's budget was largely based on historical precedent, decisions about curriculum and instruction made years ago tended to be frozen in place. This value stated that, instead, TCAPS should determine its educational targets and then support its learning objectives with its budget.

2. **You can't be all things to all people.** There is a tendency for many school districts, as democratic institutions, to try to please as many people as much as possible. However, delivering world-class education at an affordable cost demands focus.

3. **Seek a high Academic Return on Investment (A-ROI).** TCAPS should seek to get the most bang for its buck. The A-ROI principle highlights the need to make a practical connection between academic and financial decision-making.

These three principles later helped TCAPS make difficult decisions about how its limited resources would be used to support its children. For example, TCAPS closed two low-enrollment schools and put the resources towards direct investment in student learning. This decision aligned with TCAPS' stated values: 1) TCAPS would not let the past dictate future plans; 2) TCAPS could not both keep both schools open and deliver the high quality educational programming demanded by the community; and 3) Keeping low-enrollment schools open offered low educational return for TCAPS' dollars. Partially because TCAPS was explicit and transparent about the values underlying the decision and demonstrated integrity by sticking to the values, the local teacher's union and the chamber of commerce supported the decision to close the schools. Also, over 95 percent of the students at the closed schools chose to continue their education with TCAPS at another building. People are sensitive to inconsistencies between words and actions, so once values are stated they must also be followed.

> ## A Call for Values in Government in the Internet Age
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> "We need to figure out collectively what our values are, how they relate to concrete priorities, and how a revamped government could best deliver on those priorities working for the common good instead of special interests…. If we want to continue living in a prosperous, safe, thriving democracy, we need to start talking about the government we need and want and then take steps to make it a reality."
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> Nicco Mele, Director, Shorenstein Center on Media, Politics, and Public Policy at the Harvard Kennedy School of Government

However, it can be difficult to find truly "universal" values that everyone in the community will relate to. Different people weigh values differently. One study showed, for example, that politically liberal people, tend to emphasize helping people that are suffering more than conservatives, whereas conservatives tend to weight the values of teamwork and loyalty more than liberals.[13] The implication is that local government leaders will need to demonstrate values that are shared with a broad group of people in order to maximize trust. A good starting point may be values related to integrity, openness, and fairness.[14] No matter the values, government must not just "communicate" the values, in the sense of a marketing campaign. It must also demonstrate that the values animate the government's work.

Communicate Concern

Concern is different than values. A person can be concerned about both liberals and conservatives, for example, but not share values with both groups. Concern means that a government official listens and responds to a citizen in a way that demonstrates thoughtfulness and compassion, making the government official worthy of trust. The personal behavior of government officials has an important role in communicating concern. However, government can also systematically communicate concern by using transparent decision-making processes that show how the interests and views of different parties were considered and that the criteria used to make the decision were reasonable.

A body of research known as "procedural justice" demonstrates the veracity of this strategy. It shows that people are often willing to accept and even support decisions that are not in their self-interest if they perceive that the process used to reach that decision was fair, operated by rules that are consistently applied to all participants, and truly considered their views. For example, research has shown that when managers believe that a strategic plan was put together using a fair process, they are more supportive of the plan even if the plan doesn't fulfill all of their wishes.[15] But what about higher-stakes decisions, such as layoffs? Even here, perceptions of procedural justice matter a great deal. For example, research with casualties of layoffs showed that among those who felt they were unjustly treated, 66 percent were considering legal action against their former employers, while the figure was just 16 percent for those who felt they were treated fairly.[16]

A procedurally just decision-making system has four features.[17]

- **Decisions are based on accurate information.** Reasonable people can disagree, but they are more likely to disagree when they base their views on different sets of facts. Governments can be open and transparent with the information that underpins its decisions, such as the availability of resources to fund services.

- **Decision-making criteria are applied to everyone equally.** For example, a government should define criteria for how budget-funding decisions will be made and apply those criteria to all departments.

- **All affected stakeholders are given the opportunity for input.** After input is collected and considered and a decision is made, government leaders should explain why the decision was made, including acknowledging any drawbacks or weaknesses of the decision, especially in light of other options that stakeholders might have suggested. This demonstrates that the decision was carefully considered and based on the facts.

- **Mistakes are recognized and corrected.** This starts with government leaders acknowledging the risks that the decision will not work out as hoped. This shows leaders took into account the weaknesses of the option they decided to go with. Next, the government should have a transparent means of evaluating outcomes, as well as a process for correcting mistakes.

Communicating concerns and being transparent in values are important because citizens will very rarely have a complete understanding of the decision-making processes used by government or the full range of information that public officials have access to. Therefore, citizens will need to fill in a lot of blanks based on impressions of government formed from their previous experiences. For example, imagine a program that a citizen values does not get funded because there is not enough money available. Based on the constituent's limited knowledge of how such decisions are made, they might conclude that the program didn't get funding because there simply isn't enough money. However, constituents might also conclude that government officials are lazy/incompetent, or that "they" simply don't care about "us". Being transparent about values and concern make it more likely that citizens would reach conclusions like the first one when they are not in possession of any definitive information.

