California Budget Transparency 2.0

Online Tools for Better Government

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In the private sector, internet search technology has revolutionized the accessibility and transparency of information. We take for granted the ability to track deliveries online, to check cell phone minutes and compare real estate on the Web, even to summon – at the click of a mouse – satellite and street-level views of any address. But until recently, when it came to tracking government expenditures online, we were left in the dark.

State governments across the country are changing that. At least 29 states currently mandate that residents be able to access a searchable online database of government expenditures. These states have come to define “Transparency 2.0” – a new standard of comprehensive, one-stop, one-click budget accountability and accessibility.

With the state in the midst of a budget crisis, it’s especially important for Californians to have easy access to information about the state’s expenditures. California has taken some steps towards better transparency, but still falls far short of the best practices established by other states. California should fill in the gaps in government reporting and bring its online transparency up to speed, so that Californians can stay abreast of – and have the tools to influence – the difficult decisions being made in Sacramento.

The movement toward Transparency 2.0 is broad, bipartisan and popular.

➤ A nationwide wave – In just the past two years, legislation and executive orders in 29 states have given residents access to a searchable online database of government expenditures, and the federal government has taken similar initiatives.

➤ Bipartisan efforts – Transparency legislation has been championed by legislators both Republican and Democratic. In 2008, federal legislation to strengthen web-based budget transparency was cosponsored in the Senate by presidential rivals John McCain (R-AZ) and Barack Obama (D-IL).

➤ Public support – When asked about the role of transparency in the economic recovery package of early 2009, three-quarters of voters responding said that “creating a national Web site where citizens can see what companies and government agencies are getting the funds, for what purposes, and the number and quality of jobs being created or saved” would have an important impact on the package, with 39 percent believing its impact would be extremely important. Support for state transparency Web sites to monitor recovery funds received almost equally high marks, again from Republicans, independents and Democrats: fully 75 percent of American voters said creating state level Web sites to track funds was “important,” and 34 percent said it was “very important.”

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Transparency 2.0 saves money and bolsters citizen confidence.

➢ *Increased civic engagement* – Americans are eager to use transparency Web sites. Houston officials report improved public confidence after the launch of their transparency Web site. The Missouri Accountability Portal received more than 6 million hits less than a year after its launch.

➢ *Low cost* – Budget transparency Web sites can be inexpensive to create and maintain. The federal transparency Web site, which allows Americans to search over $2 trillion in federal yearly spending, cost less than $1 million to create. Missouri’s Web site, which allows its residents to search over $20 billion in state annual spending and is updated daily, was created with already-existing staff and appropriations.

➢ *Big savings* – Transparency Web sites can save millions through more efficient government operations, fewer information requests, more competitive contracting bids, and lower risk of fraud. In Texas, the Comptroller reports $2.3 million in savings from more efficient government administration following the launch of the state’s transparency Web site. Utah estimates millions in savings from reduced information requests. The largest savings may come from the deterrence of waste or abuse of public funds because public officials or contractors know that decisions are open to scrutiny.

➢ *Better-targeted expenditures* – Transparency budget portals allow states to track how well subsidies and tax incentives deliver results. Funds from underperforming projects and programs can be reinvested in successful programs. By tracking the performance of state subsidies, Minnesota and Illinois have both been able to recapture money from numerous projects that failed to deliver promised results. Agencies can also more efficiently achieve affirmative action goals by identifying leading departmental practices and contractors that advance these goals.

➢ *Better coordination of government contracts* – The Massachusetts’ State Purchasing Agent identifies four sources of savings for state procurement officers: sharing information with other public purchasers on good deals; avoiding wasteful duplication of bidding and contracting procedures through centralized processes; better enforcement of favorable pricing and contract terms; and focusing cost-cutting in areas where greater resources are spent.

California’s transparency Web site puts the state on the right track, but still has major deficiencies.

➢ *Good first step into Transparency 2.0* – California’s new Reporting Transparency in Government Web site gives residents access to a number of sets of crucial government accountability information, all on the same Web site. In particular, state contracts paid by
government agencies are keyword-searchable by department, supplier name, and price. The information can be downloaded as an Excel document as well, making it easier for Californians to analyze the data.

➤ An effective and cheap tool – The Web site cost California only $21,000 to create, and it will cost under $40,000 annually to keep the site accurate and up-to-date. Californians are using the site daily – over a million hits were logged in the site’s first six months online – and it has already helped the state save money. Visitors to the site noticed an audit that showed that many of the vehicles in the state’s fleet were not needed, and the state will be reducing the fleet by 15 percent as a result, saving the state $24.1 million.

