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Introduction to the Issue


Craig S. Maher^{1,c}, Bruce D. McDonald IIIⁱⁱ


This edition of *Public Finance Journal* brings together research exploring critical issues in public finance, from voter perceptions of fiscal health to the evolving landscape of municipal finance and intergovernmental grants. As governments at all levels navigate financial sustainability, transparency, and accountability, these studies provide fresh insights into how financial policies and practices influence governance and public trust. The articles examine the political consequences of municipal credit ratings, the practical challenges of public records laws, the complexities of managing federal grants at the local level, and the rise of green bonds as a financial instrument for sustainable development. This research highlights the intersection of finance and governance, offering new perspectives on fiscal decision-making and public sector effectiveness. With a growing emphasis on evidence-based financial management, this collection informs scholars and practitioners on how financial policies shape government performance and public engagement.

Keywords: Fiscal Transparency, Government Accountability, Municipal Bonds

The field of public finance continues to evolve as scholars explore the financial mechanisms, governance structures, and public policies that shape fiscal decision-making at all levels of government. (see McDonald et al., 2024) In this edition of *Public Finance Journal*, we present four studies that contribute valuable insights into emerging and persistent challenges in public finance, from the evolution of municipal green bond issuance to the determinants of local grant management capacity, the transparency of public finance information requests, and the influence of fiscal indicators on voter behavior.

This edition is particularly notable as it features the first recipients of the GovFiPrize, awarded by the Government Finance Officers Association (GFOA) to recognize outstanding research in governmental finance.¹ The studies by Carolyn Abott, Matthew Incantalupo, and Akheil Singla (2025) and Kip Murray and Cathy Landry (2025) exemplify the spirit of this prize, offering rigorous, policy-relevant scholarship that enhances our understanding of the intersection between public finance and governance.

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Abott, Incantalupo, and Singla's (2025) research delves into how municipal credit ratings influence voter perceptions of incumbents, revealing that fiscal health can be as politically salient as crime rates when communicated. This study underscores the broader implications of financial transparency in democratic accountability, demonstrating that voters—even those with lower political knowledge—respond meaningfully to changes in municipal credit ratings. Such findings challenge the notion that fiscal matters are too complex to engage the general electorate and suggest that public officials must carefully consider how financial signals shape political outcomes.

Murray, in collaboration with Landry (2025), explores public demand for financial information through an analysis of public records requests submitted to the City of Bellevue's Finance and Asset Management Department. Their study builds on national research indicating that while freedom of information laws are designed to promote government accountability, a significant portion of requests are driven by private commercial interests. Their findings provoke important questions about the trade-offs between transparency, administrative efficiency, and the true function of open records laws in contemporary governance.

Bunch and Strauss' (2025) study examines the evolution of green bond issuance by U.S. state and local governments. With climate finance becoming an increasingly critical component of municipal borrowing, this research provides empirical insights into the growth of green bonds, the role of external verification, and the challenges of maintaining credibility in sustainable finance. The study finds that while green bonds have proliferated, they remain a small segment of the municipal bond market, and concerns about "greenwashing" persist due to inconsistent reporting standards. These findings have significant implications for policymakers and investors seeking to balance environmental commitments with financial prudence.

Finally, Aldag (2025) investigates the determinants of local government capacity in managing federal grant funds. Using survey data, this study identifies key factors that influence a locality's ability to secure and effectively administer intergovernmental transfers. The research highlights the enduring challenge of "local capacity bias," in which well-resourced jurisdictions are more successful in obtaining and utilizing grants, potentially exacerbating fiscal disparities among local governments. Understanding these dynamics is crucial for designing more equitable and effective grant allocation systems.

These four articles illustrate the breadth and depth of contemporary public finance research. They challenge existing assumptions, offer novel empirical findings, and provide actionable insights for policymakers, finance officers, and scholars alike. As we navigate the complexities of fiscal governance, these contributions serve as a testament to the power of rigorous research in shaping sound financial decision-making and promoting fiscal sustainability at all levels of government.

This issue of *Public Finance Journal* ends with two book reviews. Given the focus of the journal, we strive to publish reviews that improve the reader's understanding of public budgeting and finance as it pertains to both a practitioner and academic setting. In the first book review, Gabrini (2025) provides a solid review of *Municipal Corruption: From Politics to People* to help us understand why some U.S. cities are more likely to fall victim to corruption than others. In the second review, Hunter (2025) reviews *Nonprofit Neighborhoods: An Urban History of Inequality and the American State*, which reflects on how our modern local "safety net" is representative of an intentional effort by Washington over the past 60 years to extend assistance and support to residents in America's distressed, underprivileged, and disinvested communities.

Endnote

¹ For more information on the GovFiPrize, see <https://www.gfoa.org/govfi-prize-information>.

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Informing Voters About Public Finance: Evidence from a Survey Experiment

Carolyn Abbottⁱ, Matthew B. Incantalupo^{ii, c}, Akheil Singlaⁱⁱⁱ

This study investigates how information about municipal credit ratings influences voters' evaluations of incumbent mayors. Through an original survey experiment, we assess the impact of credit rating downgrades and crime rate increases on citizens' perceptions of mayoral performance. Our findings reveal that information on both issues significantly affects voters' evaluations, with negative news about public finance and crime rates leading to decreased support for incumbents. Notably, the effects of credit downgrades are nearly as substantial as those of crime increases despite public finance being a more complex and less salient issue. Additionally, we observe that voters with varying political knowledge respond similarly to changes in municipal credit ratings, suggesting that such information serves as a useful heuristic in local elections. Our study underscores the importance of accessible financial information in promoting accountability in local governance.

Keywords: Accountability, Credit Ratings, Local Government, Voter Behavior

Fiscal Many investors do not have the time, expertise, or information necessary to evaluate the riskiness of lending money to a local government. Rating agencies provide a solution via credit ratings. They rank governments on an easy-to-understand, standardized scale and signal to bondholders about local governments' solvency and financial stability. Thus, credit ratings help reduce information asymmetries in financial markets. Because elected officials manage public budgets, credit ratings might also solve an information problem for local elections. Municipal credit ratings represent complicated and multidimensional assessments of a city's financial health packaged for voters into a simple performance metric. Credit ratings can give local voters what they need to know to assess incumbents' performance as financial stewards (Cunha, Ferreira, & Silva, 2022). They may also allow voters to make inferences about life in the city during the incumbent's tenure. Our research evaluates whether, how, and which voters use credit ratings to evaluate local officials.

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There are different ways to think about how this issue might arise in local politics. These stem from the varying interpretations of local elections. Sometimes, local elections are characterized as low-information, low-salience, low-turnout events. In this interpretation, voters are mostly uninformed and make decisions based on things like incumbency and, when available, partisanship. Alternatively, local elections may be interpreted as events driven by the informationally elite: a select group of voters who pay close attention to news, politics, and local government issues.

Our research does not attempt to characterize whether voters in local elections are information-rich or information-light. Rather, we explore whether and how voters across the informational spectrum respond to credit ratings when assessing elected officials. While we expect that credit ratings solve an informational problem for voters (Nguyen, Alsakka, & Mantovan, 2023) – as they do for investors – the value may differ depending on the user. In the same way that institutional firms or more sophisticated investors may conduct their own assessments before agreeing to lend to a government, a knowledgeable voter may be unaffected by the simplicity of a credit rating change.

To conduct this evaluation, we conduct a survey experiment. We begin by asking respondents a battery of questions testing their political knowledge. Following this, we ask participants to read a randomly assigned vignette describing a hypothetical mayor. Some of the vignettes include information about the city's credit rating increasing, and some say it is decreasing. After reading the vignette, respondents answered several questions about how they view the incumbent mayor. When combined, we can systematically evaluate whether high-information and low-information voters respond differently to credit rating information. We find that both groups of voters respond to information on credit ratings. This means that the signal conveyed by credit rating matters irrespective of whether local elections are low-salience events or events driven by the informationally elite.

A critical strength of our study is its internal validity. We use an original vignette experiment, which provides significant advantages. Most importantly, the design allows us to identify the causal effects of changing information about municipal credit ratings. Simple comparisons of incumbent electoral performance in cities with good fiscal conditions versus those experiencing fiscal turmoil are potentially confounded by a host of factors. This makes inferences about the effects of credit ratings quite challenging. Our experimental approach isolates the causal effects of changing credit ratings by eliminating confounders. In the real world, changes to credit ratings are uncommon (Municipal Securities Rulemaking Board, 2020) and may be associated with other, nonfinancial factors that motivate voters (e.g., corruption). In our experiment, however, respondents only have the information we expose them to. This context ensures that any observed differences between our randomly assigned treatment groups are solely due to the information that we have manipulated.

Our research also highlights the role of political knowledge in how voters incorporate information about municipal credit ratings into their evaluations of incumbents. Public finance is a complex issue that unequivocally affects all aspects of governance. However, its direct salience is unclear due to the uncertainty around who participates in local elections. We find that learning about changes to municipal credit ratings affects voters' evaluations of incumbents almost as much as learning about changes in crime rates, a considerably simpler and more salient issue. Moreover, we show this effect among both high- and low-information voters. This means that irrespective of who participates in local elections, public financial management is a potentially salient topic. When presented with clear communication about complex financial issues via

credit ratings, voters of all informational backgrounds can make inferences that affect their voting behavior. For elected officials campaigning for reelection, this finding may have practical value. However, it also holds normative value for those interested in ensuring steady and resolute financial management practices: making the electorate fully informed could create a vastly different political environment (Bartels, 1996; Delli Carpini & Keeter, 1996; Gilens, 2001).

Background

Credit ratings reflect the rating agency's assessment of the probability that a borrowing entity (e.g., city, county, school district) will make its debt service payments as promised (Municipal Securities Rulemaking Board, 2020; Palumbo & Zaprowski, 2012). Computed using proprietary methods from a host of publicly and privately available data, they are usually determined by one or more of the three major ratings agencies: Moody's, Standard and Poor's, and Fitch. Financial markets respond to credit ratings, meaning cities with higher ratings have lower costs of capital. Beyond being a mechanism for setting borrowing costs, credit ratings can also indicate a city's financial health (Hendrick, 2004). A burgeoning body of literature indicates that voters respond to changes in credit ratings, with voters rewarding increases and penalizing decreases (Cunha et al., 2022; Nguyen et al., 2023). In addition, voters also respond to their perceptions about life under the incumbent. These in turn influence voters' retrospective evaluations of both incumbent performance and sociotropic economic conditions (Fiorina, 1981; Healy & Malhotra, 2013; Hibbs, 1979; Kinder & Kiewiet, 1981; MacKuen, Erikson, & Stimson, 1992).

However, voter knowledge about these and other political issues is also quite low, even among the most educated and affluent Americans (Delli Carpini & Keeter, 1996). In addition, political knowledge and attention are higher for national politics than for state and (especially) local politics (Glaser & Denhardt, 2000). This is consistent with a general trend toward the nationalization of American politics (Hopkins, 2018) and the decline of local news. Specific knowledge about public finance and budgets is still lower, even in a state like California, which has had several high-profile budget fights at the state and local levels (McGhee, 2010). Although citizens' attitudes about budgets do consider the necessity for certain tradeoffs (Hansen, 2014), the extent to which local voters understand the complexities of local public finance issues remains unclear.

Local Elections, Issue Salience, and Heuristics

Local elections are characterized by low salience and low turnout, with only the most politically engaged members of the public likely to participate in and pay attention to them (Einstein, Palmer, & Glick, 2018; Hajnal & Lewis, 2003). More critically, local elections are frequently non-partisan, removing a crucial informational shortcut for voters (Campbell et al., 1960). Lupia (1994) argues that the right set of "widely available information shortcuts allowed badly informed voters to emulate the behavior of relatively well-informed voters" (p. 63).

Still, the same retrospective evaluations of incumbents that are well-understood in federal elections also apply to the local context (de Benedictis-Kessner & Warshaw, 2020; Sances, 2021). These evaluations of incumbents tend to focus on economic factors. However, specific issues such as road conditions (Burnett & Kogan, 2017) or local school performance metrics

(Berry & Howell, 2007) significantly influence voters' evaluations of incumbents and, ultimately, their electoral fortunes.

Crime has also been shown to significantly influence voting behavior in gubernatorial (Cummins, 2009) and local elections (Arnold & Carnes, 2012; Warshaw, 2019). Given its direct impact on personal safety, it is unsurprising that local voters would pay close attention to crime rates in their cities. Indeed, crime is considered a fairly "easy" issue for voters to understand and incorporate into their evaluations of incumbents (Carmines & Stimson, 1980; Heysung, 2021). Crime reporting frequently dominates local news coverage (Prior, 2007) and serves as a potent prime in voters' decisions (Iyengar & Kinder, 1987).

Thus, it is clear that in low-information, nonpartisan elections, voters may avail themselves of other heuristics to guide their decisions in local elections. We argue that information about credit ratings can be one such heuristic. Municipal credit ratings act as straightforward heuristics about economic conditions and elected officials' financial stewardship. The challenge, however, lies in increasing the salience of these metrics to voters who might otherwise overlook them in a crowded news environment or in the context of local elections. Anecdotal evidence does exist, however. In Vallejo, California, the city council was mostly voted out of office following the city's bankruptcy filing (Abott & Singla, 2021; Davidson, 2018). Moreover, Mayor Lori Lightfoot was denied a second term in the City of Chicago following a barrage of stories focusing on the city's budget deficit and pension problems (Shields, 2023).

Theoretical Expectations

Our research evaluates whether voters with differing informational backgrounds will attend to information differently when deciding whom to support. Based on the extant literature, there are two potential answers. One perspective posits that low-information voters will struggle to meaningfully incorporate information about credit ratings due to a lack of relevant schema (Lodge & Hamill, 1986; Zaller, 1992). This is in contrast to information about crime, which voters can more readily attribute to incumbent performance. If this is the case, we should observe large effects of crime information but less clear effects of credit rating information.

An alternative perspective suggests that changing credit ratings, being fairly straightforward summaries with simple valence (upgrade or downgrade), provide meaningful signals to voters at all levels of information. Consequently, both high- and low-information voters should incorporate credit rating changes into their assessments of incumbents. If this is the case, we should observe similar effects for changes in credit ratings and crime rates.

Data and Methods

We use an original, preregistered survey experiment to test our research question. Such experiments are valuable in research because they use hypothetical scenarios to test causal relationships and measure public opinion at scale while managing variables similar to a laboratory experiment (Mutz, 2011). Researchers enable this by randomly changing elements of these scenarios. As a result, they can see how different factors impact attitudes and behaviors (Gaines & Kuklinski, 2011). This method ensures high internal validity and provides strong

Table 1. Descriptive Statistics

Variable	Mean	95% CI
Sex (1 = Female)	0.703	[0.687, 0.719]
Age	44.030	[43.450, 44.610]
Education (1 = College Degree)	0.444	[0.043, 0.461]
Race (1 = Nonwhite)	0.341	[0.324, 0.358]
Republican (with leaners)	0.330	[0.313, 0.345]
Home Ownership (1 = Owns)	0.523	[0.506, 0.541]
Children in K-12 School	0.658	[0.641, 0.675]

Table 2. General Political Knowledge Measures

Question (Correct Answer in <i>Italics</i>)	Percent Correct
Which political party currently controls a majority in the U.S. House of Representatives (<i>Democratic Party</i> , Republican Party, Don't know/not sure)	65.8
Who is the current Chief Justice of the United States? (<i>Clarence Thomas</i> , <i>John Roberts</i> , Amy Coney Barrett, Samuel Alito, Ketanji Brown Jackson, Don't know/not sure)	49.9
How many votes are required in the Senate to break a filibuster? (50, 51, 55, 60, Don't know/not sure)	32.7
What job or political office does Nancy Pelosi currently hold? (Senate Majority Leader, Vice President of the United States, Secretary of the Treasury, <i>Speaker of the House</i>)	75.7
Average Items Correct	2.25
Percent high knowledge (3 or more items correct)	44.2

evidence of the effects of policies, communication strategies, and other interventions (Druckman et al., 2011). In our situation, we randomly presented respondents with a vignette that altered information about the city's credit rating and crime rate. Vignette experiments like ours offer detailed insights into complex issues by capturing context-specific responses. Conducting these experiments with diverse samples that are accessible via online platforms enhances the relevance of our findings (Sniderman, 2018).

Our experiment was conducted on a sample of 3,123 Americans living in one of the 50 largest cities in the United States. Lucid recruited participants and compensated them for their involvement according to the firm's terms and conditions. The survey was conducted from August 20 to August 26, 2022. After providing informed consent and passing an attention check, respondents answered questions regarding their demographics and political attributes, including two key measures of political knowledge. We present descriptive statistics of our sample in Table 1.

We assessed political knowledge through four questions, an important proxy for political sophistication and overall attention to politics (Zaller, 1992).¹ Table 2 presents the questions, their correct answers, and the percentage of respondents who answered each question correctly.

¹ We conduct additional analyses using measures of political knowledge/sophistication related to state and local finance in Appendix D. These results are substantively similar to the results presented in the main text.

We also report the average number of correct responses. We code respondents as “high knowledge” if they answered three or four questions correctly and “low knowledge” if they answered two or fewer correctly. Overall, 44.2 percent of respondents were classified as high knowledge, while 55.8 percent were classified as low knowledge.

To investigate the effects of information on voters, we administered informational treatments through brief vignettes designed to look like excerpts from news articles. These vignettes described an incumbent, “Mayor Smith,” running for reelection in the city of Springfield. The vignettes featured consistent information detailing Mayor Smith’s achievements, which remained constant across the experimental conditions.² The vignettes, which were otherwise identical across treatment conditions, also included manipulated information about the city’s financial health and crime rates. Respondents were randomly assigned to read about an improved or declined credit rating and an increased or decreased crime rate. These conditions were separately randomized, resulting in four experimental vignettes.³

Our preregistered power calculations led us to exclude neutral or baseline conditions where no information is provided regarding municipal credit ratings or crime rates. Omitting these issues, which we manipulated experimentally, would have further limited the information available to respondents and expanded the number of experimental conditions from 12 to 27, making reliable statistical inferences impractical. Our experimental design, simulating typical media coverage, focuses on significant changes rather than unchanged aspects of the status quo (Wolfsfeld, 2011). Additionally, most municipalities maintain good credit ratings. Our experiment captures this reality, offering a nuanced exploration of voter perceptions of municipal credit ratings.

Our primary interest lies in how voters respond to information about changes in cities’ financial conditions and whether this differs between high- and low-information voters. Our design sets up a challenging comparison between an easy, frequently discussed issue in local politics and a complex, low-salience issue. Should respondents’ evaluations be influenced by credit rating information, we can infer voter concern for public finance and the efficacy of credit ratings as a heuristic. Consistent treatment effects across voter information levels would further affirm this conclusion.

Our outcomes of interest are assessments of the incumbent Mayor Smith and the city of Springfield. We investigate how support for Mayor Smith varied under different performance conditions through the analysis of three key outcome variables. We analyzed responses to the question, “Would you vote for Mayor Smith to be reelected?” (yes/no), and a four-point Likert scale rating of Smith’s job performance, ranging from strongly disapprove to strongly approve and rescaled from zero to one. These measures provide straightforward indications of support for the mayor.

However, these measures have a notable limitation: the mayor, city, and election described in the vignette are fictitious, and respondents have no personal stake in the scenario presented. To address this concern and potential biases, we introduced another outcome variable using a coordination game approach (Jensen et al., 2023). Respondents were asked to predict the percentage of their peers who would vote to reelect Mayor Smith. Participants were informed

² A diagram illustrating the experimental design and the full texts of these vignettes are provided in Appendix A for reference.

³ We also randomly assigned the partisan affiliation of the mayor as a Democrat, Republican, or provide no information about the mayor’s partisanship (consistent with most local elections being nonpartisan). These treatments did not interact with our informational treatments in any statistically or substantively significant ways.

that those who came within 2 percent of the actual reelection rate would be eligible for a substantial bonus, exceeding their survey compensation. Seven percent ultimately qualified for the raffle. This “skin-in-the-game” measure incentivizes respondents to carefully consider the information provided about Mayor Smith. By incorporating an incentivized choice as an outcome, we mitigate potential biases such as demand effects and social desirability (Khademi et al., 2021; Wulff et al., 2023).

We also explored potential underlying mechanisms by asking respondents to assess Smith's competence and indicate their level of agreement with a series of statements regarding the city's future under his leadership. These statements included “I feel optimistic about the future of the city led by Mayor Smith,” “The city led by Mayor Smith would be a nice place to live,” “The city led by Mayor Smith would be a nice place to raise a family,” and “The city led by Mayor Smith would be a nice place to start a business.”