Allow Citizens to Scrutinize Government Work

This strategy involves making information about local government more accessible. The most obvious benefit of doing so is demonstrating competence by allowing citizens to see how government is performing. Another less obvious benefit is that the act of making information available may send a signal that the government values openness and integrity – although most citizens may never delve into this information themselves, they may take comfort in knowing it is available.

However, in order for information to increase citizens' perceptions of competence, citizens must be able to interpret that information. For example, putting large amounts of raw data on-line is unlikely to increase perceptions of competence if citizens have no way to interpret it.[18] This means that local governments will need to make it possible for citizens to interpret complex data in order for citizens to be able to validate government work.

Public hearings are, perhaps, the oldest method for providing citizens with information about government and interpretation of that information. Town hall meetings, for example, give citizens the opportunity to hear from public officials and voice concerns. However, traditional public meeting formats may not be conducive to meaningful learning and discourse, much less trust-building.[19] In many cases, public hearings "tend to be expressions of opinion, expressions of passion, expressions of preferences, but with no dialogue."[20] Another time-honored tradition is financial reporting in the form of a comprehensive annual financial report (CAFR) or a budget book. Both documents can be challenging for citizens to interpret and validate, given the financial proficiency required to do so.

Because of the limits of traditional public hearings and financial reporting, many governments have looked for supplements. One promising development is "popular" reporting, which translate traditional CAFRs or budgets into formats that are more visually

appealing, understandable, and accessible by the average citizen. GFOA has a Popular Annual Financial Reporting Award Program (PAFR), which recognizes outstanding reports.[21] One example is Franklin County, Ohio, which has received the PAFR award for 20 years, and displays a variety of financial and economic statistics in easy-to-understand charts and graphs.[22]

The Association of Government Accountants (AGA) provides templates for popular reporting, known as Citizen-Centric Reporting.[23] This format helps demonstrate how government mission and services make a difference in the lives of citizens. AGA states that over 400 reports have been produced since 2007, and provides links to sample reports from state and local governments to serve as models.[24]

Digital dashboards and scorecards are an extension of popular reporting, where technology is used to dramatically increase visual appeal, understandability, and accessibility over paper documents. Another potential improvement over traditional reporting is for governments to show how citizens' lives have been improved because of government services and then link those improvements to the cost. This would allow citizens to see the value of public services, perhaps building support for taxes and fees to provide those services.

Some governments provide information to citizens in more modern and less formal meetings, distinct from traditional public hearings. The City of Fort Collins, Colorado targets groups with information relevant to that group's concerns. For example, an informal meeting at a popular brewery in Fort Collins was held to discuss the broadband internet capacity of the community with millennial citizens. Fort Collins also conducts door-to-door recruitment for meetings in neighborhoods, which helps clarify the needs of citizens. The City seeks to reach all communities, including non-English speaking residents, by offering interpreter services and other accommodations for groups that may feel unwelcome by traditional public meetings. Fort Collins looks to meet citizens where they are, rather than placing the onus on the citizen to come to the City to get information about their government.

Besides making it easier for citizens to learn about and participate in their community, Fort Collins' efforts helps people see that the City government cares enough to make an effort to meet with citizens face to face. Further, the fact that the City goes out of its way to get in touch with community members doubtlessly sends a strong signal that the City is concerned about the community's views and that the City values openness.

Perhaps the most recent way of allowing citizens to validate government work is "open data". The premise is that citizens will be free to conduct their own inquiries into public finances if all of the government's financial data is freely available online. "Open" data is characterized by free access and use by anyone, and the ability to share the data.[25] An "open checkbook" website, where governments make available records of all checks issued, is an example of open data.

All the strategies above aim to give the citizen more equal information to that available to public officials. In economics, a situation where one party to a transaction has more information than another is called an "information asymmetry." An asymmetry can lead to

suboptimal outcomes. For example, if a seller of a used car knows of persistent maintenance problems that are unknown to the prospective buyer, then the buyer will likely overpay for the car. Services like CARFAX that provide vehicle history reports try to reduce information asymmetries. Similarly, if a citizen is not aware of financial mismanagement or malfeasance on the part of a public official, for instance, then the citizen may vote to return the official to office, rather than voting for another candidate (conversely, if voters aren't aware of good financial management, they may not adequately reward incumbents at the ballot box). Open information transparency initiatives aim to create more informed citizens and, thereby, more optimal democratic outcomes.

Help Citizens Understand the Decision-Making Process

By going through a decision-making process (for example, a budget), citizens can see that the process is fraught with hard choices, often with no perfect solution. This may help them empathize with public officials. In the interest of keeping this paper focused, we will not stray into the topic of citizen engagement except to say that an authentic and well-developed citizen engagement strategy is a necessary complement to transparency in order to build trust between citizens and their government. This is because face-to-face communication is critical to creating trust. Organizations like the National Civic League, Public Agenda, and the Kettering Foundation help local governments improve citizen engagement.