➤ Information on corporate tax breaks and subsidies is missing – California spends over $4 billion a year on corporate tax breaks and subsidies, yet there is only limited information on these subsidies available online, and no information on their effectiveness. For example, the state grants about $500 million a year in tax subsidies to corporations that do business in economically depressed areas. This subsidy is intended to bring jobs and businesses to areas that sorely need them, and encourage business to hire disadvantaged workers. However, there is no information available about the numbers of jobs this program creates, where those jobs are created, and whether they actually go to disadvantaged workers.

➤ Certain government agencies are missing – Quasi-public and independent government agencies do not report contracts on the new transparency Web site. Examples of agencies not include on the site include the University of California, the California Prison Industry Authority, and the California High-Speed Rail Authority. Quasi-public and independent agencies are responsible for many im-

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**Transparency 2.0 Is Comprehensive, One-Stop, One-Click Budget Accountability and Accessibility**

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<td><strong>Comprehensive:</strong> User-friendly web portal provides residents the ability to search detailed information about government contracts, spending, subsidies, and tax expenditures.</td>
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<td><strong>Scattered:</strong> Determined residents who visit numerous agency Web sites or make public record requests may be able to gather information on government expenditures, including contracts, subsidies, and special tax breaks.</td>
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<td><strong>Tool for Informed Insiders:</strong> Researchers who know what they are looking for and already understand the structure of government programs can dig through reports for data buried through layers of subcategories and jurisdictions.</td>
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important government functions, but are notoriously immune to public accountability, and can have budgetary problems that cost the state millions of dollars.

➤ **Contract purposes are not listed** – Government contracts are now listed on California's Reporting Transparency in Government Web site, but the details that would make this information useful to laypeople are left out. The purpose of the contracts listed is not included on the site, which means that Californians can now see a list of all of the contracts from the state's prison system and who they went to – if they know to search for the “Department of Corrections and Rehabilitation” – but still have no idea what goods or services the state received for that money.

➤ **Contract information is not browsable** – Commercial internet vendors know that a few extra clicks make it far less likely that users will get to their destination. Leading states allow residents both to browse broad, common-sense categories of government spending and to make directed keyword and field searches. California's transparency Web site has some search functions, but contracts are provided only as a complete list, making the accessibility of the site far inferior to that of other states.

California should fill in the major holes on the transparency Web site and make the site easier to use, bringing it up to the standard established by other Transparency 2.0 states.

➤ **Add corporate tax subsidies** – California should incorporate information on tax subsidies for corporations into its transparency Web site, including the names of the corporations that benefit, the intent of the subsidies, and a measure of whether the subsidy was successful.

➤ **Include contracts from all agencies** – California should require all agencies to report expenditures on the transparency Web site, including independent authorities.

➤ **Include the purposes of contracts** – It should be possible to search for all of the money the state spent for particular purposes, from employee healthcare to office supplies. At minimum, a sentence or two describing the purpose of each contract should be included; ideally, a PDF of the actual contract would also be available online.

➤ **Improve browsing functions** – Contracts should be organized into common-sense categories, rather than provided as full lists, and it should be easy to sort the lists by any category.
The ability to see how government uses the public purse is fundamental to democracy. Budget transparency checks corruption, bolsters public confidence in government, and promotes fiscal responsibility. Poor transparency, on the other hand, corrodes democracy: When Americans are unable to access information about public funds, or when that information is difficult to scrutinize, accountability is severely hampered. As the Association of Government Accountants notes, “Without accurate fiscal information, delivered regularly, in an easily-understandable format, citizens lack the knowledge they need to interact with—and cast informed votes for—their leaders. In this regard, a lack of government accountability and transparency undermines democracy and gives rise to cynicism and mistrust.”

In the private sector, internet search technology has revolutionized the accessibility and transparency of information. We take for granted the ability to track deliveries online, to check cell phone minutes and compare real estate on the Web, even to summon – at the click of a mouse – satellite and street-level views of any address. But until recently, when it came to tracking government expenditures online, we were left in the dark.

State governments across the country are changing that. A growing number of states are using powerful Internet search technology to make budget transparency more accessible than ever before. Legislation and executive orders around the country are lifting the electronic veil on where tax dollars go. At least 29 states currently mandate that residents be able to access a searchable online database of government expenditures. These states have come to define “Transparency 2.0” – a new standard of comprehensive, one-stop, one-click budget accountability and accessibility.

Experience from the leading Transparency 2.0 states shows that these Web sites are effective, low-cost tools that bolster citizen confidence, reduce contracting costs, and improve public oversight. The popularity of these sites can be seen in the millions of visits by residents to Missouri’s Accountability Portal Web site and in the increased number of businesses bidding for government contracts on Houston’s transparency Web site. Meanwhile, Texas’s Comptroller reports her agency saved $2.3 million by using its transparency Web site to make its administration more efficient.