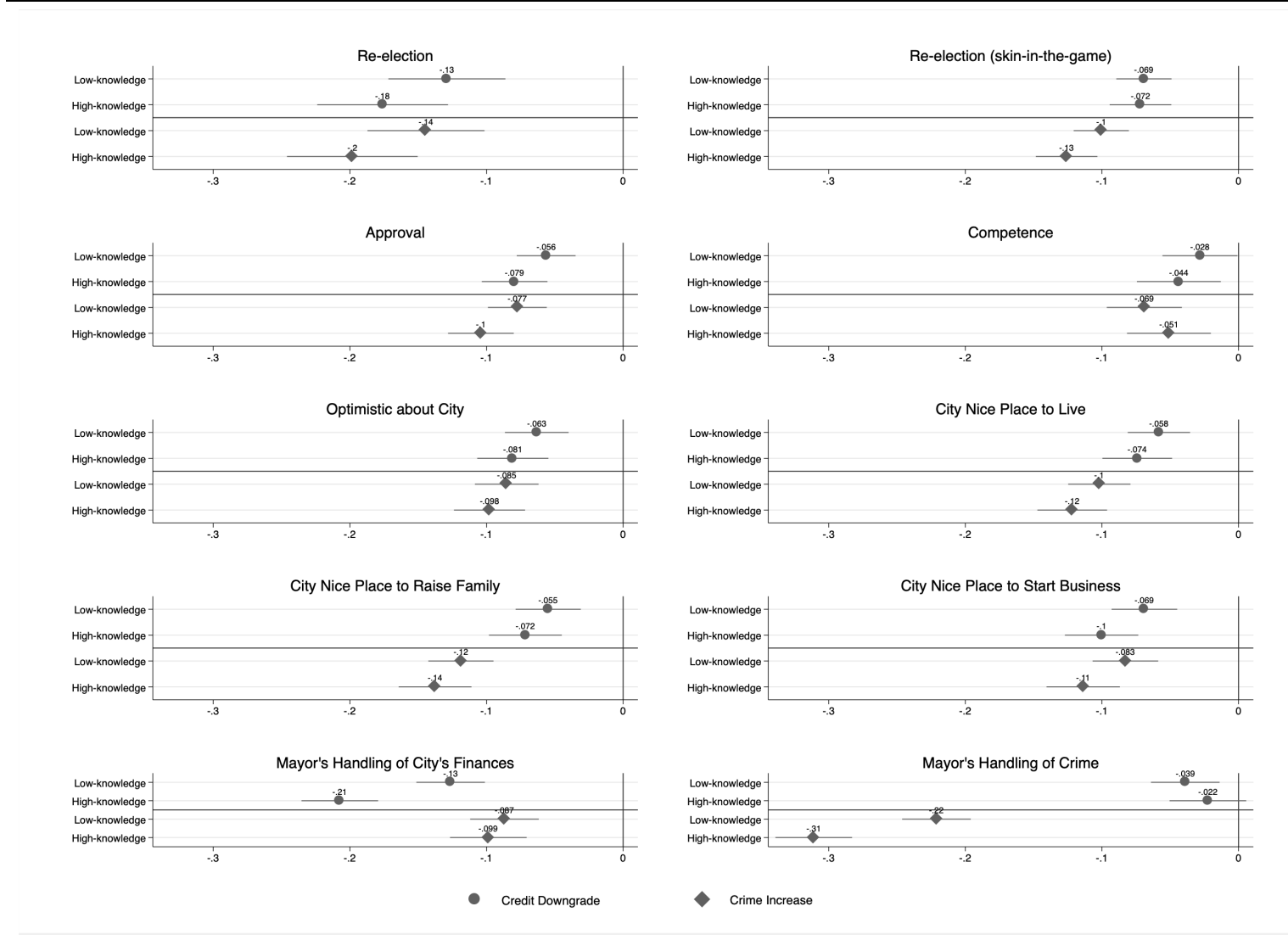
Finally, to assess whether our treatments elicited responses pertaining to Mayor Smith's management of the city's finances and crime, we queried respondents on their perceptions of Smith's ability to handle the city's financial health and manage crime effectively. The responses to these items were expected to reflect the information provided in the vignette regarding the city's credit rating and crime rate. These outcomes were gauged on a 4-point scale ranging from “strongly agree” to “strongly disagree,” with responses scaled from zero to one, where higher values indicate greater agreement. For clarity, we present the average treatment effects associated with receiving “bad news,” whether in the form of information about a credit rating downgrade or an increase in the crime rate.

Results

This research focuses on political knowledge's role in how citizens update their views of incumbent mayors in light of information about public finance. Given that we provide minimal information about the electoral races, we expect our treatments to influence opinions, even though they are quite subtle. Our primary interest lies in the relative magnitude of these changes and how they vary across different levels of political knowledge. Following Mutz, Pemantle, and Pham (2018), we do not present balance checks in the main text, given that random assignment of treatment provides balance across all pre-treatment confounders, measured and unmeasured, in expectation. We present balance checks in Appendix B, which indicate that both treatments were randomized without issue.

The first key comparison is by general political knowledge. The average treatment effects of both experimental treatments (credit downgrade and crime increase) for respondents with low and high political knowledge are presented in Figure 1. The graph presents average treatment effects with their associated 95 percent confidence intervals. Throughout the paper, we denote the average treatment effect of a credit downgrade with a circle and the effect of a crime increase with a diamond. In all, average treatment effects for ten outcome variables of interest are presented. We are particularly interested in several key comparisons. First, we assess the treatment effects themselves to determine whether voters are sensitive to information about public finance and crime rates. Figure 1 presents the average treatment effects of receiving negative information (a credit downgrade or crime rate increase) relative to positive information about the incumbent.

Figure 1. Treatment Effects of Credit Downgrade and Crime Increase on Mayoral Evaluations by General Political Knowledge



Second, we compare the relative magnitude of the average treatment effects for a credit downgrade with those for a crime increase. If these effects are similar, we know that information about public finance – a relatively complex and low-salience issue – affects opinions in a manner comparable to information about crime, an easy and highly salient issue. Finally, we analyze comparisons between low- and high-knowledge respondents, particularly the conditional average treatment effects of a credit downgrade across different knowledge levels on evaluations of Mayor Smith and the city of Springfield.⁴

The pattern of results presented in Figure 1 underscores the significance of information about public finance. For nearly all outcome variables of interest, except perceptions of Mayor Smith's handling of crime among high-knowledge voters, a credit downgrade led to a decrease in evaluations of the incumbent. Across all ten outcomes of interest, we also see negative treatment effects for a crime rate increase, and these negative effects are statistically significant and substantively quite large. These findings are consistent with other literature studying the effects of credit ratings on elections (Cunha et al., 2022; Nguyen et al., 2023). For example, we see large effects of a credit downgrade on the question of whether Mayor Smith should be re-elected. Low-knowledge voters penalized the incumbent by 13 percentage points, while high-knowledge voters did so by 18 percentage points. These findings extend to our incentivized, skin-in-the-game outcome measure and other perceptions of mayoral performance, such as approval rating, competence, and perceptions of the living and business environment in the city. In all, respondents are clearly influenced by information about public finance and incumbent financial stewardship as summarized by a municipal credit rating.

Additionally, respondents are affected by negative information about public finance nearly as much as they are by information about a crime increase. While the average treatment effects for a crime increase are generally larger than those for a credit downgrade, these differences are not substantial and rarely statistically significant.⁵ Furthermore, the significance of crime lies in its accessibility to the electorate. Crime stands out as a prominent concern within urban political landscapes and remains a focal point in nearly all electoral discussions. This starkly contrasts public finance, which seldom finds its way into everyday conversations among U.S. citizens (Carmines & Stimson, 1981). While our study did not initially hypothesize this disparity, our findings suggest a plausible explanation: the consistent financial stability of U.S. cities may be attributed to voter behavior, wherein elected officials face repercussions for mismanaging governmental fiscal affairs. Our research reveals compelling evidence in this regard, demonstrating statistically and substantively significant impacts from experimental manipulations of information related to municipal credit ratings, even when juxtaposed against data concerning crime rates.

⁴ While our focus is on the conditional average treatment effects of learning about changes to municipal credit ratings across political knowledge categories, we would like to be able to generalize these effects to a broader population. While our sample is somewhat representative of the population of residents of the 50 largest American cities, it is not perfectly so. To address some of these issues, we re-ran our main analyses including additional controls. These include gender (female), age, education (having a college degree), race (identifying as nonwhite), identifying or leaning Republican, owning a home, and having children in K-12 schools. We present descriptive statistics on these measures in Table 1. Including these additional variables does not substantively alter our main results. We report the results of these additional analyses in Appendix C to the paper.

⁵ This can be verified in a cursory sense by visual inspection of the graphs. In nearly all cases, the 95 percent confidence intervals surrounding the average treatment effects overlap. More formally, joint F-tests for significantly different treatment effects reveal that in all of the cases in which the confidence intervals overlap on the graphs, the difference between the two treatment effects fails to attain statistical significance at conventional levels.

A consistent pattern emerges in our key comparison between high and low-knowledge respondents. The average treatment effects for high-knowledge voters are generally slightly larger than those for low-knowledge voters. However, these differences are typically quite small and, with the exception of the specific question regarding the mayor's financial management, not statistically significant at conventional levels.⁶ Indeed, for our incentivized, skin-in-the-game measure of incumbent support, high- and low-knowledge respondents exhibit nearly identical average treatment effects (-0.069 and -0.072 respectively). Both high and low-knowledge respondents punish incumbents for poor financial stewardship similarly, indicating that voters can incorporate this straightforward summary of municipal credit risk into their assessments of elected officials regardless of political sophistication. Thus, we can conclude that this information provides a meaningful heuristic to voters in local electoral contexts, which often lack strong cues such as partisanship.

In sum, information about changes to municipal credit ratings significantly impacts voters' evaluations of mayoral incumbents, even when considered alongside another prominent signal of incumbent performance, such as changes in the crime rate. We should be especially mindful of this in light of the fact that crime is a straightforward and highly salient issue in local elections, while public finance is less frequently discussed and receives considerably less media attention outside of the most extreme cases.

Discussion and Conclusion

We have demonstrated that information about changing municipal credit ratings significantly influences evaluations of incumbent mayors and their performance irrespective of voter knowledge. High-information voters respond to credit rating changes nearly identically to low-information voters. This finding is robust across different measures of incumbent performance, including an incentivized measure designed to harness the wisdom of the crowds, as well as more detailed assessments of life in the city and issue-specific evaluations of the incumbent. Given that these results are derived from an experiment, we can have confidence that they are internally valid and that they can be interpreted causally.

These findings highlight a significant convergence in how high- and low-information voters respond to information about municipal credit ratings in local elections. Despite varying levels of political knowledge, both groups rely on simplified metrics like credit ratings to form judgments about incumbent performance. For high-information voters, who typically engage more deeply with political news and issues, the utility of credit ratings indicates a potential for these metrics to serve as effective shortcuts in their decision-making process. For low-information voters, who may have less exposure to detailed policy discussions, credit ratings offer a comprehensible signal that informs their evaluations of local leadership. This alignment underscores the potential of accessible financial metrics in local electoral processes. By providing a common basis for assessment, credit ratings may enable a broader spectrum of voters to engage meaningfully in evaluating incumbents' fiscal stewardship. Moreover, the consistency

⁶ This is also true for the average treatment effect of reading about a crime increase on perceptions of the mayor's handling of crime in the city; high-knowledge voters display a significantly larger negative treatment effect than low-knowledge voters. This informs us that high-knowledge voters are better at mapping information about incumbent performance to specific issues than low-knowledge voters are, but are not more significantly moved in their holistic evaluations of incumbents.

in response across voter knowledge levels suggests that efforts to enhance public understanding of municipal finance, including through clearer communication of credit ratings, could amplify their impact on electoral outcomes. Policymakers and electoral strategists may benefit from recognizing the broad appeal of these metrics and consider integrating them more prominently into voter education initiatives to foster informed decision-making across all segments of the electorate.

However, our study is not without limitations. One such limitation is that our vignettes do not identify the underlying conditions that are motivating the change in credit rating. While this has some similarities to the real world, where credit ratings are the outcome of proprietary models from private firms, it also creates potential confounders. It could be that voters are not punishing incumbents for higher or lower borrowing costs as captured by changing credit ratings, but are instead assuming that credit rating changes are signals of non-financial performance (e.g., job creation, corruption).

Lastly, while we think our research highlights the potential for an electorate informed about public financial management to drive elected officials toward more prudent decision-making, it is critical to note that credit ratings may be a problematic measurement. Local officials prioritizing credit ratings rather than financial management may give unelected bondholders and rating agencies undue control over political decisions. Unfortunately, alternatives are hard to come by. Ideally, there would be a single metric that adequately captures local government financial health that local officials and voters alike could respond to. But to date single metric systems do not perform well. Moreover, state intervention and monitoring systems also perform poorly (Singla, Spreen, & Shumberger, 2023). Perhaps the best approach is for local politicians and voters to assess whether their community's financial management follows the prudent financial management principles set forth by professional organizations such as the Government Finance Officers Association (Kavanaugh & Klein, 2024) that encourage more comprehensive thinking. By doing so, they prioritize easily digestible performance metrics and a more comprehensive focus on the community's long-term financial well-being.

Disclosure Statement

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What Does the Public Really Want to Know About Public Finance? It's Not Crystal Clear, but the Public Wants Profit!

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Throughout the world, freedom of information laws have been put into place to ensure citizens the opportunity to hold their government accountable. In practice, previous literature often finds that private gain or self-serving interests account for most national information requests, crowding out the original accountability-focused intentions of these laws. While there has been some national research around the demand for these information requests, research from a local level has been lacking. Here, data from public records requests to the City of Bellevue, Washington's Finance and Asset Management department from 2019 to 2023 are analyzed to determine what the public really wants to know about public finance. Local data mirrors the national research, with 71% of the total requests being for private gain; specifically, 47% of all public records requests are procurement-related commercial inquiries.

Keywords: Freedom of Information, Government Accountability, Public Records Request

The United States enacted the Freedom of Information Act, or FOIA, in 1967. The Supreme Court has explained that the goals of the law are to ensure an informed citizenry, check against corruption, and hold governors accountable to the governed. As such, this law allows the public to request records from any federal agency (U.S. Dept. of Justice, 2024). The optimistic spirit enshrined in the original goals of this law inspired many other governments to follow suit. Besides FOIA, all 50 states and the District of Columbia also have some version of freedom of information law on the books (Watt, 2020). In Washington, this is the Public Records Act (PRA), enacted in 1972 via a voter-approved ballot initiative broadly promoted by citizen activists seeking improved government accountability (Watt, 2020). The Washington PRA governs state and local agencies in Washington, including towns and cities like the City of Bellevue (RCW 42.56). This governs the disclosure of public records, which it defines as “any writing containing information relating to the conduct of government or the performance of any

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governmental or proprietary function prepared, owned, used, or retained by any state or local agency regardless of physical form or characteristics” (RCW 42.56). As a local agency under the terms of this legislation, the City of Bellevue must comply with the requirement to disclose records requested by the public.

Even though FOIA is now long standing, little research has been developed about the demand for information from the government. This paper analyzed data from 458 public records requests made to the City of Bellevue Finance and Asset Management (FAM) Department between September 2019 and December 2023 to understand the types of requests made and the turnaround time for FAM’s response to the public. Understanding the public records requests from the finance department of a local city government will shed light on what the public really wants to know about public finance. It should be noted that one city’s FOI requests for one department are an extremely narrow case study. One main benefit of focusing on specifically the FAM department is that it allows for a very direct consideration of the research question: what does the public really want to know about public finance? While other departments will receive additional FOI requests, if it has to do with finance it is routed to FAM. Additional research could be developed by partnering with other local municipalities’ finance departments to aggregate a larger dataset of finance-focused FOI requests, but that was outside the scope of this work.

The City of Bellevue is centrally located between Microsoft’s headquarters in Redmond, the University of Washington, and downtown Seattle. The city is the state’s fifth largest, with an estimated 2024 population of 155,000, encompassing 33.5 square miles. It is a full-service city including police and fire protection, emergency medical services, construction and maintenance of streets and traditional municipal infrastructure, and park and recreational activities and cultural events. It is strategically positioned as one of the strongest economic centers in the Puget Sound region. The top three employers are Amazon, T-Mobile USA, and Meta. The median household income estimate from 2023 for the City of Bellevue was \$149,551, almost double the national estimate of \$75,149 (U.S. Census, 2023). Nationally, 34.3 percent of people 25 and older have a bachelor’s degree or higher, but that figure is 70.0 percent in Bellevue. Politically, Bellevue is predominantly Democratic and considered a very liberal city compared to the nation. However, it can be considered more conservative than regional neighbor Seattle, particularly around local hot-button issues such as support for businesses or police.

While it is beyond the scope of this research to compare other local jurisdictions’ FOI requests received, inferences can be made about the nature of who makes these types of requests. Survey results from the U.S. show that higher-educated individuals are more likely to be familiar with FOI laws and more likely to make FOI requests (Wagner, 2021). The same survey also found that people who believe that FOI laws improve government accountability are more likely to make requests. In a later study, four characteristics that strongly predicted a belief that FOI laws work were 1.) having an advanced education, 2.) being male, 3.) being liberal, and 4.) having a high perception of government efficacy (Wagner, 2023). The same study found that Black individuals were less likely to support FOI or believe that it works as designed. The author notes that these results suggest that “social and power dynamics may be driving factors in how the public perceives and uses FOI” (Wagner, 2023, p. 115). It would be a fair assumption that Bellevue’s relatively affluent, well-educated, liberal, and politically active community submits as many, if not more, FOI requests than the national average.

This paper is structured as follows: firstly, there is a discussion of literature around the objectives of FOI laws and the outcomes despite those objectives, along with an analytical

construct to navigate the tensions between the competing values and motivations in the demand for FOI requests. This is followed by a brief discussion of the data and methods used in the analysis. Next is a thorough investigation of the results, followed by a discussion section to contextualize the results, and lastly, a discussion of policy recommendations.

Literature Review

Countries with freedom of information (FOI) laws have exploded globally since the 1990s, including emergent and new democracies (Ackerman & Sandoval-Ballesteros, 2006). For the public, access to information (ATI), which is promoted through FOI laws, has become more widely recognized as an individual right (Riegner, 2017). Conducting the government openly is seen to overcome cynicism about the government's conduct, and to help people be confident that their government is operating in the public interest (Kierkegaard, 2009). The prevailing objective for FOI laws is a social compact for people to remain vigilant over their government through transparency which creates a stronger, more effective citizenry by allowing oversight into government function (Kimball, 2016). The public can participate more fully in democracy when there are laws that establish a right to know what their government is up to (Fink, 2019). Accountability brought by transparency is seen as a key to better governance (Wang & Guan, 2023). Public records laws were built with the understanding that people should be able to access government documents to monitor public officials (Fink, 2018).

There are clear benefits to FOI laws; for example, greater transparency consistently improves the quality of financial management (Cucciniello, Porumbescu, & Grimmelihuijsen, 2017). There are also benefits to the government: FOI laws institutionalize transparency, which can benefit political actors by ensuring they are not shut out of government information should they lose power (Berliner, 2014). Political actors may also be more willing to “constrain themselves” through FOI laws when political competition is high because these laws will equally constrain their opponents (Berliner, 2014). Some researchers think that ATI is better understood as an indicator of democratic quality rather than a cause or consequence of a strong democracy (Riegner, 2017), perhaps because of relationships like the ones Berliner uncovered.

It cannot be denied that information has the potential to spur civic engagement and government accountability. The public can only participate in the democratic process when they have information about that process via understanding the activities and policies of their government. A global survey found that FOI laws improved how many national governments record information (Banisar, 2006). Even in places with weak ATI institutions like China, activists were able to use the 2008 Open Government Information reform to fuel campaigns to inspire the government to pursue policy change in other areas (Distelhorst, 2016). While the objective of FOI laws centers on public accountability, there is also documented evidence that this is just a small number of the overall requests made through these processes.

FOI Outcomes (Despite Objectives)

Despite the long-standing expectation that FOI laws can improve the quality of government, the effects are much less pronounced than conventional wisdom suggests (Cucciniello et al., 2017). There is a disconnect between FOI laws intended to yield outcomes that serve the citizenry and the actual outcomes driven by the motivations of those making these information requests. There

is observed confusion over what transparency can do, which drives the debate over the role of FOI laws in public administration (Cucciniello et al., 2017).

FOI laws do provide the opportunity for individuals to have the right to access information to hold the government accountable. However, they also give businesses, nuisance actors, and bots opportunities to flood government offices with request work. While FOIA's original objective may have been for journalists and activists to be primary users of the law, many researchers have noted that these are just the tip-of-the-iceberg with the majority of requests coming from more selfish motivations than public accountability (Berliner, Bagozzi, & Palmer-Rubin, 2018). While the literature may present these uses as valid in limited instances, most are seen as undermining the laws' objectives (Rizzardi, 2015).

Federal agencies categorize requesters as commercial, defined as people or organizations requesting out of profit motive; noncommercial, defined as researchers and journalists; and others (Fink, 2018). Many requests are for commercial information, such as details on contracts that have been awarded (Ackerman & Sandoval-Ballesteros, 2006; Kwoka, 2016). At the federal level in the U.S., this volume of commercial requests hinders FOIA offices' ability to respond to other requests that may be more in line with the law's original objectives (Kwoka, 2016). One challenge is that top users of FOI laws are often corporations searching for information that is of private commercial interest to them, which researchers note is not part of the laws' original goal of ensuring an informed citizenry (Ackerman & Sandoval-Ballesteros, 2006). A small industry in the United States has developed in which companies use FOI to request information on procurement, regulatory processes, and competitors (Michener & Worthy, 2018).