With respect to transparency, governments can be open about where and when key decisions are made so that citizens can more easily observe or participate in the decision-making process. A budget calendar is an example of how governments make the public aware of such opportunities, but more can be done. City staff in Fort Collins, for example, have gone door to door to recruit participants and set up booths at street festivals to communicate with citizens. Governments can also be open with information that is used to support decisions, providing interpretation for the non-expert citizen, where necessary.

A Fly in the Ointment – The Limits of Rationality and Learning

Much of the popular rationale for government transparency initiatives rests on a belief that if citizens are given access to objective information about the performance of government, then their opinion of government will be swayed. However, scientists are learning more about the limits of rationality in human cognition. In 2002, Daniel Kahneman became the first psychologist to win a Nobel Prize in economics. The foundation of his work with his late collaborator Amos Tversky is a recognition that rationality and deep thought play a minor role in people's cognition – a much smaller role than had been assumed by economists (and by Western culture, generally). Instead, people rely much more on "gut" instincts and emotional intuition, and are generally hesitant to spend energy on cognitively demanding tasks. Instead of relying mostly on rational thought to make decisions, Kahneman discovered that people rely mostly on decision-making "heuristics," or mental shortcuts.[26]

A heuristic allows people to make decisions quickly with relatively little cognitive effort, yet often produces a high degree of accuracy.[27] Heuristics operate intuitively, which means they

arise automatically in the consciousness; one doesn't consider the underlying reasons for the resulting decision, yet the feeling engendered by the heuristic is strong enough to be actionable.[28] A common example is when we reflexively buy a new brand-name product at a store, without first reading *Consumer Reports* or otherwise gathering information to verify that it is, in fact, the best purchase. In this case, trust in the brand is a shopping heuristic. Trust also serves as a heuristic for trust in local government because people do not have the time or resources to watch government's every move. Instead citizens abide by an intuitive feel for government's trustworthiness. For example, research has shown that citizens will use trust of government as heuristic that leads them to support more spending on infrastructure and human services.[29]

One of the consequences of Western societies' overestimation of the role of logic and rationality in human cognition is the tendency to underestimate the difficulty involved for a person to truly come to understand a previously unknown subject matter. For example, the Internet or "information super highway" was supposed to put information at everyone's fingertips. It did put it all at our fingertips, but that is where 99.9 percent of it has stayed, without passing into the head.[30] Having information in the sense of data or symbols on a page (or screen) is different than knowing that information, or being able to interpret it. Hence, in some ways, the story of the Internet reads like a case study in unintended consequences. Access to information was intended to raise the level of public discourse, but it is far from clear that has happened. Rather, the internet appears to have, so far, "disrupted" discourse, undermined faith in expertise,[31] and contributed to the polarization of public opinion.[32]

An implication for government transparency is that transparency initiatives that expect citizens to make sense of technical and abstract information, especially in large amounts, (such as the many line items and millions of dollars described in a typical public budget) probably face a much greater hurdle to increasing trust than their well-meaning originators thought. In fact, at worst, too much information could actually *decrease* trust. One study, at a very large city government, showed that increased use of the city's website was associated with decreasing public trust, while increased use of that same city's social media was associated with increased trust.[33] The researchers posited that the increased information afforded by the website offered citizens more opportunity to find information that they found disconcerting. For example,

The End of Rationality in Economics... and Maybe Public Management?

Economics was once a bastion of rationality. For a long time, the discipline was grounded in the assumption that humans are logical beings who can make rational assessments of their circumstances and act accordingly. However, in recent years the rational economic actor assumption has been called into question by accumulating experimental evidence, prompting a reconsideration of important tenants of economic theory. Hence, the field of behavioral economics, which recognizes the role of intuition and heuristics in decision-making, is becoming increasingly prominent within the field. In fact, the 2015 and 2016 presidents of the American Economics Association were behavioral economists. Could the field of public management follow suit in recognizing the importance of our non-rational sides in making decisions?

a social media post might just show that the City has a high bond rating or that the budget was balanced. A website might take citizens into arcane departmental and line item budgets, creating confusion and, perhaps, suspicion. Also, social media tends to use simple language, where a website might tend to use technical language. Technical language could imply to citizens a "class divide" between themselves and their public servants, thereby signaling a lack of shared values and creating distrust.[34]

As we think about how transparency can increase trust we will have to move beyond the classic conception of citizens who respond to logic and data, and recognize the eminence of intuition in how citizens make sense of the complex information they are presented with in a modern democratic system.

Increasing Trust and Financial Sustainability through Transparency

This paper focuses on how trust will produce financial sustainability for local governments, and how transparency is a means to obtaining this end. However, financial sustainability is not simply a matter of dollars and cents. A local government has three fundamental responsibilities that are essential to reaching financial sustainability:[35]

1. **Equitable treatment.** Each jurisdiction must provide basic services for maintaining the health, safety, and welfare of the community, regardless of an individual resident's ability to pay.

2. **Fair pricing.** Each jurisdiction must ensure basic services are provided at prices that are fair to current and future residents.

