



POLICY POINTS

from the COMMONWEALTH FOUNDATION

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Spending Transparency & Accountability

There is a national movement to make government spending and finances accessible to taxpayers. Pennsylvania lags behind, but state lawmakers are moving toward greater transparency.

TRANSPARENCY AND THE STATE BUDGET PROCESS

- To hold government officials accountable, citizens must have a source of reliable information.
 - ⇒ As investors would demand adequate information about the performance of a business, so too do taxpayers deserve adequate information about where their dollars are spent.
- Recent budget impasses illustrate the importance of spending transparency. Negotiating billions of dollars of spending across dozens of agencies and departments and thousands of line items **requires that policymakers and the public understand how money is being spent.**
- Transparency is a means to an end: an informed budget debate that prevents corruption.
 - ⇒ Rep. Bill DeWeese opined corruption, like using taxpayer-funded bonuses and technology for political campaigns, **would have been prevented** with greater spending transparency.
- Effective transparency requires a single thorough and searchable website with easy navigation and aggregation.
 - ⇒ Three bills to create a spending database have been introduced: SB 105 (Sen. Pat Browne), HB 1460 (Rep. Jim Christiana), and HB 1880 (Rep. Rick Mirabito).

TRANSPARENCY IN PENNSYLVANIA

- Pennsylvania features a smattering of online resources, such as a database of some Department of Community and Economic (DCED) grants, and the Treasurer's eLibrary for state contracts.
 - ⇒ However, these tools are difficult to use, do not offer a central location for spending information, and **only cover a fraction of state spending.** Even rank-and-file legislators do not know what many budget line-items fund.
- The House State Government Committee recently passed HB 1880, which would create an online database of expenditure information of all state agencies, including salaries, audits, and contracts.
 - ⇒ Details would include the total amount, recipient, funding source, budget line, performance measures, and other information.
- Transparency also makes other budgetary reforms possible, such as **performance-based budgeting.**
 - ⇒ Performance-based budgeting, in contrast to the current process, would increase programs' and departments' funding based on performance, rather than lobbying or politics.
 - ⇒ Rep. Karen Beyer has a proposal to use zero-based budgeting, a type of performance-based budgeting that would **require justification of a government program's entire budget** every five years.

SPENDING DATABASES AND TRANSPARENCY ACROSS THE COUNTRY

- In 2006, the federal government created an online spending database to provide information of all contacts and grants over \$25,000.
- **Twenty-six state legislatures** have passed legislation to create spending databases.
 - ⇒ Apart from legislative action, governors in **11 states** have issued executive orders implementing fiscal transparency.
- Opponents point to the cost of creating databases, but evidence show they cost little and save money in the long run.
 - ⇒ A 2009 study by the Mercatus Center found the average state database costs \$160,000, and nine states created sites **without any new appropriations**.

TRANSPARENCY OFFERS COST SAVINGS TO TAXPAYERS

- Better information fosters competition for government contracts and efficient use of state money. Allowing citizens to evaluate performance for expenditures could reduce wasteful spending.
 - ⇒ Texas consolidated contracts and services with \$4.8 million in realized savings. Watchdogs using Missouri's MAP portal questioned over \$1.5 million in spending.
- Transparency could decrease the amount of paperwork for state employees if all spending data is centralized.
- Pennsylvania's Open Records Law is a good start, but the cost (both money and time) of finding spending info can discourage citizens from filing requests.
 - ⇒ The executive director of the Pennsylvania Office of Open Records, Terry Mutchler, **estimated right-to-know requests could fall by 30%**.

INDEPENDENT FISCAL OFFICE

As part of the 2009 budget deal, Pennsylvania lawmakers created an Independent Fiscal Office (IFO). The IFO would:

- Analyze the executive budget, provide revenue estimates for five years, and collect expenditure records and budget requests from the executive departments and agencies.
- Develop a **baseline budget**, assuming increases to current programs based on population, inflation, and demand growth.
- **Dynamically score proposed tax changes** based on econometric models – evaluating the impact on behavior and economic growth. Dynamic modeling is not done in the current budget process.
- Feature a director, appointed to a six-year term by a committee of legislative leaders and the governor.
- Develop **performance measures** for state programs and agencies, and conduct outcome-based evaluations based on these measures.
 - ⇒ The value of the IFO could be increased by utilizing performance-based budgeting or sun-setting all programs subject to a performance review

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For more on **Spending Transparency**, visit www.CommonwealthFoundation.org