Another common concern in the business landscape is how trade secrets, which may harm businesses and give advantages to their competitors, may be revealed through FOI requests. Delaney (2017) notes that trade secrets information should be withheld from public disclosure. Public records request laws should streamline and clarify these protections so businesses understand what is protected and what is not. Similarly, some federal agencies in the U.S. receive a high volume of FOIA requests for individual records, such as medical records, immigration records, or military service records. These requests cause similar problems for FOIA officers in that fulfilling them takes officers' time away from other requests, potentially undermining FOIA's efficacy in promoting government transparency (Kwoka, 2018). This contributes to an added problem: FOIA is not an efficient route for individuals seeking their records.

One survey of public records requesters found that public-interest requesters, such as journalists and activists, had different experiences with FOI laws in the U.S. than for-profit requesters (Wagner & Cuillier, 2024). This seems to support the analyses above that point toward public resources being diverted from requests that align with FOIA's intent. Notably, this included a lower likelihood of receiving records in response to their requests. Public responsiveness was also analyzed in all public information requests filed with the Mexican government from 2003 to 2015, with responsiveness or non-responsiveness highly indicative of politically sensitive inquiries (Bagozzi, Berliner, & Almquist, 2021). Furthermore, misuse of public records requests can encourage public servants to avoid documentation to decrease the burden of responding to these requests (Rizzardi, 2015). Snell (2002) sees committed public servants as necessary to fulfill the goals and mission of FOI laws and worries that abuse of requests by "spin doctors" could impact the quality of that commitment. Kimball (2016) raises a similar concern, stating that nuisance requests (broad, vague, inept, or with an inappropriate use intent) create a more adversarial relationship between requesters and public servants.

Table 1. Public Records Requests: Values and Motivations Matrix

		Motivation for PRR	
		Public Accountability	Private Gain
Social Values for PRR	Rights to Information	Quadrant 1: Keeping Government Accountable; Investigating Budgets	Quadrant 2: Commercial Requesters Refining Proposals to Better Serve the City; Individual Citizens Pulling Information for Legal Defense
	Efficiency Concerns	Quadrant 3: Public Interest “Fluff” News Stories; Vague and Intensive Historic Research	Quadrant 4: Nuisance Requests, Commercial Bots

In general, FOI laws and transparency initiatives can limit limited staff's ability to respond to requests under a deadline on top of their primary responsibilities (Fink, 2019). On occasion, accessing information takes so long that the information is no longer useful to the requester (Fink, 2018). Delayed responses are due partly to an overwhelming number of business requests, which can crowd out public interest requests (Fink, 2018). The theories of transparency on which FOI laws rest are oversimplified: they assume that the government can perfectly control information, while practically, bureaucracy and government are too complex for this to be true (Fenster, 2015).

Tension between Values and Motivations in FOI

When considering FOI, society must balance what it values: the private right to information or government efficiency. The right to information has been touted as an objective of FOI laws, but it has had the side effect of overwhelming government staff with requests that are not in line with those objectives and create inefficiencies.

It is also necessary to balance dueling motivations from those who request public records: public accountability or private gain. Motivations for information-gathering are defined as public if the request could advance public interest and private if the primary objective is the self-regarding interest of an individual or business (Michener & Worthy, 2018). Demand for what type of information the public requested was explored via an analysis of one million information requests in Mexico (Berliner, Bagozzi, & Palmer-Rubin, 2018). Researchers delineated requests for information useful to political accountability when citizens demand information necessary to evaluate government performance from private users whose primary objective was commercial or otherwise self-interested. The public accountability information requests follow the optimistic spirit of the original FOIA laws. The information sought for private gain, or other motives are considered a more pessimistic tip-of-the-iceberg model, wherein the public accountability information requests are just a small portion of the greater whole, which is predominantly selfish in nature (Berliner et al., 2018).

Combining these two dichotomies develops four quadrants for public records requests (PRR): two public accountability (public rights, public efficiency) and two private gains (private

Table 2. Topics of Requests

Topic of Request	Count of Requests
Contract information	115
Property information	62
Proposal information	59
Financial information	53
Bid information	29
Employee names and pay information	28
Payment and performance bonds	20
Unclaimed property	19
Commercial contact information	12
Police information	12
Surveillance information	11
Union information	9
Insurance information	8
Mailing equipment agreement inquiry	6
Procedure information	6
Company specific information	3
Misc. request	3
Soliciting: IT, Landscaping, etc.	3

rights, private efficiency). Table 1 displays the framework for this analysis with examples of where typical requests may fall in the quadrants.

The analysis developed in later portions of this paper focuses on possible motivations for the public records requests: public accountability (Quadrant 1 and 3) or private gain (Quadrant 2 and 4).

Research Gaps

The major gap in the research is the lack of information specific to local jurisdictions such as cities, states, and counties. This includes how local governments implement and enforce laws and how the public utilizes them. It is hoped that this research contributes to closing that gap by elevating the voices of records requests from Bellevue.

Data and Methodology

Data

The dataset this study uses is a document Bellevue staff call the Public Records Request Tracking Master document, which tracked a summary of public records requests sent to the

Finance and Asset Management (FAM) department of the City of Bellevue from September 5, 2019, to December 31, 2023. This is similar to the FOIA log discussed in academic research (Fink, 2018; Kwoka, 2018; Michener & Worthy, 2018) but contains additional variables specific to FAM. The data was edited to focus on the scope of the research question, “What does the public want to know about public finance?” To this end, some of the original variables were removed or adjusted to be able to aggregate over the years. A variable was introduced to measure the turnaround time between the date the request was received by FAM and the date it was marked closed. Some duplicate requests were treated as one request in the final data. The names of individual people were deleted out of respect for their privacy, but the names of city leaders were allowed to remain as these were always central to the request. The names of companies were allowed to remain where mentioned. Where requests and requestors were unclear, these were removed. The dataset dropped from 480 requests to 458 requests via this preparation process. Finally, the requests were individually read and filed into 18 topics of request categories with 151 sub-category notes and an estimate of whether the request falls into the public accountability model or private gain model categories (Berliner et al., 2018; Michener & Worthy, 2018). Table 2 shows the 18 topics of request that this analysis focuses on.

A limitation of the dataset is that the requestor and their motivations are not explicitly stated. Generally, a decent inference can be gleaned from the request's body, which this analysis is based on. A future research opportunity could develop more accurate insights by surveying requestors directly. Also, it must be noted that only observed information requests can be analyzed, and there is a broader pool of individuals who may want to know things about public finance but do not pursue a public records requests route to acquiring that information for whatever reason.

Methodology

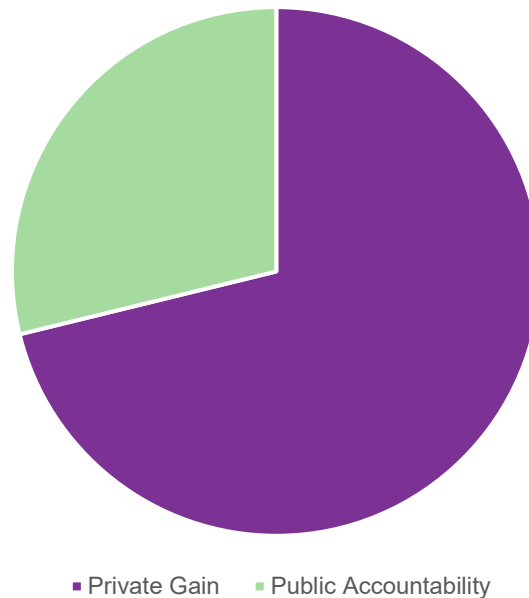
Government transparency was explored in detail in the Coalition of Journalists for Open Government (2006) finding that commercial uses of government information outpace requests by journalists and all others. A similar study, with similar results, was run by Kwoka (2016) with a simple analysis using the FOIA logs from various government agencies, breaking down the requesters at each of the studied agencies. Following Kwoka (2016, 2018) and the Coalition of Journalists (2006), an analysis is developed around the number of requests, the proportions of the request type out of the total, and an exploration of outlier requests.

Bagozzi et al. (2021) found longer delays and nonresponse on politically sensitive information requests. To consider this possibility, an analysis was run on the turnaround time to respond to each request. Once the unclear requests were removed, there was a 100% completion rate.

Results

After analyzing the 458 requests from September 2019 to December 2023, it was found that 326 requests, or 71% of the total, were likely for private gain motivations (Figure 1). This result demonstrates clear support for the tip-of-the-iceberg hypothesis that public accountability information requests only represent a small proportion of the outcomes of FOI (Ackerman &

Figure 1. Count of Private Gain vs. Public Accountability Requests



Sandoval-Ballesteros, 2006; Berliner et al., 2018; Cucciniello et al., 2017; Kwoka, 2016; Michener & Worthy, 2018).

The remaining 132 requests, 29% of the total, seemed to be for public accountability reasons. These were requests by individuals seeking information from their local government. While the reasons for their requests are not clearly stated, it is not obviously for private gain motive. This reveals that public accountability results from FOI laws within Bellevue. However, in line with prior studies, it is not as large of an outcome proportion as the objectives of FOI would lead one to believe (Cucciniello et al., 2017; Fink, 2019; Kimball, 2016).

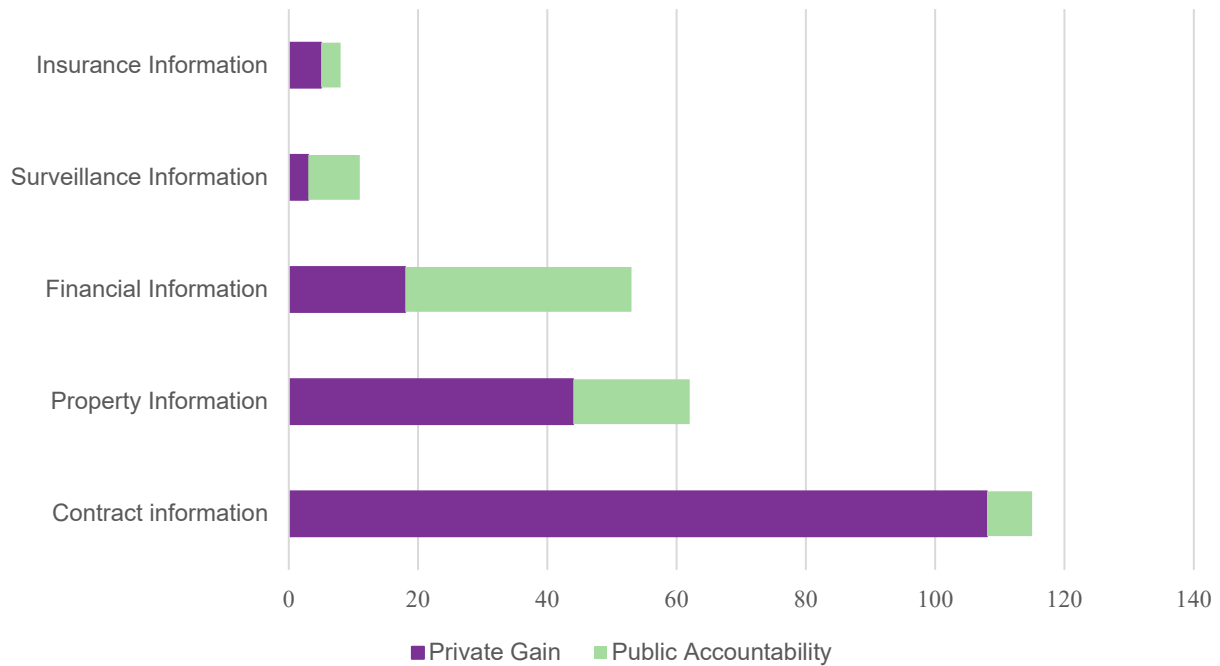
Shared Request Categories

Several categories of request topics are shared between public accountability and private gain requesters (Figure 2). These findings are of particular interest because the overlap indicates a gap in the information provided by Bellevue that would benefit both the city's residents and the businesses serving those residents. This is important in understanding where the city can most efficiently serve information requesters with either motivation type.

These public accountability contract information requests contain three requests for business license information, two requests for information on the Interagency Agreement for the “Energize Eastside” project, one request for information on the interlocal agreement between the Bellevue School District and the City of Bellevue for the School Resource Officer Program, and one request for information on cell-site simulators and related nondisclosure agreements. The private gain requests were requests for bid information from the lowest bidder, statements of work, or current contracts for various services provided to the city.

The 18 private gain requests for financial information were almost entirely purchase order and invoice information, including many requests that read as automated from a company called SmartProcure, which claims to be the nation's leading information database of government

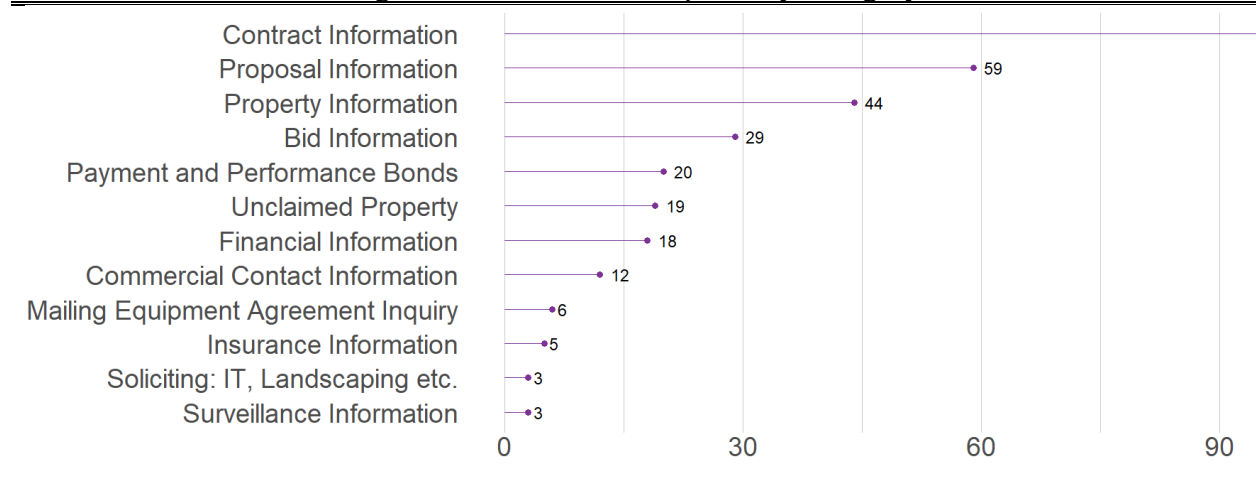
Figure 2. Shared Types of Requests



purchase orders. The automated SmartProcure requests are an excellent example of Quadrant 4 in Figure 1 (private gain, efficiency concerns), where private gain meets efficiency concerns in a way that seems to waste government resources instead of providing accountability. The public accountability financial information requests seemed to fit best into the public accountability model out of all other requests Quadrant 1 in Figure 1 (public accountability, right to information). Here are a sample of what the people of Bellevue want to know about public finance in the City of Bellevue (edited for brevity):

- Please provide all records showing or explaining how the “Impact Fees” value for the 2021-2022 budget was determined.
- What is the percentage of reserve funds? (Note: Reserve funds help organizations cover costs that may arise from emergencies, typically set between 15-30% of general fund expenditures.) Are the rates the same across departments/funds? Is there a city-wide policy or policy by department?
- How much did the City of Bellevue spend on legal fees during the Puget Sound Energy lawsuit against East Bellevue Community Council?
- Who paid for the installation, etc., of electric vehicle chargers?
- Where does the revenue from traffic fines issued in Bellevue go? Does the city retain those funds, and if so, what is the annual revenue? Or do they go to the state, and if so, is it returned to the city? If so, by what formula?
- Please disclose any information of Bellevue School District, Bellevue Police Department, or the City of Bellevue's investments in private prison stocks and industries from January 2002 to the present (requested in February 2021).

Figure 3. Private Gain Requests by Category



Requests for insurance information were fewer than the previously discussed shared categories. There were only five private gain requests for insurance information, with four requesting insurance coverage certificates and one requesting ownership history of a vehicle sold by the city. One of the public accountability requests for insurance information was for city vehicle records. However, the other two inquired about surety bonds covering the Bellevue City Manager and the Mayor. Surety bonds on public officials protect against conduct or omissions made by public officials that constitute a breach of their office duties and ensure they account for all money that comes into their hands by their office. These are required by Washington state law (RCW 42.08).

Private Gain Requests

Previous literature suggests that many public records requests are for private gain information, such as details on contracts that have been awarded (Ackerman & Sandoval-Ballesteros, 2006; Kwoka, 2016). The City of Bellevue's public records requests follow a similar pattern to those found by Kwoka (2016) and others, with private gain requests at 71%. The count of requests per each private gain category can be found in Figure 3. These results show that most of the public records requests at Bellevue are for private gain. While not inherently wrong, it can be seen as undermining the objectives of FOI laws (Ackerman & Sandoval-Ballesteros, 2006; Kwoka, 2016; Rizzardi, 2015).

The largest private gain request category outside the previously discussed contract or property information category is proposal information. These are requests for proposals or quotations about various projects around the city. It should be noted that these requests are very similar to the next largest private gain request category, bid information. These were requests for winning bids, scoring sheet summaries, and other inquiries about the bidding process. These are similar to the next largest payment and performance bonds category. A performance bond is the contractor's assurance that the work will be performed to the terms of the construction contract, and a payment bond is the contractor's assurance that labor and materials bills incurred in connection with the construction contract will be paid.

The requests for contract, proposal, bid, payment, and performance bond information are all related to the procurement industry. These requests are similar enough to be aggregated into a super-category of 216 requests surrounding the City of Bellevue's procurement and contracting practices. Out of the total requests for information analyzed, this shows that 47% of all public records requests are commercial inquiries from companies hoping to succeed in winning a government contract from the City of Bellevue. This reveals that almost half of what people want to know about public finance in the City of Bellevue is simply clarity on procurement, falling solidly into Quadrant 2 (private gain, rights to information) of Figure 1. Knowing this can provide Bellevue with fodder to better provide relevant open data and improve efficiency in FOI requests such that more effort can be spent on public accountability requests.

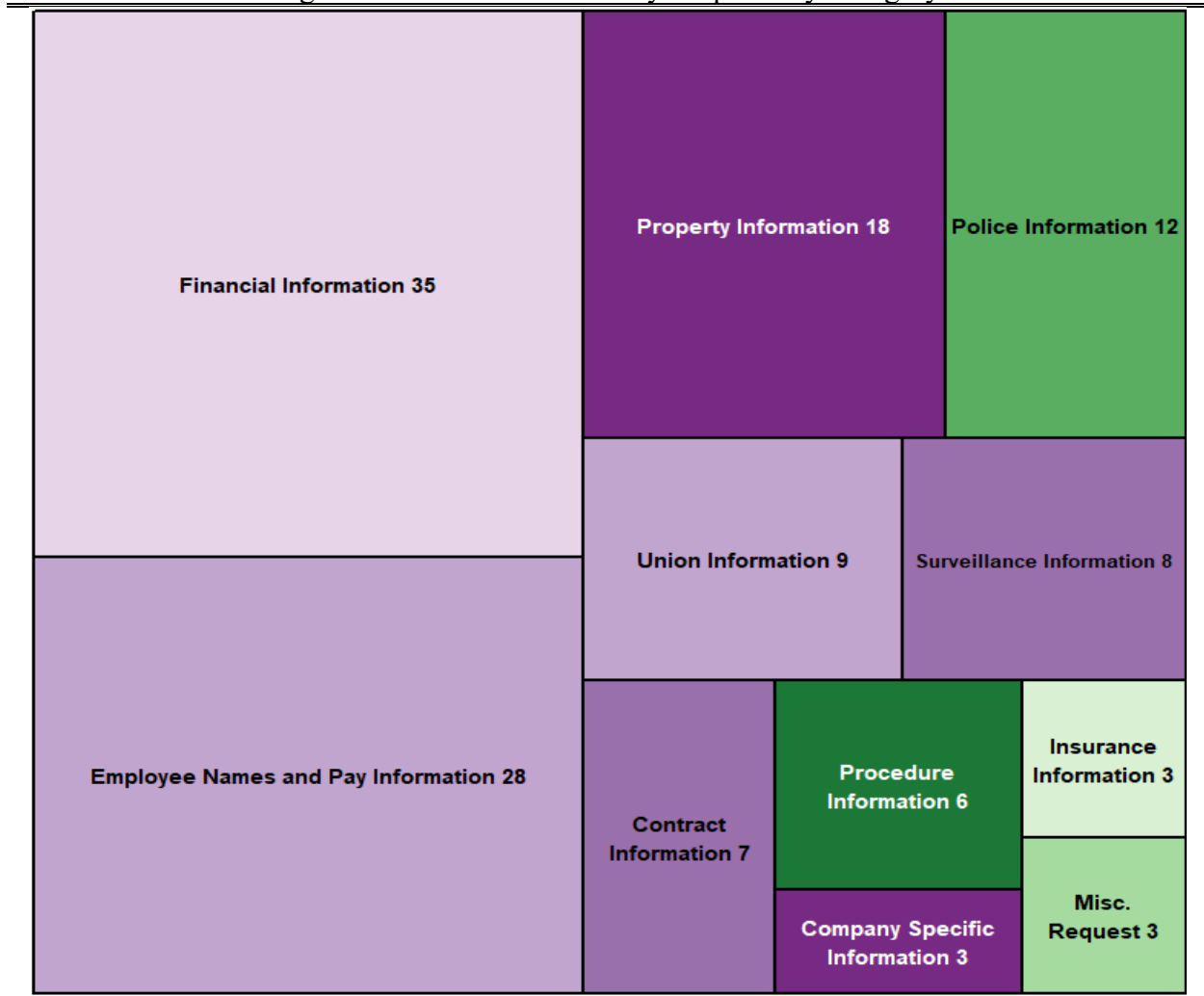
Public Accountability Requests

In this research, public accountability requests are not self-interested or commercial requests. However, it should be acknowledged that this analysis only infers request topics from the text of the request. Without explicit data on the motivation for the request, it was deemed reasonable to assume that many of these requests follow a public accountability model, with individuals desiring to hold their government accountable. However, individuals also have their motivations in requesting data, and not all these motivations will be for the higher public good. Someone putting in a public records request for union or employee information may be an attempt to improve negotiation footing. Someone inquiring about contract or procedure information may be trying to fuel a litigious situation for Bellevue. A research opportunity in the future would involve surveying requestors to ascertain the explicit motivations for their public records requests.