3. **Fiduciary responsibility.** Each jurisdiction must ensure that current and future expenditures are justified by benefit-cost calculations and supported by reliable revenue streams. Hence, local governments must think carefully about how to clarify the relationship between the benefits received by stakeholders and the contributions they make to sustaining local government.

We will describe transparency tactics that support each of these responsibilities of government.

Equitable Treatment

The responsibility to provide services to maintain the health, safety, and welfare of constituents may appear to be relatively straightforward, but the need to provide services equitably across stakeholders belies this apparent simplicity. This is because "equitable" can be defined in different ways. For example, under perfect equality, resources are equally distributed to all stakeholder groups. Another definition of "equitable" might provide services back to stakeholders proportionate to the amount they paid, while yet another might be to provide services in proportion to the individual need of the

"All are equal, but some are more equal than others."

George Orwell, warning that governments that proclaim equality, may, in fact, give power and resources to a small elite.

constituent. Different definitions might be appropriate for different services. For example, for a municipal water or sewer service, users' financial contributions are typically proportional to their use of the system. For many social services, the users of the service do not pay taxes or fees in an amount sufficient to cover their costs – they are subsidized by other payers.

Perceptions of equity have real implications for trust in government. If resources are perceived to be distributed inequitably – e.g., according to family background, personal connections, political affiliation, etc. – then trust in the institutions responsible for distributing those resources will decline.[36] If the public perceives the standard of fairness to be reasonable and to not unduly benefit one group at the expense of another, this gives the impression that public officials care, and can be reasoned with and influenced.

A government should be clear on its definition of "equitable" and show how that value is implemented. For example, the City of Portland, Oregon, adopted equity as an overarching goal of its strategic plan (see diagram). From there, the Council decided to focus on racial equity and equity for people with disabilities. The City adopted three specific equity goals, covering: 1) the representativeness of the City's workforce; 2) outreach and engagement of marginalized groups; and 3) elimination of inequities in service provision. Each City department developed a racial equity plan to show how these goals would be implemented. The plans were adopted by Council resolution.

To identify where services are provided equitably or not, Portland uses a series of performance measures broken down by geographies. Population information (e.g., race or disability) is overlaid on maps of the City. For example, a map of pavement quality index shows that the east side of Portland, traditionally an underserved area, has some of the best-quality streets in the City. However, a map of traffic fatalities shows that this same area has a relatively large number of fatalities. Hence, a more equitable distribution of resources might not entail more street maintenance, but, instead, more investment in traffic control devices. Portland's maps and performance measures are available online. Some of the maps are interactive, allowing the public to pursue their own lines of inquiry about equity.

Portland's Strategies

Portland also has a "budget equity assessment tool" to help departments think through how their base budget and any requested additions (or subtractions) impacts equity. The effectiveness of this tool has improved over the years as departments become more acclimated to it and as the guidance from the City's Budget Office and Office of Equity and Human Rights has become more refined.

Taken together, the performance measures, maps, and budget equity assessment show the "equity" value is lived by City officials in the way the City government allocates resources and the results produced by City services.

Moving on from communicating how equity is valued, transparency can support a government's civic responsibility in other ways. For example, one aspect of a government's perceived competence is its reliability: its ability to deal with uncertainty and provide services in a consistent and predictable manner.[37] To deal with uncertainty, a government can enact financial policies that prepare the government for uncertainty. For example, a "rainy day fund" policy that defines the amount of money the government will keep in reserve and the conditions under which it can be used could offer assurances of reliability. Such a policy could be even more powerful if the reserved amount is based on an explicit analysis of the risks a government faces and there is a means for outsiders to verify that the guidelines set forth by the policy are being followed. For example, some local governments have published an annual self-assessment of the extent to which they are in compliance with their financial policies.

Transparency initiatives can support perceptions of competence. For example, a program called "Boston About Results" quantifies how well public employees are able to respond to service requests and reports the results on digital scorecards.[38] These statistics range from number of home healthcare visits to how much trash and graffiti is cleaned during a given period of time. Across these and other metrics, the scorecards compare actual performance to Boston's goals.

All the scorecards are available on the "Boston About Results" website, and are aggregated to a daily "CityScore." CityScore is easy to understand: a score less than 1.0 is below the City's goal, and higher than 1.0 is exceeding the goal. All the data that goes in to CityScore is presented on a daily to quarterly basis, which shows how the numbers are trending over time.

To verify Boston's financial probity, citizens can explore the City's checkbook via a searchable "Open Expenditures" platform. The database aggregates all spending by department and over time, to help summarize data. Boston has won the GFOA distinguished presentation awards for its comprehensive annual financial report and budget, thereby providing citizens with other means by which check the City's financial competence.

A CASE STUDY IN UNINTENDED CONSEQUENCES:

The Sheriff Who Purchased Too Many Avon Products[39]

A county government put in place an online open checkbook to increase transparency. There was a subsequent uproar when the local media discovered that the Sheriff's department had spent a large amount of money on "Avon Products". As it turned out, over the course of transporting prisoners out to the County jail in the countryside, the Sheriff's bus would stop in a town called Avon to buy gas. The name of the gas station was Avon Products. While it is fortunate that the Sheriff was not guilty of a cosmetics scandal, it is unfortunate the government's reputation was damaged when the truth of the matter did not spread as far as the alleged wrongdoing (even with a retraction issued by the media).