Aside from the previously discussed shared categories, the largest category of public accountability requests was employee names and pay information (Figure 4). Of the 28 requests for employee names and wage information, nine inquired specifically about the Bellevue Police Department (BPD), two inquired specifically about the Bellevue Fire Department, and one requested information on both. Two requests asked about the IT Department's salary and benefits. Two requests were for council members' salary information and their time off. One request came from a city employee requesting copies of their time sheets. One request asked about the city's total salary paid to school resource officers compared to the total paid by Bellevue School District. One asked about the car allowance and annual pay of all executive leadership. The others requested all employee names and salary. These requests fall largely into Quadrant 1 of Figure 1 (public accountability, rights to information). However, efficiency concerns arise when employees request their timesheets when there is a portal for self-service and a dedicated department to address Human Resources concerns.

Most public records requests concerning BPD should be routed there rather than FAM and would not be included in this dataset. However, there were 22 requests concerning police information routed to the FAM department. Ten of these requests were discussed in the prior paragraph and were regarding salary, and 12 fell into the police information category. Two requests specifically requested information about who from BPD and the City of Bellevue went to the January 6th, 2021, insurrection. These requests were routed to all city departments to ensure a thorough response. Other requests were unique and included requests for insurance information for BPD, police and fire truck scanner frequencies, and police training information, among others. Out of 132 public accountability requests, inquiries about the police specifically

Figure 4. Public Accountability Requests by Category



account for 17%. This is the largest coherent group of public accountability public records requests, and it cannot be ignored that these requests from late 2019 through 2023 overlap a time when the Seattle Police Department came under increased scrutiny after the Capitol Hill Occupied Protest in 2020 and the U.S. Department of Justice’s consent decree termination in 2023. Due to Bellevue’s proximity to Seattle, this upheaval in the neighboring city likely inspired inquiries about Bellevue’s police. With a longer timeline of records requests, it would be possible to determine if those current events inspired more police-related records requests than usual, but unfortunately, that data is unavailable. Further research could take a more longitudinal view and explore whether certain categories of requests become more common around specific events, such as elections, natural disasters, or other major moments.

Turnaround Time

The average turnaround time for private gain and public accountability requests was 8 days. The rapid turnaround time combined with the 100% completion rate is a tribute to the excellent

efforts by staff at the City of Bellevue's FAM department to ensure public confidence via transparency. Though other literature has suggested that a high volume of private gain requests might burden government staff heavily enough to divert their attention from public accountability requests, the short turnaround and full completion rate may indicate that FAM staff do not experience the same problems. Further investigation into the time burden of responding staff would be required, especially considering the time diverted from non-records work responsibilities.

The requests with longer average turnaround times mostly fell within private gain requests. Commercial contact information as a category had an average 17-day turnaround, solicitors promoting their services received a response on average within 16 days, and requests for unclaimed property information averaged 10 days' response time. It should be noted that all these categories have many requests, which seem like automated bot requests for commercial interests.

Public accountability requests that had longer average turnaround times were often very niche. Miscellaneous requests as a bucket averaged 13 days of turnaround time due to the time-intensive nature of requests, such as pulling receipts for outside counsel attorney work from cases when Bellevue was the plaintiff in the 1990s, which took 21 days to track down. The financial information request bucket had an average of 10 days of turnaround time. These requests were also often very broad. For example, one request asked for all documents and records related to Bellevue contributions for the East Link Project from 2011, which took 67 days to complete. Requests for historical data such as these take longer for several reasons, including employee turnover, records retention, and coordination with outside stakeholders. All these requests are excellent examples of Quadrant 3 in Figure 1 (public accountability, efficiency concerns), where efficiency concerns begin to outweigh the possible public benefit of the information requested.

Discussion

The Results section showed that 29 percent of public records requests in the City of Bellevue were in line with the public accountability objectives of FOI laws. This demonstrates that the people of Bellevue are actively producing accountability in government finance by closely examining Bellevue records. This serves a meaningful democratic purpose, encouraging an engaged citizenry and ensuring that city resources are not lost due to error or oversight. Serving the people of Bellevue and building confidence through transparency is an excellent use of taxpayer resources.

Private gain motivations are not necessarily a waste of taxpayer resources. The City of Bellevue prides itself on being a business-friendly city. An interesting future research opportunity would be to explore the outcomes of FOI requests for the requesters themselves. When considering companies seeking information to improve their odds in the procurement process, which falls to Quadrant 2 of Figure 1 (private gain, right to information), what percentage of requesters subsequently won contracts? How do those bids compare against those where participants did not make public records requests? Anecdotally, staff in the public records office know of some companies who submitted PRR for procurement documents and used the information to improve their bids enough to win later contracts. Requesters may add value to the

city with better-informed and refined proposals. Unfortunately, the data does not exist currently to say for sure.

An additional nuance to the discussion around private gain requesters is that RCW 39.04.105 on competitive bidding provides two full business days following the bid opening to request copies of the bids received for the project. All bidding and competitively procured items or services are posted on public purchase, and additionally, all public work bids are posted on the builder's exchange. Both public works and builder's exchange are online platforms for listings of government procurement opportunities. However, after the two-day window is closed, they must submit a public records request to access this information. It is a short time frame, and most vendors miss the two-day window and must go through Bellevue's PRR process instead. This would explain why there is such a disproportionate number of these types of requests.

Technology innovations could reduce the burden on city staff to provide information from FOI requests. Sunshine laws have grown substantially in recent decades, with transparency spreading worldwide as governments influence one another toward more open government practices (Larrick, 2017). Proactive transparency can be achieved through Open Data Portals and other websites acting as self-service FOI portals. There is even the opportunity for local government open data programs to display a reactive feedback mechanism, such as suggesting a dataset or website (Larrick, 2017). Open Data can foster economic growth, innovation, and efficiency and inspire more citizen participation and self-empowerment, hopefully building the next generation of civil servants (Jelenic, 2019).

The City of Bellevue fully embraces proactive transparency. The Open Data Portal is linked to the city's Public Records Center page, where people submit records requests. Staff can and do put up deflectors so that when publicly available information is requested through various keywords, the person is automatically rerouted to the correct place in Open Data. This allows them to guide information requesters directly to the right place.

The results developed in this study show that almost half of the public records requests for the City of Bellevue FAM department are probable commercial requestors seeking information on how better to win government contracts for projects in the city. This information can be proactively posted on FAM's website: [Bid Opportunities, RFPs, and RFQs](#). Even for the requests in the public accountability model of ATI requests, many of the answers could be found in the city's Budget Book or Annual Comprehensive Financial Report. However, these large documents do not allow users to easily pull the data from the published tables, which may be why people use public records requests instead. Additionally, some FAM data will not be allowed in Open Data for legal reasons, but city staff are as proactively transparent as legally possible. One recent innovation is that the preliminary budget for 2025-2026 was developed into an interactive digital budget book, allowing people to drill down to specifically the expenditures or revenues they are curious about.

Educating requestors could go far in expediting and fulfilling their information request. Requesters should keep in mind the advice from the survey and interviews of FOI access professionals, do preliminary research and know the terminology, and be as specific as possible in the request (Kimball, 2016). Active pointers like the deflectors that redirect people to Open Data or the opportunity to explore their curiosities through the interactive digital budget book are a great start to alleviating the inefficiencies that public records requests can sometimes create. However, some constituents will be reluctant or unable to embrace digital systems.

Some agencies manage the flow of requests by charging fees for commercial requests (Fink, 2019). These cost-recovery FOI policies can counter the burden that public records

requests can impose on staff. The City of Bellevue has adopted the state's copy pay schedule, which means that the city cannot charge for processing, only for copies (RCW 42.56.19). Almost 99 percent of the city's requests are electronic and there are only rarely requests for print. Unless the individual requests large, printed binders, Bellevue does not impose cost recovery. The only exception is a mandated fee for police body-worn cameras, with 10% of the fee paid upon request and the remaining paid before the records are released.

Policy Recommendations

As previously discussed, research from a national level (Coalition of Journalists for Open Government, 2006; Kwoka, 2016) found similar issues as this analysis: public records requests have large proportions of commercial requests. Researchers have posed several possible solutions to this issue. Regarding commercial requests, the U.S. government could create an affirmative disclosure solution, freeing agency resources to serve requests from citizens and journalists (Kwoka, 2016). Agencies could also design processes to meet individual needs for personal records and alleviate the need to use FOIA (Kwoka, 2018). This call for proactivity is a common theme. Rizzardi (2015) notes that the government can reduce the burden on itself to respond to FOI requests by proactively providing information that the public needs. Kimball (2016) suggests that the officers who implement these laws and public servants responsible for documentation should be included in any conversations about improving the processes. Broadly, the literature calls for returning FOI laws and their implementation resources to the intended beneficiaries to meet their goals of improving government transparency and citizen access to information.

The Association of Washington Cities recommended in 2013 that to strengthen open government, it was necessary to curb requesters' abuse of public records laws (Kimball, 2016; Rizzardi, 2015). They suggested several solutions, including charging more for commercial entities asking for records and blocking financially motivated requests (Kimball, 2016). In some states, requesters are required to clarify if they are using the information for commercial purposes. These requests can then be put on a slower timeline, allowing public interest requests to have the priority of officials' attention (Fink, 2018). It could be that an overwhelming number of requests creates an obstacle to compliance with FOI law (Kimball, 2016). However, the results of this study show that in the FAM department of the City of Bellevue there was a 100 percent completion rate, so they are not overwhelmed enough to create compliance issues with Washington's PRA. Having requesters provide explicitly their use or motivation for the information could be interesting data to gather. It could act as a foundation for possibly adjusting timelines or blocking requests that cause efficiency concerns if it comes to that in the future.

In a study of those who carry out federal FOI laws, public records officers indicated that more funding might increase their effectiveness (Kimball, 2016). However, many staff, not just those who carry out FOI laws, believe increased funding would increase their effectiveness. Budgets are always contentious, but the additional staff, improved records management processes, and overall morale boost that additional funding could bring could alleviate the burdens of these requests on staff already juggling their full-time duties (Kimball, 2016).

Alabama, Arkansas, Delaware, Georgia, Missouri, Montana, New Hampshire, New Jersey, Tennessee, and Virginia all have FOI laws that limit the right to request information from residents of their state. However, it is not universally enforced (Fink, 2018). This could be an

interesting option for the City of Bellevue to explore, and it would limit Category 4 of Table 1 (private gain-efficiency concerns) nuisance or bot requests quite a bit as those tend to be operating nationally or internationally rather than locally.

Conclusion

This paper explored the public records requests made to the City of Bellevue Finance and Asset Management department and found that 71% of the requests were likely private gain requests. Almost half of the requests were commercial interest in procurement contracts with the city. This is in keeping with past literature, suggesting that public accountability motivations are only the tip of the iceberg compared to the number of requests with which the government is inundated. This finding at the local government level suggests that smaller governments like cities see similar issues as the federal government. The fact that the outcomes of FOI laws deviate so much from the objectives of FOI laws speaks to opportunities to improve legislation in the future to balance better the societal values underpinning FOI with the motivations of information requesters using FOI, as well as opportunities for governments to improve the availability of procurement information outside of the FOI process to free up resources to respond to requests rooted in holding governments accountable.

Disclosure Statement

The authors declare that they have no conflicts of interest related to the research, authorship, or publication of this article.

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Local Management of Federal Grants: Determinants of Awards and Government Capacity

Austin M. Aldagi^{i, c}

A key interaction between federal and local governments comes from intergovernmental transfers and grants-in-aid. Popular grant programs include Community Development Block Grants (CDBGs) and Federal Transportation Formula Grants. Intergovernmental grants are a critical tool for local development, planning, and sustainable public finance. However, many funds awarded to local governments are difficult to spend, with some remaining unspent after the grant cycle. This study examines the factors that help determine the success of federal grant awards at the local level, and the drivers of local governmental capacity in grant management. A survey of 243 local government units was conducted to answer these important questions. A logistic regression that predicts localities' ability to obtain at least one grant shows that grants are targeted to places with higher levels of local need, larger localities, and capacity, which also drive grant awards. Furthermore, a factor analysis shows that several descriptive elements of grant management capacity statistically cluster together. An OLS regression on these drivers of governmental capacity shows that larger places and previous experience in obtaining grants are positively associated with grant management capacity in local governments.

Keywords: Fiscal Federalism, Government Capacity, Grants, Intergovernmental Relations, Local Government

The history and trajectory of intergovernmental relations within the United States are dynamic and ever-changing. Grants are a crucial element of the complex federal-to-local intergovernmental relationship and are both ubiquitous and essential for financing subnational governance (Boex & Vazques, 2004; Lago, Lago-Penas, & Martinez-Vazques, 2024). The scheme of grants goes by a variety of names and diverse conceptual understandings like 'third-party federalism' (Lago et al., 2024), 'indirect governance' (Collins, Andrew, & Khunwishit, 2015), and 'laboratory federalism' (Garzarelli & Keeton, 2018). Scholars have further applied a contracting framework drawing on the concepts of transaction cost theory when examining intergovernmental grants (Collins et al., 2015; Collins & Gerber, 2006), while others note the

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importance of local context (Bickers & Stein, 2004). Given this diverse understanding, more research that considers the determinants of federal grant awards *and* the ability of localities to optimize the use of federal grant funds is necessary (Barbera et al., 2024; Sprague, Wilson, & Cain, 2018).

Owing to a historical lineage dating back to the late nineteenth century, the contemporary grant system was and continues to be, complex, disjointed, and uncoordinated. For instance, the Federal Congressional Research Service (Lawhorn, 2019) calculates that there are an estimated 1,616 federal grant funding opportunities open for applications from states, localities, territories, and tribal nations, and, in fiscal year 2022, federal grants equaled \$1.2 trillion (GAO, 2024). While this may indicate ample resources available for subnational governments to apply for and use, public-sector practitioners note numerous challenges in the current system of federal grants (GAO, 2012), highlighting the need for additional research in this area. However, the concepts of both *how* and *why* management matters are far less understood. The following are the two research questions considered in this study:

- 1) What determines federal grant awards to local governments across the U.S.?
- 2) What drives the level of a local government's capacity to manage federal grant funds?

Theoretical Underpinnings of Local Grant Management

This literature review is divided into three subsections. First, fiscal federalism theory is used to show the broad foundations of the intergovernmental grants-in-aid system in the U.S. The second section examines research on the distribution of federal grant funds nationwide. Finally, the ability of localities to manage grant funds is discussed by consulting the government capacity literature.

Fiscal Federalism

'Cooperative localism' describes the model intergovernmental mixing of an explicit, nationally defined set of public policy objectives filtered down to the local level considering its context (Davidson, 2007). This *best-of-both-worlds* model is a mutual, bi-directional concept that starkly contrasts with the 'fend for yourself federalism' embodied by the Reagan Administration (Rocco & Kass, 2022). The latter occurs when subnational governments are left on their own in governing matters, federal government centralization increases, and pressures are applied by federal policies such as mandates and the preemption of subnational government authority (Lawhorn, 2019). This has led to increased intergovernmental competition levels, exacerbating inequality (Collins & Gerber, 2008; Davidson, 2007; Lowe, Reckhow, & Gainsborough, 2024). However, in recent years, federal intergovernmental transfers have increased (Rocco & Kass, 2022), and theory notes the benefits of a strong central government, as it is better positioned to raise revenues and to target funds to provide approximately equivalent levels of public services across different local units.

The local management of these funds has its theoretical foundation in fiscal federalism since grants are a key element of the federal-to-local relationship. In decentralized governments, the provision of public goods is theorized to be the most efficient if delivered at the subnational

level due to interlocal competition (Tiebout, 1956). Furthermore, grants are an imperative fiscal policy tool designed to address wicked public-sector problems that may emerge when jurisdictional fragmentation results in negative external spillovers. (Lawhorn, 2019). Federal grants should increase horizontal fiscal equalization (Oates, 1990) and reduce subnational inequality. However, the achievement of these outcomes is not guaranteed.

The idea intergovernmental grant system ought to be practical and pragmatic, responsive to local needs and practitioners, and based on the logical, functional theory of federalism. Such a system may stimulate public sector efficiency, increase citizens' voices (Tiebout, 1956), promote subnational policy experimentation and innovation (Garzarelli & Keeton, 2018), and allow for a pragmatic and transparent sorting of governmental functions among different levels according to their capacity (Barbera et al., 2024). For instance, local governments are optimally positioned to deliver developmental services, such as economic development and planning, while the federal/central government best addresses redistribution. This system is reinforced by Musgrave and Musgrave's (1989) ideal multipronged public finance policy scheme that establishes a stable economic environment that ensures an equitable distribution of public goods/resources. Hence, intergovernmental grants are an important, consequential public policy that needs to be better understood by scholars, practitioners, and citizens alike.

Grant Awards

The literature examining federal grant policy may be understood as a continuum. Early scholars examined the distribution of federal grant funds across the country using a top-down analytical lens. Stein (1981) and Bickers and Stein (2004) referred to these early studies as the 'supply side.' Frequently referred to as 'pork barrel' politics (Gilbert & Specht, 1974), supply-side studies emphasize the importance of the federal government and variables like Congressional-level partisanship in determining the distribution of federal grant funds. However, scholarship reveals the myopic nature of the supply-side literature, as one fundamental assumption made is that all local governments are homogeneous with no corresponding meaningful differences when determining grant awards (see Bickers & Stein, 2004). This assumption was flawed, and studies shifted the scholarly discourse to account for certain 'demand side' considerations, such as various characteristics of local grant recipients. This evolution in our understanding of federal grant distribution makes the addition of local-level factors, such as levels of need (e.g., unemployment, poverty, and race; Lee, 2021), varying administrative resources (Shybalkina, 2023), rurality (Helpap, 2023), political recourses and wealth (Sprague et al., 2018), and/or various local management institutions (Barbera et al., 2024; Collins et al., 2015; Collins & Gerber, 2008). By further accounting for local, demand-side considerations, scholars arrived at a deeper level of analytical and theoretical richness in this area.

However, this necessitated the question: Are federal grant funds being allocated to places with the highest levels of need? An early examination of this relationship was given by Hedge (1981) who showed that places with relatively low levels of need are *more* likely to be awarded grants, a relationship further confirmed by others (Rich, 1989). Furthermore, several contemporary studies illustrate that this relationship endures for the current grant system (Dull & Wernstedt, 2010; Lee, 2021). In other words, more capable localities with lower levels of need were more likely to receive grants, a phenomenon Sprague, Wilson, and Cain (2018) labeled the 'local capacity bias,' which is the topic of the next section.

Capacity: From Human Resources to a ‘Black Box’

Local resources, which Hedge (1981) sub-divides into fiscal, administrative, political, and governmental capacities (Barbera et al., 2024), are significant to consider as they allow for the buying into the federal ‘grantsmanship’ system. Gargan’s (1981) early work argues that capacity should not be understood only from a management perspective as it is too reductive and leads to measurement and endogeneity concerns, producing public inefficiencies. In other words, there is no ‘one size all’ capacity paradigm.

When examining the issue of governmental capacity at the state level, Bowman and Kearney (1988) were the first to illustrate the importance of conceptualizing capacity as a multidimensional concept that includes various elements and show that capacity must be defined by its actual policy application and set within its governmental context. Gargan (1981) further wrote that its capacity may be “determined by the context- social, economic, and political- of a particular community” (p. 652). Hall (2008a) expanded this to the local level and articulated that “capacity is no longer viewed in general terms, but is specific to a policy goal, a program, or a task. It comprises multiple dimensions that can be measured independently to better portray the actual capabilities of an organization” (p. 111) since local organization matters.

In alignment with Gargan (1981), the capacity theory assumes that local governments vary in their ability to deal with public problems and their capacity levels (Rich, 1989). However, assigning a numerical value and measuring capacity has been a perennial challenge (Barbera et al., 2024; Hou, Moynihan, & Ingraham, 2003). Some have found it useful to understand capacity from a resource management perspective (Gargan, 1981; Honadle, 1981), which theorizes capacity as a finite stock of resources that must be managed across different governmental functions. Furthermore, the outer boundaries of capacity have been expanded to encompass social considerations like local civic resources and advocacy for social and economic equity (Lowe et al., 2016). Capacity has long been understood to be essential to delivering public services, and its importance escalates in times of turbulence and crisis (Barbera et al., 2024).

Nevertheless, the scholarly consensus notes that capacity is an integration of discrete, interrelated inputs. Applying the notion of ‘black box’ theory (Andrews & Boyne, 2010; Hou et al., 2003; Moynihan & Ingraham, 2004) capacity, should be understood not as a single variable but the combination and interaction of multiple inputs. Elements of governmental capacity are derived from several categories: human and staff resources (Donahue, Selden, & Ingraham, 2000; Helpap, 2023), financial resources of public institutions (Hall, 2008b), organizational structure (Barbera et al., 2024), and management systems (Andrews & Boyne, 2010). Capacity can also be internal and/or external to the local governmental unit. Popularly used proxy measurements for internal capacity include staffing levels, public expenditures (Bowman & Kearney, 1988), and a wide variety of local management and planning practices (Donahue et al., 2000). External capacity measures used in the literature measure local communities’ social, political, and economic contexts (Gargan, 1981; Helpap, 2023). It is important to consider other administrative (Shybalkina, 2023) and organizational factors (Andrews & Boyne, 2010). This high level of complexity and obscure nature of ‘capacity’ illustrate the utility of using a ‘black box’ theoretical model of understanding.

Furthermore, the association between public-sector institutions and governmental capacity cannot be understated (Barbera et al., 2024). Perhaps best articulated by Honadle (1981), “capacity is reflected in institutions. In fact, capacity building means institutionalizing or embodying strengths [with]in an organization” (p. 578). Descending from this high level of

Table 1. Local Grant Management Capacity, Survey Questions

Survey Question	% Yes
Do you have a dedicated grants management staff within a centralized department that assists other departments with grant-making and/or grants management?	25%
Is there a standard set of processes and procedures that guide how every department handles grants?	33%
Do you have a grants policy that has been adopted by your governing board (e.g., city council, county board)?	31%
Do you have a grants procedures manual for staff?	28%
Did your local government complete a single audit [in] FY 2017?	57%

Source: Local Government Grant Management Survey, Government Finance Officers Association (GFOA), and The Lincoln Institute of Land Policy (2018)

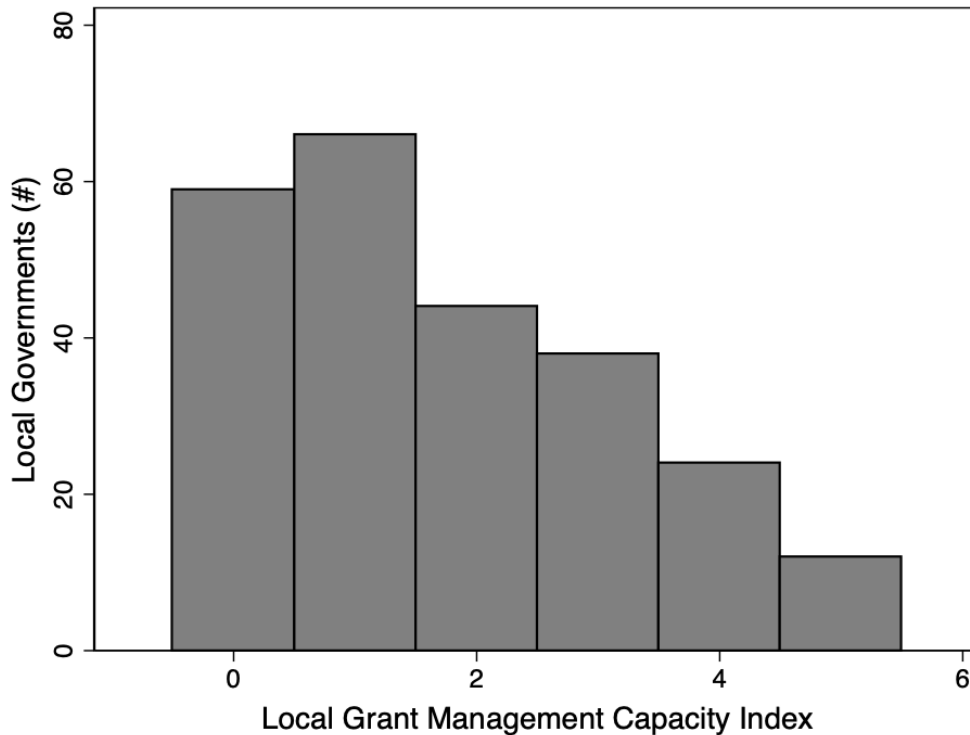
abstraction, actual tangible inputs of local grant management capacity are as simple as providing staff technical training or assistance (GAO, 2015; Handley, 2008; Keegan, 2023) or having a clear set of formal rules, procedures, or regulations (Hou et al., 2003).

One final element of capacity is time. Capacity may wane and wax over time for various reasons, including refining capacity by creating and building staff institutional knowledge (Hall, 2008b; Honadle, 1981) and previous experiences with certain policy processes. Federalism is also relevant given the relationship between federal and state-level policies and local government capacity (Collins & Gerber, 2006). The drivers of grant awards and local capacity are unknown, and this paper seeks to fill this scholarly gap.

Data and Method of Analysis

The data utilized in this local grant management analysis were drawn from several authoritative sources; chief among them was a web-based, self-administered survey of local government financial managers (administered from September to October 2018). The motivation for this survey was a report published by the Government Accountability Office (GAO, 2015), which identified millions of federally appropriated grant funds to the local level that were ultimately left unspent at the end of the corresponding funding cycle. In fiscal year 2015, expired local grant funds totaled an estimated \$994 million (Berlin, 2017). The survey was designed based on a series of focus groups and a pilot study (Na Li et al., 2017). Based on this qualitative information, stories of various troubles plaguing local government officials were articulated. However, stories are anecdotal and are far from a comprehensive, representative examination of the relevant issues. The survey instrument was created with the Lincoln Institute of Land Policy and the Government Finance Officers Association (GFOA). The universe of survey respondents comprised GFOA's current list of members. A total of 557 local chief financial officers around the U.S. received our survey, and 243 responded (44%). Survey questions addressed a variety of grant management practices and local policies, asked about four particular federal programs, and measured the levels of staff capacity. Several independent and dependent regression model variables were derived from the survey, and we will start by outlining the dependent variables in this analysis.

Figure 1. Grant Management Capacity Index Distribution



Source: Local Government Grant Management Survey, Government Finance Officers Assoc. (GFOA) and The Lincoln Institute of Land Policy (2018). N = 243 local governments.

Dependent Variables

Local capacity is difficult to define or measure (Bowman & Kearney, 1988; Collins & Gerber, 2006; Gargan, 1981; Rich, 1989; Shybalkina, 2023; Sprague et al., 2018). As a result, the survey asked a series of questions regarding best practices for local grant management (GFOA, 2013, 2022a, 2022b) to measure the institutionalization and organization of local grant management capacities. To account for this, respondents were directed to indicate what capacity measures are present in their locality. The five capacity measures are represented in the dataset as dummy variables (yes=1; otherwise =0). A factor analysis was conducted to explore the clustering of these variables, and an index was created by taking the sum of all the indicators (Cronbach's alpha = 0.635; mean = 1.75; range = 0-5). Table 1 shows a descriptive breakdown of these indicators, and a distribution of the index is shown in Figure 1.

Respondents were asked if their locality received federal funds from the following programs:

- **Head Start:** Head Start grants are awarded through the U.S. Department of Health and Human Services (HHS) and were established in 1965 (Herbst & Kose, 2024). The focus of this program is to assist in funding early childhood educational opportunities and providing educational and health services to

economically disadvantaged children and parents. In fiscal year 2022, the program allocated \$11 million and served 833,000 children, pregnant women, households, and family-care homes (Office of Head Start, 2022). This policy is redistributive and aims to target the country's poorest regions. It provides grant writing assistance to increase local government units' abilities and/or capacity, increasing service quality and other desired policy objectives (Herbst & Kose, 2024).

- **Community Development Block Grants (CDBG):** This program was established in 1974 as a special revenue-sharing project (Handley, 2008) to provide federal financial support to community development and foster local development efforts. The following localities are eligible for funds: 1) principal cities of a Metropolitan Statistical Area; 2) metropolitan cities with populations of at least 50,000; and 3) qualified urban counties with populations of at least 200,000 (excluding the population of entitled cities within their borders). CDBGs have been studied extensively (Collins & Gerber, 2006, 2008), and in a study of small municipalities, Collins, Andrew, and Khunwishit (2015) show an inverse relationship between grant awards and local levels of need and governmental capacity.
- **Brownfield Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Grants:** According to the U.S. Environmental Protection Agency (EPA), a "brownfield" is "a property, the expansion, redevelopment, or reuse of which may be complicated by the presence or potential presence of a hazardous substance, pollutant, or contaminant" (EPA, 2024). Eligibility for this grant primarily relies on having these sites within any jurisdiction. Regardless of the local context and project, grant funds are capped at \$200,000 (Dull & Wernstedt, 2010). Local leaders might desire these funds because eliminating brownfields has increased the value of local property tax bases (Sullivan, 2017). However, regarding equity, these sites are more likely to be in minority, poor neighborhoods. Scholars studying the distribution of these funds have a negative correlation between funds and the level of local capacity (Dull & Wernstedt, 2010).
- **Urbanized Area Formula Grant Program:** The final grant program in this analysis allocates federal resources for localities to improve their transportation systems. It has been further strengthened by the Infrastructure Investment and Jobs Act of 2021 (Keegan, 2023). In fiscal year 2023, \$7 billion was available (Federal Transit Administration, 2023). This program is allocated according to a federally set formula that includes local-level variables such as transit revenues, passenger miles, and the total amount of local route miles (Keegan, 2023). A local match is also required for this program, and the federal portion of total net costs may not exceed 80% (Federal Transit Administration, 2023). Publicly owned and operated transit systems within "urbanized areas" above 50,000 in population are eligible to apply with a designation from the corresponding state governor.

A variable is included in this analysis to account for whether a local government received *any* of the four grants listed (which served as the dependent variable in the logistic regression, Model #1, obtaining one grant = 1; otherwise = 0). The total number of grants obtained by each locality is also included as an independent variable in Model #2. As reflected in Table 2, 55.6%

Table 2. Descriptive Statistics

Dependent Variables		% Yes		
Grant Awarded (binary) ¹				56
	\bar{X}	SD	Min	Max
Grant Management Capacity ¹	1.75	1.8	0	5
Independent Variables		% Yes		
Municipality (binary) ¹				73
Metropolitan (binary) ²				89
Managerial Form of Government (binary) ¹				50
	\bar{X}	SD	Min	Max
Population (ln) ³	10.71	1.56	5.17	15.47
White Population (%) ³	77.7	15.2	24.6	100
Unemployment (%) ³	6.0	2.6	0	15.9
Local revenue (per capita) ⁴	\$3,018	\$14,014	\$90	\$2,890
Federal Grants Received (#) ¹	0.8	0.8	0	3

Note: N = 243

¹ Local Government Grant Management Survey, GFOA and The Lincoln Institute (2018).

² Rural-Urban Continuum Code (2013).

³ The American Community Survey (2017 – 5-year estimates).

⁴ Survey of State and Local Government Finances (2017).

of respondents received at least one of these grants. Furthermore, 35.4% received only one grant, 17.7% received two, and 2.5% received three. No response was received from all four grants.

Independent Variables

Table 2 provides a comprehensive breakdown of the descriptive statistics for all the model variables included in this analysis that fall into the following categories:

- Place:** The theoretical shift from the top-down (Gilbert & Specht, 1974) to a more supply-side understanding of grant awards (Stein, 1981) emphasizes the importance of the various characteristics evident among the many diverse local government units. Given the dissimilarities between municipal and county governments, survey respondents were asked to indicate whether their locality was a municipality (e.g., a city, town, or village), and a dummy variable showing municipalities (73%) is included in the model. Similarly, in light of previous studies that show the importance of rurality in the awarding of federal grants (Helpap, 2023), a dummy variable, based on the 2013 Rural-Urban Continuum Code delineations made by the U.S. Department of Agriculture, is included in the model to indicate localities located within a metropolitan statistical area.
- Need:** Recall a rational, functional-based system of fiscal federalism that needs intergovernmental grants to address issues of horizontal cross-jurisdictional equalization and equality (Morgan & Shih, 1991). Grant funds would be targeted to the highest level of local need. While this positive relationship has been found empirically in older work (Stein, 1989), more recent scholarship (Dull & Wernstedt, 2010; Lee, 2021; Lowe et al., 2024) shows the exact opposite, with a

negative relationship between grant awards and the local level of need. The following proxy measures of local needs are used in the literature: demographics (Collins & Gerber, 2006; Lee, 2021); unemployment levels (Collins & Gerber, 2006; Lee, 2021); and income levels (Collins et al., 2015). Both models use the percentage of the white population and the unemployment rate to account for need.

- **Local Capacity:** Next, we examine the possible drivers of grant awards and local capacity. Even though capacity is difficult to measure, this analysis attempts to peak further within this ‘black box’ by breaking capacity into its discrete parts. One possible driver of capacity is the locality’s population since larger governmental units tend to have more resources at their disposal (Helpap, 2023). Hence, the natural log transformation of the total population for each locality was included in both regression models (U.S. Census Bureau, 2017). Next, regarding fiscal capacity, local revenues offer the ability to “buy into” the federal grant process and/or bear the associated transaction costs (Collins & Gerber, 2006). To account for this, local revenue was included in the model and normalized by calculating it per capita. Lastly, understanding how and why “management matters” (Hou et al., 2003) is important, and management has been empirically shown to positively associate with local grant awards (Collins et al., 2015). To account for this in the models, a dummy variable is included for professionally managed localities (50% of respondents).

Structure of Regression Equations

This section presents two regression model equations, and the dependent variables differ from Model #1 to Model #2. This difference in response variables is operationalized and outlined below, but many independent variables are the same across both models.

Model #1. Predicting Federal Grants Awards

To better align the present analysis with both foundational (Rich, 1989) and contemporary (Hall, 2008b) scholars, the initial analysis is structured to predict the ability of local governments to obtain federal grants. As shown by Collins and Gerber (2006, 2008), there is both a selection and a zero-inflated bias in this regard. Several scholars have attempted to minimize these empirical and methodical issues using a zero-inflation negative binomial (ZINB) method (Collins et al., 2015). Others utilize logistic regressions where the dependent variable (=1) represents a locality being awarded a federal grant (Collins & Gerber, 2006; Lowe et al., 2016). In response, the initial model in this paper is structured as a logistic regression that predicts the ability of localities to be awarded at least one of the four grants included in the survey. This initial regression model illustrates the specific elements of the grant management process that differentiate local governments from obtaining federal funds. Capacity was included in the model as a dependent variable. The structure of the logistic regression equation predicting the local awards of federal grant funds is presented in Equation 1 (Model 1). Since odds ratios are reported to interpret the set of results, a logit-linked function is utilized:

$$1) P(Y=I|X) = \log\left(\frac{Y}{1-Y}\right) = \beta_0 + \beta_1 Muni + \beta_2 Metro + \beta_3 Manager + \beta_4 Capacity + \beta_5 \ln Pop + \beta_6 White + \beta_7 Unemploy + \beta_8 Rev$$

$P(Y=I|X)$: The probability of the outcome variable (Y), i.e., grant award, equals one given the values of this series of independent variables (X):

Model #2. Predicting Local Grant Management Capacity

“Local governments in the U.S. vary in their ability to deal with problems” (Gargan, 1981, p. 649), and “some cities may have a greater capacity to secure grant funds” (Rich, 1989, p. 198). However, the literature does not respond convincingly to these statements and/or consider their proper measurement. In the tradition of Bowman and Kearney (1988), this study considers several discrete policy elements particular to local grant management. It builds on the work of Hall (2008b) and Collins and Gerber (2006) to identify and measure this construct better. The work by Hou, Moynihan, and Ingraham (2003) advises the structure of Model #2, given their understanding of capacity as being reflected in formal rules, regulations, and policies. In addition, the dependent variable in Model #2 is formed from the summation of five explicit local government practices, rules, or regulations in the survey as they directly apply to the local management of federal grant funds. These elements are then aggregated to form a capacity index, the dependent variable in Model #2. Equation #2 is used for this OLS regression to predict the local government grant management capacity and is structured as follows:

$$2) Capacity = \beta_0 + \beta_1 Muni + \beta_2 Metro + \beta_3 Manager + \beta_4 \ln Pop + \beta_6 White + \beta_7 Unemploy + \beta_8 Rev + \beta_9 Grant Awards + \varepsilon$$

Results

Table 3 shows the results for Model #1, which reports the odds ratios and coefficients for each independent variable, and Table 4 presents the results for Model #2.

Model #1 shows that none of the place characteristics—e.g., being a municipality and/or being in a metropolitan area, are significantly related to the probability of grant awards. While the variables have been shown to correspond to locally awarded federal grants (Helpap, 2023), these initial results do not support those conclusions. Next, the calculated grant management capacity index failed to meet the threshold of $p < 0.05$. However, given the parsimonious nature of the model, it should be noted that capacity and ability to obtain at least one grant are positively associated with the $p < 0.06$ threshold. This finding indicates the importance of capacity. Similarly, larger local governments, in terms of total population, are also not significant at the $p < 0.05$ threshold but are significant at the $p < 0.07$ level; both capacity proxies show that capacity matters.

Furthermore, the percentage of the white total population, a proxy variable for need, is negatively related to the probability of obtaining grants. This means that places with higher levels of need (according to the inverse of % white population) are positively associated with the likelihood of obtaining federal grants (coefficient = -0.03). Similarly, unemployment is

Table 3. Logistic Regression Results

Variable	OR	Coef.
Municipality	1.67	0.51
Metropolitan	0.85	-0.16
Managerial Form of Government	0.82	-0.2
Grant Management Capacity	1.24 ^t	0.21 ^t
Population	1.32 ^t	0.28 ^t
White Population	0.97*	-0.03*
Unemployment	1.16*	0.15*
Local Revenue	1.00	0.00
Constant	0.12	-2.14
N	243	
Pseudo R ²	0.1331	
Log-Likelihood	-144.72	

^tp < 0.1; * p < .05; ** p < 0.01; *** p < 0.001

Table 4. OLS Regression Results

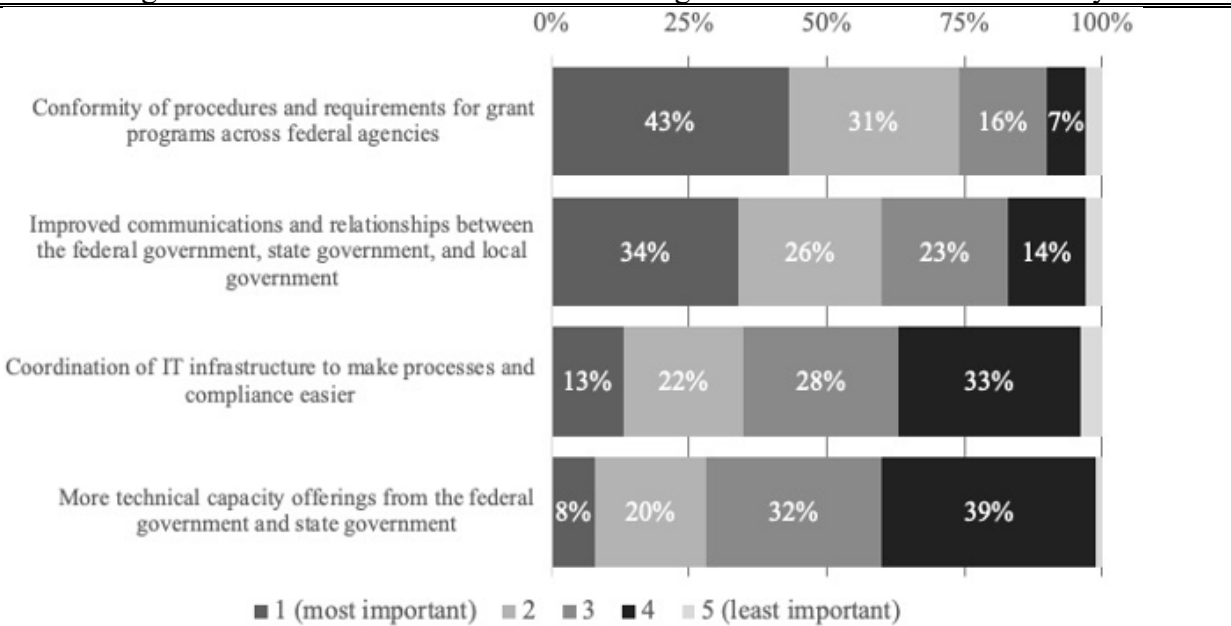
Variable	Coef.	SE
Municipality	-0.23	0.24
Metropolitan	-0.01	0.27
Managerial Form of Government	0.03	0.17
Population	0.44***	0.08
White Population	0.00	0.00
Unemployment	0.01	0.03
Federal Grants Received	0.25*	0.11
Constant	-3.05	0.89
N	243	
Adjusted R ²	0.27	
Root MSE	1.26	
MEAN VIF	1.44	

* p < .05; ** p < 0.01; *** p < 0.001

positively related to the probability of obtaining at least one of the four grants. These two findings differ from several other studies (Collins et al., 2015; Lee, 2021) but support the conclusion that these federal grant programs are being designed successfully to target places with higher levels of need.