Finally, local governments might think about how open data could address the public's emotions and intuitions. For example, charitable organizations have long realized that donors don't care very much about pie charts that show where donor money is allocated. They prefer stories and images that show how their money is making an impact on people. Because many taxpayers are, in effect, "donors" to public services, having access to these stories and images may help build taxpayers' trust that their money is used well. School districts sometimes use this strategy when children who have benefited from an educational program are featured as part of descriptions of that program. There is likely potential for local governments to use similar techniques to build trust more often.

Fair Pricing

Fair pricing is about providing services at a reasonable cost to current and future residents. "Fair" is the key word. This is because whenever governments think about which services to provide and at what prices, there will be "winners" and "losers" in the decisions that are made. According to the concept of procedural justice, the perceived fairness of the decision-making process is crucial to the acceptance of these decisions and, ultimately, trust in the institution.

Governments can a start with transparency on the values behind how prices are set. A straightforward illustration is user fees. Some services seek to recover the full cost of providing the service through the fees charged to customers. For these services, such as utilities or building permits, there is an underlying belief that people who use services should pay the full cost of producing it. For other types of services, the government might accept fees that don't cover the entire cost of the service – such as might be the case for an afterschool recreation program for at-risk youth. A user fee policy adopted by the governing board can make these values transparent. You can find an illustration of such a policy at GFOA's website.[40] The policy describes which services are expected to recover their full cost through user fees and which services will be partially subsidized through general tax dollars. The policy describes the criteria used to reach this decision. For example, services that produce benefits for the entire community, rather than just for the person who uses the service, are eligible for a subsidy.

Setting fair tax rates is not as clear-cut as setting user fees, but local governments can still introduce transparency into how tax rates are set. For example, a government might recognize that a general community-wide tax supports a certain basic level of service, but segments of the community that want additional services should pay additional taxes. For instance, San Bernardino County, in southern California, covers one of the largest geographic areas of any county in the United States. In much of the County, snowfall is not a concern. However, in mountainous parts of the County snowfall is a concern. In some of these areas, residents want more frequent snow removal, so San Bernardino County establishes special taxing districts in those areas to pay for the cost. Hence, there is direct connection established between what taxpayers pay and what they get, and "premium" snow removal in some parts of the County is not subsidized by taxpayers in other parts of the County. Further, taxpayers living in the districts must petition to form the districts, then vote them into existence, and can vote to dissolve them at any time. Because these districts are not imposed, citizens feel they are fair.

The City of Redmond, Washington, provides transparency on how the City sets tax rates with their "price of government" policy. The price of government compares the City's revenues with the total personal income of all Redmond residents.[41] This reveals how much of citizens' resources are being consumed by the City and provides a good context for the City Council to discuss future tax rates. The chart below shows historical trends in Redmond's price of government as well as the presumed effect of the forecasted revenue on the price of government. The chart contains three layers. The first is all the taxes the City receives, such as property, sales, utility, hotel, admission, etc. The second layer adds on user fees, including utility user fees, recreation fees, and development fees. The last layer reaches a total for the entire city by adding the City's remaining revenue sources, such as licensing charges, fines, interest income, and grants. The chart also shows the City of Redmond's desired range of the price of government: 5 to 5.5 percent of personal income, as set by City Council policy. And it shows the reasons for why the City has gone above that range. The range was arrived at by debate among the City Council members about the minimum level of revenue necessary to provide the level of service that Redmond residents expect and the maximum level of financial burden that the Redmond municipal government should place on its citizens.

Of course, citizens must receive sufficient benefit in return for any financial contribution they make in order for a price to be considered "fair." Open data and allowing citizens to check government's work has been the primary transparency initiative that has sought to address

City Revenues as a Percent of Total Personal Income of All Redmond Citizens
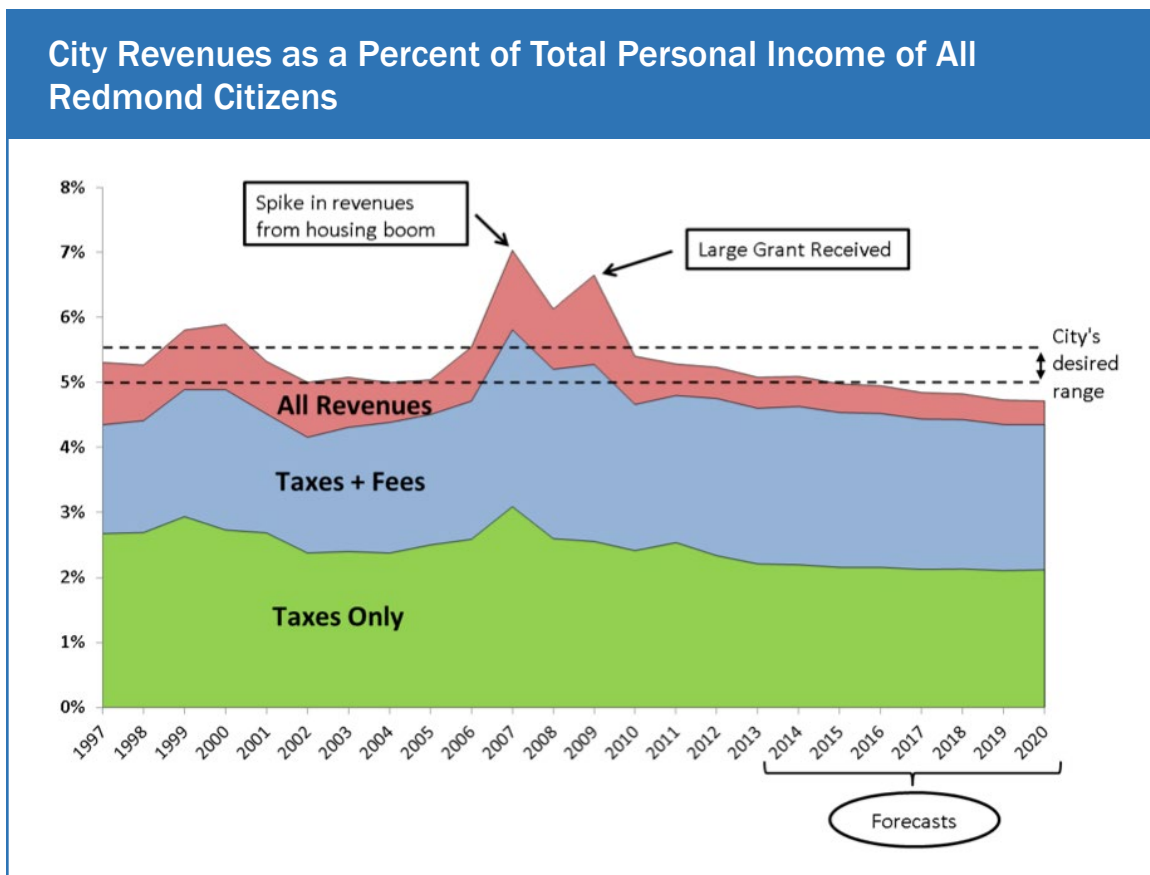
this so far. For example, the Citizen-Centric Report from Syracuse City, Utah compares revenues to expenditures, and then shows the distribution of specific revenue sources and expenditure categories.[42]

Governments might be able to do more to demonstrate value-for-money to citizens upfront, before they make a financial contribution. For instance, the City of Roanoke, Virginia, found itself short of funding for its schools in an anti-tax climate. In response, the City proposed a two percentage-point increase in the City's meal tax, the proceeds of which would go for public education. A key reason that the tax passed is because taxpayers could easily appreciate the connection between their contribution to the community's finances and the resulting benefit. There is a belief among government finance officers that tax measures that are connected to a specific purpose are more acceptable to citizens that those that aren't. Hence, governments may have the opportunity build trust with citizens for taxes and fees by showing a direct connection between the taxes/fees paid and the services/benefits produced.

Finally, there is intergenerational equity, which is simply to say that today's budget should not be balanced on the backs of tomorrow's taxpayers. For example, if a government is accumulating debt or other unfunded liabilities at an unsustainable rate, then it should be reported and publicized among stakeholders. For example, long-term forecasts should include long-term costs, like maintaining assets to a reasonable standard of quality.

Fiduciary Responsibility

The fiduciary responsibility is about providing good value to taxpayers and making sure that services are supported by reliable revenue streams in the future. Again, articulating the values related to this responsibility is a good starting point. For example, the Town of Gilbert, Arizona, recognized the need to have reliable funding for infrastructure maintenance in order to maintain a high quality of life in the community. To that end, "Long- and Short-Term Balanced Financial Plans" and "Proactively Address Infrastructure Needs" were included as two of only six strategic initiatives adopted by the Council in 2011. This clearly signaled that Gilbert takes its fiduciary responsibility seriously.

Integrity is essential to the public's perceptions of fiduciary responsibility. This is because concerns about public corruption and the capture of lawmaking and enforcement authority by moneyed interests are some of the most important forces working against public trust in government.[43] Public officials should demonstrate their integrity to citizens though measures like asset disclosure, conflict of interest management, and transparency in lobbying and political financing.[44] For example, a handful of cities across the United States share information about campaign financing with their citizens. The City of Albuquerque, for instance, shares campaign finance information through an online portal. Ideally, campaign finance data includes information from reports filed by candidates, political action committees, and other relevant groups. Where the money came from, who spent the money, how much was spent, and what the money went toward are important metrics for the campaign finance dataset.[45]

However, a limitation of the methods above is that citizens must avail themselves of these records in order these methods to have their intended impact. Unfortunately, it is unlikely that large numbers of citizens will do so. Therefore, governments may need to recognize and take advantage of high-profile opportunities to demonstrate integrity. Large capital projects, for example, have the reputation for attracting mismanagement and corruption. The public tends to notice such projects because they usually have a dominating physical presence. Local governments could make special efforts to demonstrate and publicize integrity around such projects, thereby piggybacking off the attention they naturally generate. For example, a special website for the project could highlight transparent and fair procurement and bid award procedures.