The main difference between Model #1 and Model #2 is that the grant management capacity variable is the dependent variable. An additional count variable is located on the independent variable side to represent the total number of federal grants localities received out of the four listed on the survey. Again, the place characteristics are insignificant when predicting grant management capacity. Next, the total population variable (a proxy for capacity) is positively associated with local government grant management capacity at the 0.001 threshold. Unsurprisingly, this result shows that larger localities are more likely to have higher local grant

Figure 2. Local Practitioners' Desired Changes to Federal-Local Grant Policy



Source: Local Government Grant Management Survey, Government Finance Officers Assoc. (GFOA) and The Lincoln Institute of Land Policy (2018). N = 243 local governments.

management capacity levels. Lastly, as expected, the total number of grants received positively relates to grant capacity (0.05 level). This indicates that receiving more grants drives local government grant management capacity.

Discussion and Policy Recommendations

Per Model #1, perhaps most surprising is a positive relationship between local needs (e.g., percent of non-white and unemployment) and federal grant awards. Lee (2021) found a negative relationship between these variables, and, in the study of Brownfield grants, Dull and Wernstedt (2010) also found this negative relationship. While the results concur with Rich (1983), this is a departure from contemporary literature. In addition, these results show an association between the two proxy measures for local government capacity (significant at $p = 0.06$ and 0.07 , respectively) and locally awarded federal grants. Sprague, Wilson, and Cain (2019) conceptualized this relationship as the ‘local capacity bias’ in government grantsmanship, where localities with more capacity are *more* likely to be awarded federal grants. Lowe, Reckhow, and Gainsborough (2016) articulate an upshot of this. Their study of localities in Florida notes that reliance on high-capacity localities in a competitive system of intergovernmental grants “could exacerbate inequalities within and between regions” (p. 38). This highlights the multidimensional, intercorrelated effects of need, capacity, and the ability of local governments to obtain these federal grant funds.

In Model #2, two variables are significant at the $p = 0.05$ threshold in predicting the five-element local grant management capacity index. First, as the total population increases, so does the local government’s capacity to manage federal grants. This indicates an interconnected

relationship between different government capacity considerations. Next, the total number of grants received is also positively related to the grant capacity index, and this has been shown in other analyses of local grant management (Collins & Gerber, 2006; Lowe et al., 2016; Shybalkina, 2023; Sprague et al., 2019). However, while these studies use crude measures of capacity, this index better measures discrete policy-level aspects, management, and staff levels. In the 2018 survey, we wanted to capture any future policy recommendations local government practitioners recommend (see Figure 2). Respondents could rank a series of possible changes to the federal-local grant system on a scale of 1 (most important) to 5 (least important). Of these desired policy changes, “conformity of procedures and requirements for grant programs across federal agencies” was the most important reform for 43% of respondents, and 31% indicated this reform as the second most important. The next most emphasized reform was to “improve communications and relationships between the federal government, state government, and local government.” Neither coordination of IT infrastructure nor more technical capacity offerings garnered above 50% for the most or second-most important ranking.

In summary, these findings show that local governments aspire to partner with federal and state governments to improve the federal-to-local grant process. Nevertheless, it takes all three partners to resolve the concerns raised in this analysis. Furthermore, capacity building, which is important in the literature, does not seem as important when asking local government practitioners. Instead, they desire improved vertical intergovernmental coordination and conformity across the currently uncoordinated, disjointed system of federal grant opportunities.

Conclusion

Where does this leave local government financial managers regarding their ability to be awarded federal grants, and how may it help increase local government grant management capacity? To start, grant awards are driven by local levels of need, capacity, and total population, a proxy for general governmental capacity. While others have shown that local needs and federal grant awards are negatively related, the results show the opposite relationship. These findings indicate that the policy design of the federal grant programs measured in this analysis targets places with higher levels of need. This is especially important to emphasize because CDBG, Head Start, and Brownfield grants are specifically designed to address areas with higher needs and allocate resources accordingly. Future work could consider a more comprehensive array of grant opportunities open to local governments to examine further the possible relationships between grant awards, needs, capacity, and previous experience in obtaining federal grants. The results show the interrelationships between variables that capture capacity and support the broader ‘black box’ understanding of capacity (Andrews & Boyne, 2010; Hou et al., 2003; Moynihan & Ingraham, 2004).

What can be done to improve the federal-to-local grant policy process within the U.S.? Congress recently passed the Grant Reporting Efficiency and Agreements Transparency (GREAT) Act of 2019 (GAO, 2024). On April 4, 2024, the Office of Management and Budget issued additional clarifications and guidelines regarding intergovernmental grants and articulated a foundation for improving the process (Office of Management and Budget, 2024). The goals of these two actions taken by the Federal Government are to modernize the system of grant recipient reporting, reduce the burden and compliance costs for recipients (i.e., transaction costs), and strengthen the oversight structure and overall management of federal-to-local grant funds

(GAO, 2024). These rules and legislation aim to reduce the ‘local capacity bias’ in the grant management process that many argue for in the literature (Sprague et al., 2019). Only time will tell if these changes achieve their desired policy objectives. Future scholars should examine the possible implications and impacts of these new federal policies on how local governments manage federal grant funds to inform intergovernmental grant policy further.

Disclosure Statement

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Evolution of U.S. State and Local Government Green Bond Issuance


Beverly Bunch^{i, c} Robert P. Straussⁱⁱ

This paper aims to inquire empirically about an increasingly important phenomenon in the state and local government bond market -- the issuance of green bonds. Green bonds have the same security as traditional bonds but include a green label to signify that the bond proceeds will be used to finance projects that benefit the environment. We investigate U.S. state and local government green bond trends and characteristics using a database of all green and non-green bonds issued in 2013-2021. We also report findings from our interviews with early issuers and our analysis of more recent green bonds, focusing on external verification and disclosure. From a volume perspective, we find that the municipal green bond market has been dominated by large issuers in several states. However, the issuance of green bonds is more dispersed. The number of states with at least one green bond issuer within a year and the number of unique issuers per year have grown significantly. Water and wastewater projects remain the most common type of state and local government green bonds, but there has been growth in green bonds for housing and public power. One of the biggest changes has been the increase in the use of external parties to verify what constitutes green; however, the reporting of environmental metrics remains limited.

Keywords: Climate, Green Bonds

Green bonds have the same security and structure as traditional bonds, but they are labeled “green” to indicate that the bond proceeds will be used for projects that benefit the environment. They are designed to appeal to investors who value environmental or sustainability investments. In 2013, the Commonwealth of Massachusetts became the first U.S. state or local government to issue green bonds (Climate Bonds Initiative [CBI], 2023a). More than ten years later, the state and local government green bond market continues to grow but still accounts for a relatively small share of the total municipal market (Farmer, 2023).

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Despite the growth in state and local government green bonds, relatively little information is publicly available on this segment of the municipal debt market. Official statements for individual green bond issues are usually available from the issuer or through the Electronic Municipal Market Access database.¹ However, data on aggregate state and local government green bond issuance trends and characteristics tends to be limited to those with access to private commercial databases. Some publicly available information is available through special reports issued by bond rating companies or other organizations.

We seek to address that gap by analyzing how the issuance of green bonds by state and local governments in the United States has evolved. We begin with background information on green bonds, followed by describing trends and characteristics of green bond issuances. We then present information about the experiences of the early green bond issuers. The following section presents findings from recent green bond issuances, focusing on external verification and disclosure. We summarize our findings, key issues that will be important in the future of the state and local government green bond market, and suggestions for future research.

Background on Green Bonds

State and local governments have issued green bonds to finance various projects that benefit the environment. Examples include water or wastewater projects, public transit improvements, and efficient buildings. The International Capital Markets Association (ICMA, 2021) has identified eligible green projects, including renewable energy, pollution prevention and control, and climate change adaptation.

Within the United States, private firms, state and local governments, and the Federal National Mortgage Association (Fannie Mae) are the major issuers of green bonds. The biggest issuer is Fannie Mae, which issues green bonds to finance single-family and multi-family units that meet energy- and water-saving standards (Statista Research Department, 2024). The U.S. federal government has not yet issued green bonds, although the Treasury Advisory Borrowing Committee has explored this possibility (U.S. Treasury, 2024).

Green bonds can provide multiple benefits to the issuers. They can help expand the number of investors and provide more opportunities for investor engagement. Green bonds can also enhance an issuer's reputation for environmental stewardship by aligning capital financing with environmental or sustainable goals (California Commission on Debt and Investment Advisory Council, 2023; Principles for Responsible Investment, 2023a). Studies are mixed on whether green bonds issued by state and local governments result in lower interest costs than traditional bonds (see literature review below).

Other considerations may also impact the decision of whether to issue green bonds. Some states or communities seek to be environmental, sustainability, and governance (ESG) leaders.² In contrast, at least a dozen states have passed anti-ESG laws (Malone & Holland, 2023). For example, the State of Florida passed legislation in 2023 that prohibits state and local governments from issuing bonds that are labeled green (State of Florida, 2023). The Government Finance Officers Association (GFOA) recommends that issuers consider tangible and intangible benefits and costs when deciding whether to issue green bonds (GFOA, 2022).

The U.S. market for state and local government green bonds does not have any special restrictions or federally imposed regulations. Other countries such as China, Japan, the United Kingdom, and the European Union have established guidelines or frameworks. Within the U.S.,

the California Green Bond Market Development Committee, which the California state treasurer chairs, has released guidelines for municipal green bond disclosure (California Green Bond Market Development Committee, 2023).

Several international organizations have established guidelines or standards for green bonds, which state and local governments in the United States can incorporate into their procedures and documentation.

- The International Capital Market Association, a trade association representing banks, asset managers, issuers, and others, created the Green Bond Principles in 2014. These principles include four pillars: (1) use of proceeds, (2) a process for project evaluation and selection, (3) management of proceeds, and (4) reporting (International Capital Markets Association, 2021).
- In 2015, the United Nations released the *2030 Agenda for Sustainable Development* (2015), which included 17 sustainability goals and a taxonomy of green projects. The goals that are the most closely related to green bonds include Goal 6, Clean Water and Sanitation; Goal 7, Affordable and Clean Energy; Goal 9, Industry, Innovation, and Infrastructure; Goal 11, Sustainable Cities and Communities; Goal 13 Climate Action; and Goal 15 Life on Land (CBI, 2018).
- The CBI, an international nonprofit that seeks to mobilize capital for climate action, has established Climate Bond Standards, a green bond taxonomy, and a process for climate bond certification. CBI provides education and tracks the green bond market to support the 2016 Paris Agreement on Climate Change (CBI, 2023b).

One of the concerns with green bonds is the issue of greenwashing. This refers to deceptively labeling bonds as green when the use of the bond proceeds does not comply with what is normally considered green. Monitoring and enforcing legitimate green bonds is difficult because of the voluntary nature of green bonds and the lack of a single global standard for what qualifies as green. A related challenge is that the green provisions usually are not included in the bond covenants, and therefore, investors lack actionable rights if the green provisions are not upheld (Baker McKenzie, 2019).

State and local government green bond issuers can self-certify their bonds as green or seek external verification. External verifiers can assess whether the bonds comply with the Green Bond Principles, the Climate Bond Standards, sector-specific criteria, or other reputable frameworks. This can result in a third-party assurance, a second-party opinion, a green bond rating, or certification as “climate bonds,” depending on who conducted the assessment, the criteria and procedures used, and the assessment findings (CBI, 2023c).

Since 2018, one of the municipal bond insurance firms has offered an external verification of eligible bonds. This service is free to state and local governments who purchase insurance from that firm for the bond issue. The verification requires that the bonds be used for eligible green projects and satisfy the requirements set by the insurance firm, which are consistent with the Green Bond Principles. This has significantly increased the use of external verification by municipal green bond issuers (BAM Greenstar, 2024).

State and local governments issue green bonds in hopes of attracting investors who are interested in green projects. The question then becomes whether investors will accept a lower

yield in recognition of the environmental benefits. (Empirical studies on this issue are addressed in the following section.) If this occurs, then the green bond market may be able to achieve what is referred to as “additionality.” This occurs when green bonds facilitate green projects that would not otherwise get financed or lead to an improvement in the design or features of a project to increase its positive impact on the environment (Salakhova, 2023). Additionality also occurs when green projects are undertaken at a faster plan than would otherwise occur.

Literature Review

Relatively little research has been conducted on state and local government green bonds; however, one topic that has received attention is whether state and local government green bonds have lower interest rates than non-green bonds (referred to as a “greenium”). Using data on green bonds issued between 2013 and 2018, Larcker and Watts (2020) matched green bonds and non-green bonds issued by the same issuer at the same time and found no significant difference in yields. Baker et al. (2022) compared equivalent green and non-green bonds but did not confine their comparison to bonds issued by the same issuer. They found that green bonds had an after-tax yield of five to nine basis points lower than equivalent non-green bonds. Baker et al. added a caveat that when the same government issued green and non-green bonds simultaneously, the differences in yields were insignificant (the same finding as Larcker & Watts).

Using data from 2013 to 2022, Li, Wang, and Yu (2023) matched state and local government green bonds with comparable non-green bonds and found that after 2018, the green bonds, on average, had a 2.3 basis point lower yield than non-green bonds. The difference in yields was higher for shorter maturities. The green bonds after 2018 also, on average, had an underwriter discount that was four basis points lower. (Before 2018, green bonds had higher yields and underwriter discounts.)

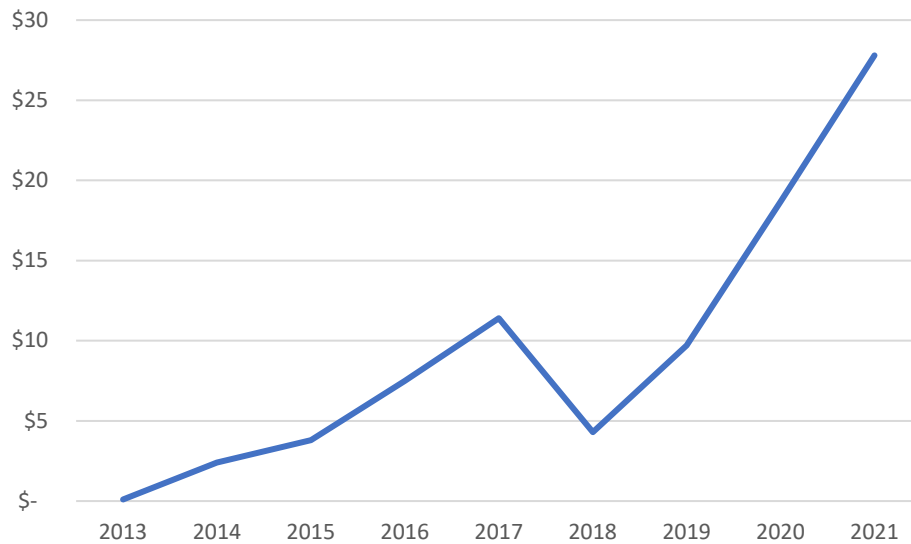
Singla, Shumberger, and Swindell (2021) examined factors that may influence the use of alternative funding or financing tools. They found that budgetary imbalances may affect the use of alternative financing tools, such as green bonds. However, they reported that the number of governments using green bonds or that plan to issue green bonds within the next five years was low, 0.6 percent and 5.5 percent, respectively.

Other articles have examined green bonds among particular state and local governments. Bunch and Strauss (2021) examined the issuance of green bonds in Illinois. They found that green bonds were being used for various projects, such as the state’s revolving loan program for water and wastewater projects, school facilities, a natural gas plant fueled by landfill gas, and the dredging of a lake. Chen and Bartle (2017) present a case study of St. Paul’s sewer green bonds, noting the need to work with municipal financial experts and understand the underlying goals of the designation rather than issuing green bonds as a novelty.

Our Approach

This paper presents a descriptive analysis of state and local government green bond issuance to address the gap in information about state and local government green bond issuance and how it has evolved. We start by examining trends and characteristics of state and local government green bond issuance for 2013-2021 using data from the Mergent Municipal Bond Securities

Figure 1. State and Local Government Green Bonds Issued, 2013-2021, billions



Source: Authors' analysis of Data from the Mergent Municipal Bond Securities Database

Database. We look at changes in the issuance of municipal green bonds over time, the differences between green and non-green bonds, and the differences between early green bond issuance (2013-2017) and more recent issuance (2018-2021).

We then discuss the experiences of the early state and local government green bond issuers. This is based on interviews with 28 government officials directly involved in issuing one or more green bonds during 2014-2016. This included finance officials from six state governments, eight local governments, three universities, one school district, two mass transit districts, six water/sewer districts, and one port district. Several interviews were conducted in person, but most occurred by phone. These interviews primarily were conducted in 2015 and 2016.

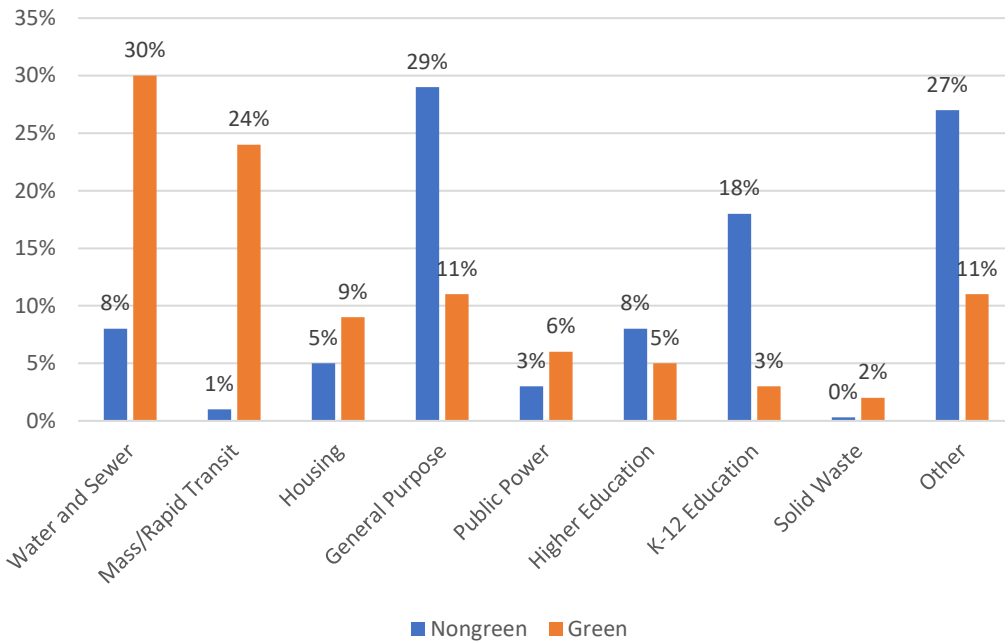
Lastly, we analyze two important issues – external verification and disclosure – based on a review of 113 official statements from state and local government green bonds issued in the second quarters of 2021, 2022, and 2023. We obtained the official statements from the Electronic Municipal Market Access (EMMA) database maintained by the Municipal Securities Rulemaking Board (MSRB), individual issuer websites, and others. The list of green bonds was compiled using data from the CBI website.