Finally, local governments can make long-term financial planning and cost-benefit analysis integral to decision-making. This demonstrates that the fiduciary responsibility is a concern to decision-makers and allows citizens to check government's work. We have already covered two examples of this: financial policies and popular financial reports. Another approach would be publicizing long-term forecasts of the government's financial position, including transparent assumptions and underlying data. Ideally, such a model would be online and interactive, allowing users to adjust certain parameters. The ability for a user to simulate different scenarios has been shown to promote greater understanding and learning than static presentations.[46] A government could also obtain and publicize independent expert reviews of its financial analysis to improve credibility. The external audit that a government receives every year is a leading example of this. Some state governments involve external reviewers in the revenue forecast to improve the forecast's credibility. Local governments could look for similar opportunities.

Conclusions

Citizens' trust in government is vital to the functioning of a democratic system. Transparency is one way in which governments can build trust. However, "transparency" does not mean just making financial data available to those who have an interest in it. In fact, psychological research suggests that people do not rely solely or even primarily on logic and reason to form judgements, such as trust. Hence, governments must go beyond open and accessible data strategies in order to build trust.

There are costs associated with transparency. These range from time and money spent on transparency initiatives to less obvious concerns about unintended consequences, like misunderstandings about what data means and giving too much access to special interest groups. Thus, the future of government may not necessarily lie in more transparency, but rather in smarter transparency that:

- Shows that the values government operates by are the same core values held by its citizens;

- Demonstrates that government officials care about citizens' well-being and acting fairly; and

- Provides information on government performance with enough context for citizens to evaluate the quality of government's work.

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End Notes

[1] According Gallup's "Trust in Government" poll, in 2016 35 percent of people had a great deal or fair amount of trust and confidence the federal legislature, which is actually a slight improvement over the preceding years.

[2] Ibid.

[3] Ibid.

[4] Christopher H. Achen and Larry M. Bartels. Democracy for Realists: Why Elections Do Not Produce Responsive Government. Princeton University Press, 2016.

[5] Information in this paragraph is from: Fareed Zakaria. The Future of Freedom: Illiberal Democracy at Home and Abroad. W.W. Norton and Company, 2007.

[6] Technically, the figures are on the "statement of net position," but "balance sheet" is a commonly known term.

[7] "Best Practice: Long-Term Financial Planning." Government Finance Officers Association.

[8] The Government Finance Officers Association (GFOA) recommends that state and local governments do not issue pension obligation bonds. See "Advisory: Pension Obligation Bonds" Government Finance Officers Association. www.gfoa.org.

[9] An example is an "asset backed contract." Here, the government enters into an agreement with a surety company. The agreement states that at some point in the future (e.g., the 20th anniversary of the contract), the face value of the contract will be available, in cash, for the government. The municipal government makes annually appropriated premium payments to keep the contract in effect. These payments are treated as an expense and, as such, would not show up as a liability on the balance sheet, while the cash value of the contract would show up on the balance sheet as an asset. Naturally, the total value of the payment stream is greater than the value of the contract, so the government is, in effect, paying a premium for the privilege of showing what amounts to an artificial increase in its net assets.

[11] These two values are widely accepted in research literature as the basis for making social judgements. Some researchers replace the term "values" with "warmth." Because this papers focuses on trust in institutions, we chosen "values." A fuller discussion of values and competence as the drivers of trust can be found in: Trust and Public Policy: How Better Governance Can Help Rebuild Public Trust. OECD Publishing, Paris. 2017.

[12] Trust and Public Policy: How Better Governance Can Help Rebuild Public Trust. OECD Publishing, Paris. 2017.

[13] Jonathan Haidt. The Righteous Mind: Why Good People Are Divided by Politics and Religion. Knopf Doubleday Publishing Group, 2012.

[14] Trust and Public Policy. OECD, 2017.

[15] Kim, W. C., and Mauborgne, R. A. (1993). "Procedural Justice, Attitudes, and Subsidiary Top Management Compliance with Multinationals' Corporate Strategic Decisions". Academy of Management Journal, 36, 502-526.

[16] Lind, E. A., Greenberg, J., Scott, K. S., & Welchans, T. D. (2000). "The Winding Road from Employee to Complainant: Situational and Psychological Determinants of Wrongful Termination Claims." Administrative Science Quarterly, 45, 557-590.

[17] Criteria derived from: Russell Cropanzano, David E. Bowen, and Stephen W. Gilliland. "The Management of Organizational Justice". Academy of Management Perspectives. November 2007.

[18] Trust and Public Policy. OECD. 2017.

[19] See Daniel Kemmis. 1992. Community and The Politics of Place. Also, see National Civic League's "Civic Index". Further, the Knight Foundation's "Soul of the Community" research report.