Results

Analysis of Trends and Characteristics

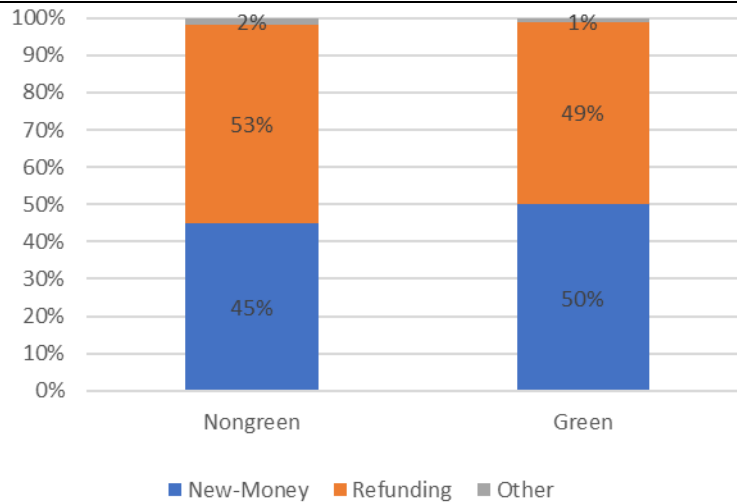
The volume of state and local green bond issues has increased over time (see Figure 1). In 2014 and 2015, the amount of state and local government green bonds issued was \$2.4 billion and \$3.8 billion, respectively. The volume in 2017 and 2018 was impacted by issuers pushing bonds into 2017 before tax changes, such as a ban on advance refunding bonds, went into effect due to the passage of the Tax Cuts and Jobs Act in 2017. A few years later, the pandemic introduced

Figure 2. Use of Bond Proceeds for Non-green vs. Green Bonds, 2013-2021



Source: Authors' analysis of data from the Mergent Municipal Bond Securities Database

Figure 3. New-Money vs. Refunding Bonds for Non-green vs. Green Bonds, 2013-2021

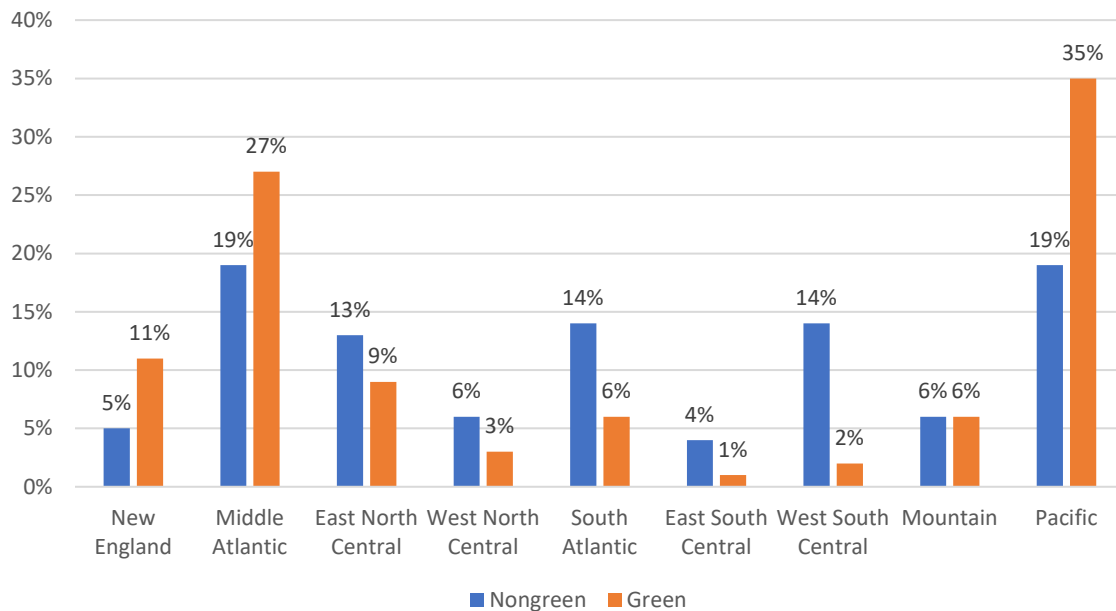


Source: Authors' analysis of data from the Mergent Municipal Bond Securities Database

uncertainty into the economy and bond market; however, green bonds continued to grow to \$18.7 and \$27.8 billion in 2020 and 2021, respectively.³

Despite this growth, the state and local government green bond market still accounts for a relatively small portion of the total bond market. In 2021, the amount of state and local government green bonds issued was about six percent of the total volume of state and local government bonds issued that year.

Figure 4. Location of Non-green vs. Green Issues 2013-2021



Source: Authors' analysis of data from the Mergent Municipal Bond Securities Database

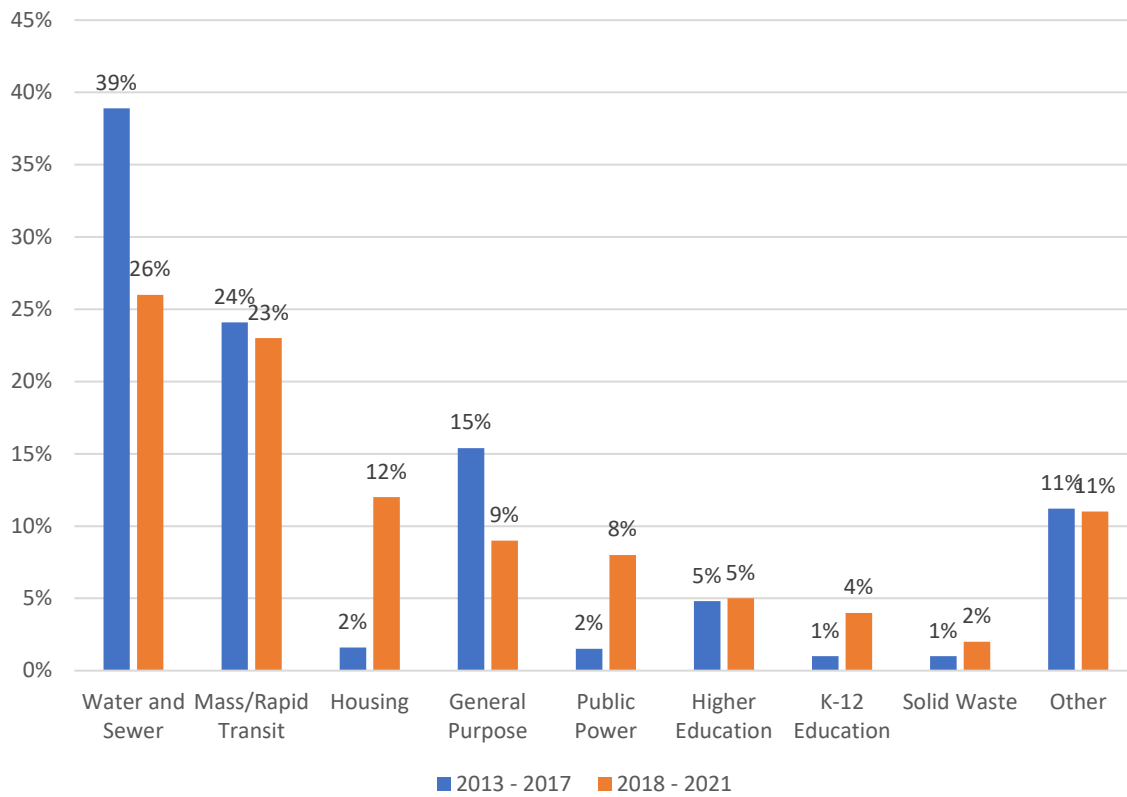
To learn more about the characteristics of the state and local government green bond market, we compared green bonds versus non-green bonds. (Non-green bonds include all bonds without the “green” bond designation.) Water and sewer projects account for the largest portion of state and local government green bonds (see Figure 2). These projects account for 30 percent of green bonds, compared to only 8 percent of non-green bonds. Similarly, mass transit accounts for 24 percent of green bonds compared to 1 percent of non-green bonds. The next highest categories are general purpose (including buildings) and other (both at 11 percent); however, these two categories account for a much higher percentage of non-green bonds (29 percent and 27 percent, respectively).

As shown in Figure 3, refunding bonds account for close to half of green (49 percent) and non-green bonds (53 percent). Since the projects have already been undertaken, the issuance of green bonds for refunding purposes does not directly result in new projects that benefit the environment. Presumably, the issuers are classifying these bonds as green on the basis of the nature of the projects that were initially financed with the bonds being refunded.

The largest volume of non-green bonds was issued in the Middle Atlantic and the Pacific regions, which accounted for 19 percent each (see Figure 4). These two regions also accounted for the largest portion of green bonds, but at higher levels – 27 percent and 35 percent, respectively. New England and East North Central were the next highest regions for green bonds. The New England region accounted for a higher percentage of the green bonds than the non-green bonds (11 percent compared to 5 percent). The East North Central region accounted for fewer green bonds than the non-green bonds (9 percent compared to 13 percent).

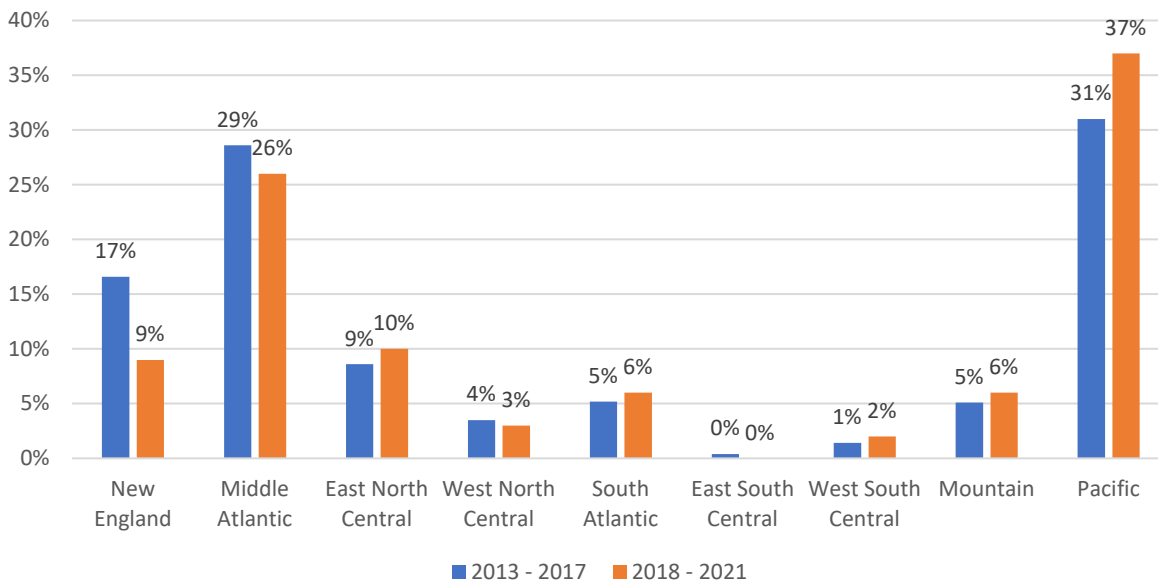
To examine the evolution of state and local government green bonds, we compared those issued in 2013-2017 and those issued in 2018-2021. Water and sewer and mass/rapid transit account for the largest categories in early and more recent periods (see Figure 5). However, water and sewer decreased as a percent of the total (from 39 percent to 26 percent), while

Figure 5. Use of Bond Proceeds for Early vs. More Recent Green Bonds



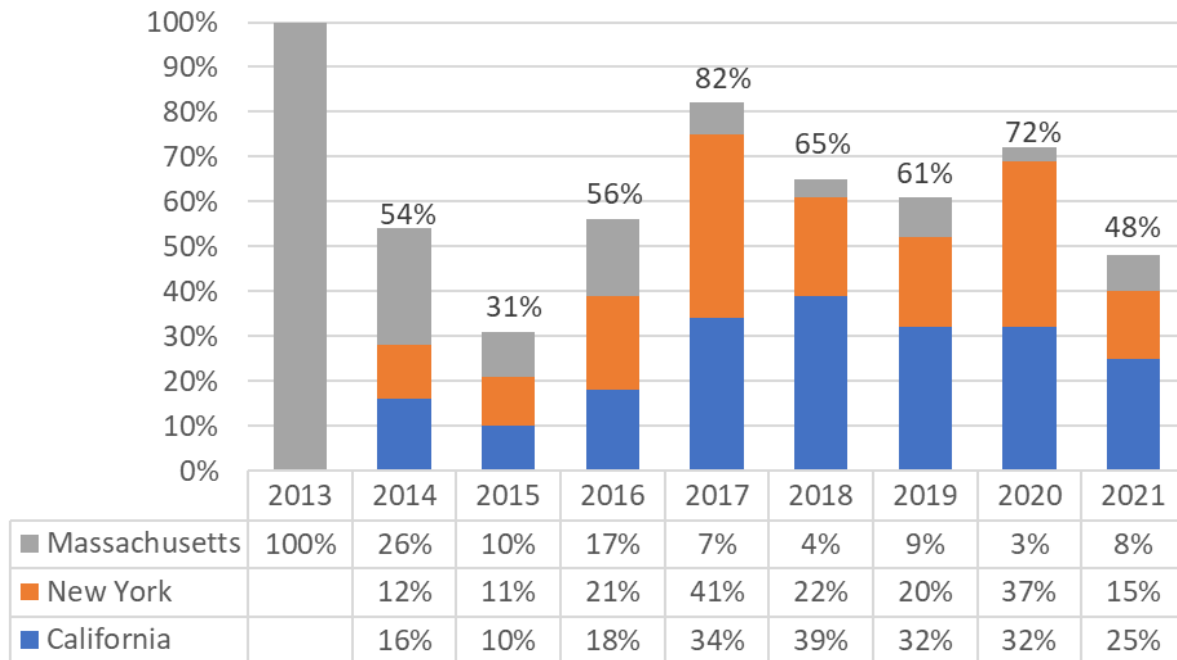
Source: Authors' analysis of data from the Mergent Municipal Bond Securities Database

Figure 6. Location of Early vs. More Recent Green Bond Issuers



Source: Authors' analysis of data from the Mergent Municipal Bond Securities Database

Figure 7. Percent of Municipal Green Bond Volume Attributed to Three States



Source: Authors' analysis of Data from the Mergent Municipal Bond Securities Database

mass/rapid transit remained about the same (24 percent compared to 23 percent). Green bonds issued for housing increased from 2 percent to 12 percent and green bonds for public power increased from 2 percent to 8 percent. Refunding bonds accounted for about half of the green bonds in the early (52 percent) and more recent periods (48 percent).

From a regional perspective, the largest amount of green bonds issued occurred in the Middle Atlantic and Pacific regions in both the early and more recent years. The Pacific states accounted for 31 percent in the early period and increased to 37 percent in recent years. The Middle Atlantic states accounted for 29 percent in the early period and dropped a bit to 26 percent in the more recent years. The largest change occurred in New England, which accounted for 17 percent of the green bonds in the early period but decreased to 9 percent in the more recent period.

Three states (California, New York, and Massachusetts) accounted for one-half or more of the amount of state and local government green bonds issued in seven of the nine years in the period 2013-2021 (see Figure 7). From a dollar perspective, the market is dominated by large issuers. The five largest issuers during 2013-2021 accounted for about one-fourth of the total municipal green bonds issued, and the 10 largest issuers accounted for 37 percent of the total. The five largest issuers during this period were the (1) Metropolitan Transportation Authority in New York, (2) New York State Housing Finance Agency, (3) San Francisco City and County, (4) Massachusetts State Water Resources Authority, and (5) Indiana State Finance Authority.⁴

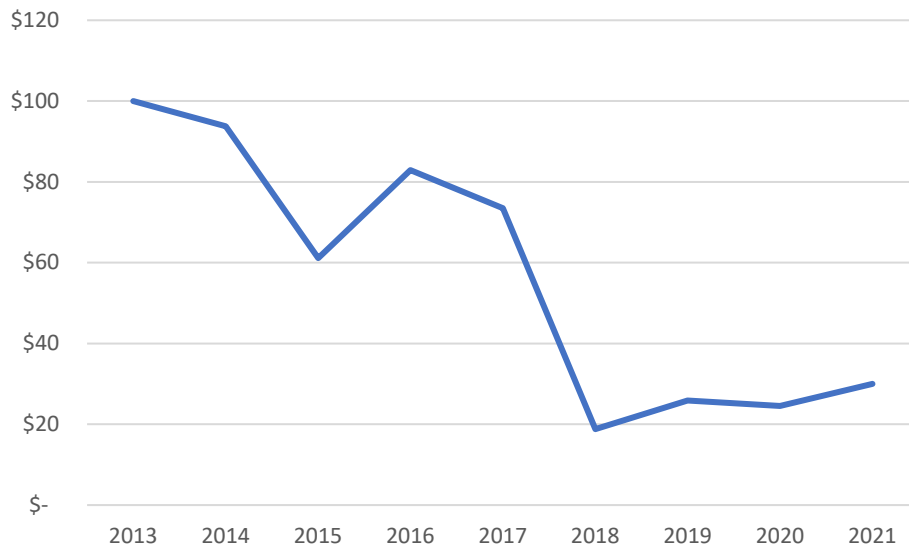
The distribution of green bonds by dollar amount issued masks the diffusion of green bond issuance by state and local governments. The number of states with one or more state or local government green bond issuance(s) in a particular year has increased over time (see Table 1). During the first five years (2013-2017), the highest figure was 22 states in 2017. That figure nearly doubled to 39 states in 2021.

Table 1: State and Local Government Green Bond Issues, 2013-2021

Year	No. of States with at Least One Green Bond Issue	No. of Unique Green Bond Issuers
2013	1	1
2014	11	13
2015	20	32
2016	21	42
2017	22	48
2018	26	55
2019	33	98
2020	37	137
2021	39	213

Source: Authors' analysis of data from the Mergent Municipal Bond Securities Database

Figure 8. Median Size of the Municipal Green Bond Issue by Year, millions



Source: Authors' analysis of Data from the Mergent Municipal Bond Securities Database

The number of unique green bond issuers also has increased. During the first five years, the highest number of unique green bond issuers in a year was 48. In 2021, 213 unique state and local governments issued green bonds. The median size of the green bond issue also has declined over time, from \$94 million in 2014 to \$30 million in 2021 (see Figure 8).

Early Green Bond Issuers

Next, we take a closer look at the early green bond issuers. We focus on what motivated these issuers to issue green bonds, how they decided which projects qualified as “green,” and the extent to which they used external verifiers or incorporated additional environmental reporting. As previously discussed, this information was obtained from interviews conducted primarily in

Table 2. Major Themes from Interviews in 2015 and 2016 with Early Issuers of Green Bonds

Motivation for Issuing Green Bonds	Who Initiated the Ideas to Issue Green Bonds
Desire to attract more investors	Underwriter
Consistent with organization's goals	Finance director
Provide leadership in the market	Elected official
Identification of a Green Project	Types of Projects
Review of what other issuers have done	Water, wastewater, stormwater
Internal review: finance officials, engineers	Buildings (LEED certification)
Input from underwriters	Public transit
Some entities say all their projects are green	Others
Other entities take a conservative approach	
Results	Ease of Administration
Sold all the bonds (with the exception of one issuer)	Not much different from other bonds
Attracted new investors	New challenges for some issuers
No interest savings (with a couple of exceptions)	
Favorable press coverage	
External Verification	Reporting of Environmental Metrics
Not used by most of the interviewees (costs, not needed due to the nature of the projects)	Limited reporting of environmental impacts
A few received Climate Bond certification	More common if large issuers or Climate Bond certified
	Some issue post-issuance reports on the use of bond proceeds

2015 and 2016 with government officials involved with the issuance of green bonds from 2014 through 2016. (See Table 2 for a summary of the interview findings.)

The interview findings suggest that there were two major motivators for the issuance of green bonds. The first relates to an environmental-related mission or goals. Comments included: "It aligns with our mission," "We have an aggressive goal regarding sustainability," and "Our government prides itself on eco-tourism, including being green." The other explanation was that governments issued green bonds to increase the number of investors. One issuer stated that their underwriter recommended green bonds, adding that "our underwriters know we encourage underwriters to include good ideas and marketing." Several other issuers also mentioned that underwriters had either initiated the idea or supported the issuer's proposal to issue green bonds.

When interviewees were asked how they identified which projects to finance with the green bonds, their responses varied, ranging from "everything we do is green" to "we selected the greenest of the green." The former response came from several issuers focusing on water or wastewater projects. But other issuers, including some water/wastewater issuers, took a more granulated perspective. One indicated that the engineers validated which projects were "green."

Some of the early issuers also noted that they solicited input from their underwriters or studied how prior green bond issuers had defined green projects. The desire for the “greenest of the green” reflected the sentiment that other projects might be green but were not as easy to justify. That person noted that the government might need an external verifier for those other projects.

The interviewers provided some examples of projects that were further analyzed as to whether they qualified as “green.” For example, a public transit government assessed whether the following would qualify as green: parking lots for mass transit commuters to park their vehicles, parking lots to park train cars when unused, and art in mass transit facilities. They concluded that the first two items qualified as green projects, but the art did not.

Another issue was whether refunding bonds should qualify as “green.” The perspectives of the interviewers varied. Some thought the answer was yes if the original financed projects would qualify as green. Others thought refunding bonds were questionable because they were not adding any new environmental benefits.

Most of the government officials who were interviewed said they did not use an external party to verify the greenness of the projects. Responses included “ours were green,” “an external review is good if a government has sufficient funds – we don’t,” and “if investors do not trust us as issuers...” Some of the interviewees said their government opted for an external reviewer. One explained: “Our underwriter said investors value this.” Another said: “A private firm helped us identify criteria to select capital projects and then certified those projects.”

Information about the nature of the green bonds and their impact also varied among the early issuers. Most of the issuers included information prior to the issuance about the nature of the projects to be financed by the green bonds. Some official statements referenced the Green Bond Principles, but little information was provided about the estimated environmental impacts of the projects.

Post-issuance reporting beyond the normal disclosure reporting for municipal bonds was limited. When it was included, it usually said that the issuer would identify which projects had been funded through the green bonds until all the bond proceeds had been spent. There typically was little mention of follow-up reporting on the environmental impacts.