[20] From John Nalbandian, former city council member professor at University of Kansas. In Civic Index by the National Civic League.

[21] Information about GFOA's Popular Annual Financial Reporting Award Program is available at http://www.gfoa.org/pafr.

[22] The Franklin County, Ohio, Annual Financial Report for the year ended December e, 2015, is available at https://s3.amazonaws.com/gfoa/PAFR/2015/FranklinCountyOH.pdf.

[23] Citizen-Centric Reporting, Resources, Association for Government Accounting, available at https://www.agacgfm.org/Resources/Performance-Accountability/CCR.aspx.

[24] Recent Sampling from Government Entities, Resources, Association for Government Accounting, available at https://www.agacgfm.org/Resources/Performance-Accountability/CCR/Completed-CCRs/Government-entity-CCRs.aspx.

[25] Definition derived from the Open Knowledge Foundation. http://opendefinition.org/

[26] Kahneman's and Tversky's work is described in: Daniel Kahneman. Thinking Fast and Slow. Farrar, Straus and Giroux, 2011.

[27] Gerd Gigerenzer. Risk Savvy: How to Make Good Decisions. Penguin Books, 2014.

[28] Ibid.

[29] Mitchel N. Herian. "Trust in Government and Support for Municipal Services". State and Local Government Review. 2014. Vol 46)2_ 82-90.

[30] In the Pulitzer Prize finalist book, The Shallows: What the Internet is Doing to Our Brains and in The Glass Cage: How Our Computers Are Changing Us, Nicholas Carr examines the changes in how people think wrought by the Internet. Many of these changes are not positive and actually have decreased human cognitive capacity. Carr cites a study called "Google Effects on Memory: Cognitive Consequences of Having Information at Our Fingertips." The study showed that when people expect to have future access to information (i.e., on the internet), they have lower recall of the information, but better recall, instead, of where to find the information. This is consequential because, as Carr points out, external storage and biological memory are not the same thing. When information is stored biologically, it interacts with other memories to form a richer tapestry of knowledge.

[31] See: Tom Nichols. The Death of Expertise: The Campaign Against Established Knowledge and Why It Matters. Oxford University Press, 2017. Nichols' contention is that availability of information on the Internet (regardless of how dubious) has degraded the position of experts because many people have come to believe the knowledge can simply be sourced directly from other people on Internet (e.g., Wikipedia), rather than relying experts to intermediate and interpret knowledge.

[32] See: Nicco Mele. The End of Big: How the Internet Makes David the New Goliath. St. Martin's Press, 2013. Mele cites factors such as the ability to self-select media sources that reinforce on existing believes and easily form groups of like-minded people. The result is an intellectual "echo chamber."

[33] Gregory Porumbescu. "Linking Transparency to Trust in Government and Voice". American Review of Public Administration. 2017. Vol1. 47(5), pg 520 – 537.

[34] The statements in this paragraph are supported by research by Wang and Wart that showed no positive correlation (and even a slight negative correlation) between local government "accountability practices" (defined as a variety of practices for exposing relevant information to the public) and trust. See Wang and Wart. "When Public Participation in Administration Leads to Trust". Public Administration Review. March/April 2007.

[35] Shayne Kavanagh, Mark Pisano, Shui Yan Tang, et al. "A Framework for a Financial Sustainability Index." Lincoln Institute of Land Policy, Working Paper WP17MP1. April 2017

[36] Eric D. Gould and Alexander Hijzen. "In Equality, We Trust." Finance and Development, a magazine of the International Monetary Fund. March 2017.

[37] Trust and Public Policy. OECD. 2017.

[38] Boston About Results. City of Boston. https://www.boston.gov/finance/boston-about-results.

[40] This "User Fee Cost Recovery Goals" policy is available at GFOA's website https://www.gfoa.org/financialpolicies.

[41] Total personal income for the community is calculated by multiplying Redmond's per capita income from the U.S. Census Bureau's "American Community Survey" by the total population of Redmond. While this does not capture income from Redmond's commercial sector, the City still finds it a useful proxy.

[42] A Report to Our Citizens, 2014-2015. Syracuse City, Utah. https://www.agacgfm.org/getattachment/Resources/Performance-Accountability/CCR/Completed-CCRs/Government-entity-CCRs/SyracuseCityUtahCCR2015-(1).PDF.aspx.

[43] Trust and Public Policy. OECD. 2017.

[44] Ibid.

[45] "Municipal Campaign Finance Data Guidebook." Sunlight Foundation.

[46] Robin M. Hogarth and Emre Soyer. Using Simulated Experience to Make Sense of Big Data. Special Collection of MIT Sloan Management Review: Making Better Decisions. Winter 2015.

About GFOA

Government Finance Officers Association (GFOA), exists to promote excellence in state and local government financial management. GFOA views itself as a resource, educator, facilitator, and advocate for its almost 20,000 members and the governments they represent. GFOA provides best practice guidance, leadership, professional development, networking opportunities, award programs and advisory services, concentrated in the following areas:

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