However, there were exceptions. DC Water, for example, included a letter from an independent sustainability consultant in the official statement for its green bonds. The letter included ESG information about the issuer and the types of post-issuance green bond performance metrics that would be used. This included measures such as the removal of nitrogen, phosphorus, and suspended solids and the percentage reduction in combined sewer overflows (District of Columbia Water and Sewer Authority, 2014).

When reflecting on the issuance of the green bonds, most interviewers said that the additional work was not overly burdensome. Some described the process as being the same as normal, noting that they had already set up accounts to track projects and the use of proceeds. Others said more work was involved in getting all the stakeholders on the same page, segregating and tracking the bond proceeds, and marketing the green bonds. One added that the process involved more participation by the engineers and got the engineers and finance officials to communicate more with each other.

Most of the interviewees said they would consider the issuance of green bonds in the future. Some said they attracted a few new investors and had strong demand overall. However, one issuer said their green bonds were undersubscribed, commenting that might have occurred due to the issuer’s relatively low credit rating. Most said that the green bonds did not result in

lower interest rates, with one stating: “There was not much benefit at this time – this is an immature market.” Another interviewee whose government-issued green and non-green bonds simultaneously said there was no pricing difference. A couple of issuers commented that there may have been some interest savings. Several commented on the positive public relations due to issuing green bonds.

External Verification and Disclosure Among More Recent Green Bonds

The interviews with the early green bond issuers in 2015 and 2016 found relatively low use of external verifiers and limited reporting of environmental metrics. To assess how much this may have changed over time, this section reports on the findings from a review of a sample of 113 official statements for state and local government green bonds issued during 2021, 2022, and 2023.

The review found increased use of external verification. About 62 percent of the bonds in the sample had some type of external verification, including about 15 percent with a climate bond verification and an additional 47 percent with a second-party opinion or other external verification. While the interviews with the early issuers found that external verification was restricted mainly to large issuers, external reviews have now gained traction among mid and smaller issuers. This may be attributable, at least in part, to the bond insurance company that provides a free review for eligible bonds that the firm insures. About 60 percent of the green bonds in the sample with a second-party opinion received that opinion from that bond insurance company.

Almost all official statements referenced the Green Bond Principles, especially pillar one, which refers to using proceeds. About 80 percent of the official statements referred to at least one of the United Nation’s sustainability goals. The goals most frequently cited goals were #6 Clean Water and Sanitation; #9 Industry, Innovation, and Infrastructure; and #11 Sustainable Cities and Communities.

The level of detail on the nature of the projects to be financed varied. Some official statements referred to broad uses such as water or wastewater systems, while others referred to particular types of projects (e.g., water pumps, meter systems, pipes for transmission, collection, or distribution). About 45 percent of the green bond issues in this sample used the bond to refund bonds or refinance projects previously financed with general revenues or commercial paper. This reduces the risks associated with bond proceeds being redirected for other projects but as discussed previously, does not directly result in new environmental benefits.

Some official statements included a disclaimer noting that there was no guarantee that the use of bond proceeds would conform with future revisions in the Green Bond Principles. Some statements used tentative language regarding reporting. For example, one issuer said it would report on metrics “when feasible,” and another said it would provide a report “when feasible.”

Most of the green bond official statements included little, if any, environmental metrics on the expected benefits of the projects. However, there were exceptions, primarily among bonds used to finance public transit, efficient buildings (such as higher education buildings), or some water projects. Bonds that received the climate bond certification also included more environmental metrics than most other bonds.

Many official statements did not mention post-issuance disclosure specifically related to the green aspects, but there were some exceptions. Of those that did mention post-issuance reporting, the most common provision was that the issuer would disclose information on the use of proceeds until the bond proceeds had been spent. For green bonds that were being used for

buildings, such as higher education facilities, some said they would post the LEED certification later. Some noted that the issuer already had a LEED certificate on the building. Some also indicated that an external party would prepare or verify a report that would be released 24 months after the issuance discussing the environmental impacts.

Some official statements indicated that the issuer would provide information about the project's environmental impacts post-issuance. For example, the Buffalo Sewer Authority issued green bonds to finance its Rain Check Projects, which include green infrastructure to minimize combined sewer overflow events. The projects include installing tree planters, rain gardens, permeable pavement, and underground infiltration. The official statement said the authority would be measuring, verifying, and publicly reporting the environmental benefits of the funded projects. The authority designated its 2021 green bonds as environmental impact bonds (within the broader green bond designation) and included an outcome threshold target for 2028. If the authority meets that threshold (subject to independent verification), it can call the bonds seven years after the original issuance (Buffalo Sewer Authority, 2021).

Some green bond issuers, particularly larger ones, have websites containing information about their environmental/sustainability goals and projects. For example, the New York Metropolitan Transportation Authority (MTA), which is by far the largest state and local government green bond issuer in the United States, has a website that describes its climate sustainability and resiliency goals, related projects, carbon accounting, and its use of climate bonds (MTA, 2024). The MTA provides an annual statement on its website and in the Electronic Municipal Market Access database certifying that it complies with the climate bonds standards and other provisions of the CBI-certified climate bonds.

Conclusion

The municipal green bond market has continued to evolve since its inception in 2013. Our research found that the volume of bonds issued, the number of states with green bond issuers, and the number of unique bond issuers per year have increased over time. Other major changes include a growth in the use of green bonds for housing and public power, a decline in the size of the median green bond issue, and an increased use of external verifiers. Areas that have not experienced as much change include the continued dominance of large issuers (particularly in New York and California), the use of about half of the green bond proceeds for refunding bonds, and the limited reporting of environmental impacts.

Our findings suggest that the green bond market for state and local governments will likely continue to grow; however, uncertainty remains in key areas. Will the United States adopt green bond standards? Will the use of external verifiers continue to expand? Will reporting of environmental impacts increase or remain the same? Moreover, how will current sentiments about ESG impact the state and local government green bond market?

Although the role and expectations of investors were beyond the scope of our analysis, this area is ripe for future research. Investors will likely play a major role in how the state and local government green market continues to evolve. Future research could address the types of environmental information investors want and whether they would be willing to accept a lower return in exchange for increased evidence/verification of positive environmental impacts.

Another important issue concerns additionality. Are green bonds leading to new or expanded environmental projects that would not otherwise happen? Much of what is being

financed with state and local government green bonds, such as water or public transit projects, would likely occur without green bonds. Plus, we found that about half of the green bond proceeds are being used for refunding bonds, which do not result in new environmental benefits. Future research could address the types of changes in the state and local government green bond market that could help facilitate additionality.

Endnotes

- ¹ Information on the Electronic Municipal Market Access database and can be obtained from emma.msrb.org.
- ² Other municipal ESG bonds include social, sustainability, sustainability-linked, and environmental impact bonds (Principles for Responsible Investment, 2023b).
- ³ A report prepared by S&P Global (2024) includes a graph showing the municipal green bond volume at about \$22 billion in 2021, significantly lower than the \$27.1 billion we report based on the data from the Mergent Municipal Bond Securities Database. We reviewed the data from the Mergent database and observed no double counting or apparent errors.
- ⁴ Recent large issuers include the California Community Choice Financing Authority and the New York Transportation Development Corporation (Statista, 2024).

Disclosure Statement

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Municipal Corruption: From Politics to People


Carl J. Gabrini^{i,c}

Nelson, K. L., & Afonso, W. B. (2024). *Municipal corruption: From policies to people*. Routledge, 216 pp., \$52.99 (paperback), ISBN: 978-1-0322-1309-5.

Keywords: Corruption, Fraud, Internal Controls, Local Government

In *Municipal Corruption: From Policies to People*, authors Kimberly L. Nelson and Whitney B. Afonso (2024) research why some U.S. cities are more likely to fall victim to corruption than others. Their work is both timely and important as fraud in government is more prevalent than most people likely realize, resulting in negative consequences for the impacted jurisdictions. These consequences may include misallocation of resources, increased costs of services, reduction in service quality, erosion of public trust, political instability, decreases in public safety, and increases in social inequality. According to the Association of Fraud Examiners (ACFE), there are three categories of fraud: (1) misappropriation of assets, (2) financial reporting fraud, and (3) corruption. Corruption alone, combined with other types of fraud, is the most prevalent type to occur overall and within government (ACFE, 2024). Therefore, understanding the possible causes of fraud and corruption is important for practitioners, academics, and public administration students.

The book is well written and not a difficult read in terms of length and style of writing. It should be approachable to all the groups mentioned above. The book can be viewed as having two halves. The first half (Chapters 1 through 5) is organized like a research paper with an introduction (Chapter 1), discussion of theory and presentation of hypotheses (Chapter 2), and description of the model, including an explanation of the dependent, independent, and control variables (Chapter 3), and the methods employed and their results (Chapters 4 and 5). The second half of the book, beginning with Chapter 6 and ending with Chapter 11, presents cases selected by the authors and centered around four themes: form of government, institutional features, municipal demographics, and state oversight. In Chapter 12, the authors provide their concluding thoughts based on their work and offer potential avenues for future research. The rest of this review will present summaries of the chapters (without spoiling all of the authors' findings), a general summary of outcomes, and concluding thoughts on the contribution of the

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work to the field of public finance, as well as suggestions on how readers might want to approach reading the book.

In Chapter 1, the authors describe three objectives for writing the book. First, they seek to identify which factors contribute to the likelihood of corruption in municipalities. Second, they examine earlier theories explaining municipal corruption, and third, they use case studies to identify factors that may not have shown up in the statistical tests they performed. In Chapter 2, the authors examine the theory and prior research on government corruption. As a result of their analysis of earlier literature, they identify three types of factors they consider in their testing: (1) community demographics such as population size, diversity, and poverty levels, (2) forms of government, specifically mayor-council versus council-manager, and (3) institutional factors that equate to internal controls, power distribution, and checks and balances between branches of government.

In Chapter 3, the authors explain their model, data sources, and variables used to study the relationship between corruption and the various factors they identified through their examination of existing theory and prior research discussed in Chapter 2. In addition, they explain how each of the variables is measured. The dependent variable they use is the corruption incidence rate measured using documented cases of corruption that resulted in either a conviction or a guilty plea. The primary independent variables they include are a form of government (either Mayor-Council or Council-Manager), state monitoring, state audit requirements, and state early warning mechanisms. Additional control variables include population density, poverty rate, unemployment, education, race, ideology, and industry.

In Chapters 4 and 5, the authors describe their statistical analysis and results in detail. The authors used a two-stage statistical analysis of fixed effects and rare events logit to identify significant associations (Chapter 4). They followed this up using propensity scores (Chapter 5) to establish whether the associations included causality. Without spoiling all the outcomes, the authors' analysis offered insight into whether the reform movement's council-manager form of government offered the benefits of reduced incidence of corruption, which plagued mayor-council and commission forms through the early 20th Century. Their results also shed light on the importance of transparency, institutional arrangements affecting individual discretion of elected leaders and public employees, certain demographic features of municipalities outside the control of government but none-the-less important in predicting the risk of corruption, and finally, the type and degree of oversight performed by state government over the local governments within their charge.

The book's second half, encompassing Chapters 6 through 11, offers readers a series of qualitative case studies. These cases, involving cities such as Dixon, Illinois; Bell, California; and Camden, New Jersey, are examined considering the results of the statistical analysis and offer readers an in-depth look into the corruption that impacted these municipalities and how the details of each case aligned with the results of the authors' statistical analysis. Again, without playing the role of spoiler, the authors successfully combine quantitative and qualitative methods to offer the readers a comprehensive explanation of the risk of corruption in municipal government. In their concluding chapter (Chapter 12), the authors offer insights into mechanisms to combat corruption and suggestions for further research.

As noted by the authors, corruption (and fraud in general) is a complex phenomenon to study. Because perpetrators attempt to conceal their behavior, it is not always easy to discover or study. We learn about fraud and corruption based on those cases discovered and reported. It is difficult to estimate the true incidence rate of the different types of fraud because it is covert and

deceptive. The value of the authors' analysis lies in our understanding of the opportunities affording perpetrators' efforts to commit and conceal their activities. This fits with the traditional study of fraud using the fraud triangle (Wells, 2011, p. 8), which consists of the pressure or incentives for an individual or group to attempt fraud, the opportunities present in their environment allowing them to do so, and the subsequent rationalization of their actions once discovered and investigated.

The book offers readers a comprehensive explanation of why the risk of corruption is higher in some municipalities than in others. No municipality is completely safe from bad actors and their attempts to benefit themselves at the expense of the citizens they are serving; however, a better understanding of the factors that make it possible can result in identifying stronger internal controls to help prevent, detect, and correct the incidence of corruption. This is part of the value of reading this book. For the practitioner or student who intends to pursue a career in public service, the book offers a window into the world they presently serve or are about to enter. Anyone working in the public sector should be aware of the risks within their areas of responsibility and try to mitigate them. For the academic or aspiring academic, the book offers a foundation for a research agenda that can contribute to theory and educate practitioners in combatting corruption.

While the early discussion of methods may be intimidating to some who are more oriented to practice than research, it should not dissuade individuals from tackling this book. While the data, model, and methods are particularly important to the academic community, the theory, results, and detailed case studies provide ample value to the practitioner community. For those wishing to read the book for its intended value but not to tackle the methods, a reading of the first three chapters and the conclusions to the statistical analysis chapters would likely suffice. This would still allow the reader to fully benefit from the qualitative case analysis and the authors' suggestions based on their findings for addressing the risk of corruption. The book is an excellent resource, highly informative, easy to read, and not overly long at about 200 pages.

Disclosure Statement

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Nonprofit Neighborhoods: An Urban History of Inequality and the American State

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Dunning, C. (2022). *Nonprofit neighborhoods: An urban history of inequality and the American state*. University of Chicago Press, 351 pp., \$30.00 (paperback), ISBN: 978-0-2268-1989-1.

Keywords: Community Development, Nonprofits, Redevelopment

The first quarter of 2025 witnessed one of the most considerable shifts in federal funding policy in decades. With a series of executive actions and an awkwardly worded memo by the U.S. Office of Management and Budget, thousands of nonprofits across the country were faced with considerable uncertainty because the Trump Administration decided to suspend all reimbursements of federal grant agreements with just 24 hours notice.

While the initial memo was rescinded shortly after publication, and subsequent federal court injunctions have suspended its current implementation at the time of this publication, this course of action led many Americans to learn just how dependent their local governments and nonprofits were on regular federal assistance. This was especially true for the integrated apparatus of government and charity that facilitated the services associated with modern community development, including after-school programs, indigent healthcare, job training, mental health services, and food and residential assistance.

This reflection of our modern local “safety net” is representative of an intentional effort by Washington over the past 60 years to extend assistance and support to residents in America’s distressed, underprivileged, and disinvested communities. The origins of this effort and its influence on the communities served by the supported programs on impacted residents are chronicled extensively in Claire Dunning’s (2024) recent work, *Nonprofit Neighborhoods: An Urban History of Inequality and the American State*.

Dunning’s assessment does not necessarily glorify the origins of these efforts. While clearly defining the political limitations facing federal, state, and local government leaders in providing fiscal support to address the needs of America’s racially and economically segregated cities, she chooses to focus attention on the structural deficits, intentional and unintentional, with the well-intended initiatives of the 1960s and their subsequent weakening under the political

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tides of the 1970s, where the adoption of modern community development can be found amongst the locales once associated with 20th-century industrial urbanization.

Nonprofit Neighborhoods successfully attempts to align underlying societal issues facing many cities in the mid-20th century from racial and political perspectives with the attempts by the federal government, facilitated by long-established local governments and newly established community-oriented nonprofits, to provide directed support to struggling communities. Using the experiences of Boston, MA, as her canvas, Dunning organizes these parallel national and local chronologies in a case study approach to a series of federal policy developments that have significantly influenced efforts to establish and restore the economic vitality of struggling inner-city areas.

The history is presented chronologically through chapters where each core group is critically evaluated. Starting with the cities capable of gaining support from initial, competitive grant opportunities initiated during the administration of President Lyndon B. Johnson. Subsequent chapters highlight the successes and weaknesses of initial grant recipients, the residents seeking both benefit and greater control of the distribution of awarded funds, the bureaucrats balancing objective outcomes sought from the funding with their observations of political inequality, lenders working to create and benefit from the leverage of funding for development, growing partnerships, and emerging coalitions extending beyond impacted neighborhoods.

Dunning's key issues with the transformation into modern federal programs and the bipartisan political emphasis on public-private partnerships are three-fold. First, she expresses disagreement with the lack of direct control the residents, as beneficiaries, have in decision-making regarding the use of the grant funds. On numerous occasions, this book highlights notable gaps between the decision-making structures at local recipient levels and the ability of impacted residents to participate in how choices on allocation and distribution of grants and aid will be utilized. Dunning evaluates this ongoing issue from the perspective of democracy regarding the level of power afforded to the end recipients.

Second, Dunning outlines the weaknesses in the level and approaches to federal support consistent with the "neoliberal" policy characteristics of competition and scarcity. The author's identification of these policies is accurate, as community development funding is part of discretionary budgeting on the federal level and subject to specific and limited appropriations. Such is also the case for Federal spending on most cabinet-level programs, including transportation, agriculture, commerce, and defense. However, due to the nature of work being done by "nonprofit neighborhoods," Dunning argues that the limits on funding distort incentives and create notable externalities that further challenge the potential of resident-led redevelopment in areas identified as economically distressed and disinvested.

Third, Dunning aligns with many current research analysts in concluding the role of race-based bigotry in limiting the scope of community redevelopment efforts. The research presented here is intended to argue that despite significant increases in federal funding and the establishment of initiatives and programs at the ground level to provide support to the disadvantaged, the lack of consideration of prior and existing racial oppression, intentional and unintentional, in developing a more holistic approach to address actual limitations on accessibility to economic opportunity. This argument is consistent with other notable and essential works understanding the legacy faced in the present by consecutive previous generations of policies motivated (at least in part) by bigotry, including Richard Rothstein's

(2018) assessment of racism's impact on urban planning, *The Color of Law: A Forgotten History of How Our Government Segregated America*.

The historical analysis briefly mentions the first phase of redevelopment established at the federal level after World War II for America's industrialized cities: urban renewal. Considerable study has shown the devastating impact of this purposeful effort to fix blighted and decaying portions of major metropolitan areas. Combined with the arrival of interstate highways, these programs brutally cut and split existing inner-city neighborhoods, with a lack of effective representation across levels of decision-making further exacerbating the impact on predominantly minority communities.

Following the assassination of President John F. Kennedy, his successor, President Lyndon B. Johnson, embarked on a multifaceted campaign to alleviate the growing challenges of poverty across the nation through his "Great Society" agenda. One of its components was the establishment of considerable increases in Federal funding to support programs to benefit the less fortunate concentrated in America's biggest municipalities. Boston's leaders were among the first to pursue these initially competitive programs to address the needs of disadvantaged residents and, perhaps more importantly, establish political tranquility amidst the existing winds of civil rights. In some ways, the rise of the "Great Society" and its inclusion of the urban poor was more of a political calculation to mitigate growing dissent and activism (through monetary contributions) than seriously address existing, long-standing inequalities.

Dunning's concern is understandable, as the focused, competitive programs envisioned by the Johnson Administration experienced considerable redesign during the presidency of Richard Nixon. Community development experienced the same funding transformation as other federal programs towards the still-prevalent mechanisms of qualifying entitlement allocations. This is perhaps best represented by community development block grants (CDBG's), which expanded the pool of recipient jurisdictions to thousands of jurisdictions across all 50 States. At the same time, the discretionary nature of the overall appropriation never kept up with inflationary pressures and remains subject to political forces within annual appropriation processes. The new CDBG program also created a purely bureaucratic approach to local resource distribution, reflected in the development of annual action plans, which further inhibit direct influence by direct recipients.

Dunning also touches on the engagement of other groups, from the rise of community development corporations (CDC's) model in enabling resident-led redevelopment in housing and commercial real estate to the growing role and influence of financial institutions in providing and directing essential capital through investments and loans. Boston's history of political transitions and overcoming challenges created by the decline of its industrially focused economy and then the rise in its medical, technology, and other intellectually based sectors creates a comparative backdrop. Many major cities and even smaller, emerging jurisdictions with similar socio-economic challenges over the past 60 or so years can relate to Boston's history.

For professionals exposed to the challenges of administering CDBG and other entitlement programs and academics seeking a descriptive timeline of the development of America's modern community development architecture, this book provides an impressive history, well supported by a deep bibliography. These objective qualities allow effective reading and application of these contents without necessarily leaning into the author's initial thesis or conclusions, which fail to lend much grace to their application of hindsight.

As stated at the beginning of this review, the current disruption witnessed and experienced by nonprofits and state and local governments creates considerable concerns and

challenges that must be addressed quickly and effectively to ensure the continuation of essential local initiatives and programs for the ongoing redevelopment of distressed and disinvested areas. The funding apparatus, subject to ongoing pressures and potential dissolution, is the product of decades of policy-making and revision as coordinating and competing groups attempt to advocate for shared and independent interests. Claire Dunning's *Nonprofit Neighborhoods* provides a perspective worth considering from a broad historical context, incorporating serious parallels tied to America's history with racial inequality. As such, it serves as an appropriate reference in evaluating and responding to the work we face in the present.

Disclosure Statement

The author declares that there are no conflicts of interest that relate to the research, authorship, or publication of this article.

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