With the ongoing state budget crisis, it is especially imperative for California to be doing...
everything it can to improve transparency. As funds are slashed from school budgets, healthcare and local aid, Californians need detailed information on state expenditures in order to understand and weigh in on the hard decisions being made in Sacramento. Improving transparency can also help balance the budget by encouraging efficiency and discouraging corruption.

California has just recently joined the ranks of the Transparency 2.0 states with its new Reporting Transparency in Government Web site. This Web site is a good step in the right direction, but it has a long way to go in providing all of the information and tools that are necessary for Californians to evaluate government expenditures. There is also no information available about the billions of dollars the state spends every year on corporate tax breaks and subsidies and whether they are returning any benefit to the state and its residents.

Other states have shown that it is possible to make comprehensive information on government expenditures easily accessible the public. These states have also found that this level of transparency costs very little, can save the state millions of dollars, and is a very effective tool for the public and the state alike. California can reap these benefits as well, by filling in the holes in its transparency site and improving the accessibility of the information already available.

This is a pivotal moment for the state. As Californians have watched the fights over the budget in the past few months, public trust in the government’s ability to responsibly handle money has deteriorated.

It’s time for California to take its transparency efforts to the next level. Acting now would go a long way towards restoring the public trust in government. And a comprehensive transparency Web site could be a powerful tool to help the state avoid another financial crisis.

## Transparency 2.0 Is Comprehensive, One-Stop, One-Click Budget Accountability and Accessibility

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A Growing Movement:
State Governments Embracing Web-Based Budget Transparency

Thanks to recent state efforts, government spending is now more transparent than ever before. In the past two years, a nationwide wave of legislation and executive orders has brought Web-based budget transparency to residents of 29 states (see Figure 1 and Appendix). These “Transparency 2.0” states provide residents with the right to access a comprehensive, centralized, easily-searchable online database of state government expenditures. These state efforts have added momentum to the larger Transparency 2.0 movement, which now holds broad-reaching, truly global strength. Already, Americans can monitor federal spending through a new government Web site created by the Federal Funding Accountability and Transparency Act of 2006. At the same time, a growing number of local and foreign governments have created transparency portals for their residents. With each new initiative, the Transparency 2.0 movement moves closer to its goal of holding every government and its contractors accountable at the click of a mouse.

Figure 1: Transparency 2.0 States
Americans of both political parties overwhelmingly support Web-based budget transparency. A poll of Maryland residents, for example, reported that over 80 percent of Democrats, Republicans, and independents favored legislation to mandate the creation of a comprehensive, searchable Web site of all state spending. A poll in Oklahoma found similar levels of support.

A Harris Interactive poll of online Americans found that an overwhelming majority – 90 percent – of Americans believe that they are entitled to transparent financial management information from government. Improved reporting is the most commonly cited way respondents say government can demonstrate greater accountability, especially through open disclosure and clear reporting. Fully 73 percent of Americans say that it is personally very or extremely important to have financial management information about their state government available to them.

More specifically pertaining to Web-based budget portals, three-quarters of voters (76 percent) believe that “creating a national Web site where citizens can see what companies and government agencies are getting [economic recovery] funds, for what purposes, and the number and quality of jobs being created or saved” would have an important impact on the recovery package, including 39 percent who believe its impact would be extremely important. Support for state transparency Web sites to monitor recovery funds received almost equally high marks, again from Republicans, independents and Democrats: fully 75 percent of American voters said creating state level Web sites to track funds was “important,” and 34 percent said it was “very important.”

This is not some abstract desire. Thirty percent of people polled have tried to search the Web for information about how their state government generates and spends taxpayer dollars – searches that often end in frustration.

The bipartisan public support for these Web sites is reflected in the diverse political sponsorship of Transparency 2.0 initiatives. Elected officials across the political spectrum – from New York Attorney General Andrew Cuomo to former Missouri Governor Matt Blunt – have championed Web-based budget transparency in their states. Before the presidential race, opponents Senator John McCain and then-Senator Barack Obama co-sponsored the Strengthening Trans-
Divergent political figures Grover Norquist and Ralph Nader similarly came together in a joint statement to support more understandable and timely online information about government budgets.

Transparency 2.0 Is an Effective, Low-Cost Tool

States with good transparency Web sites have found that these sites result in a wide variety of benefits for state residents and the government. Transparency Web sites have not cost states much money, but they have helped governments find ways to save money and meet other goals, and residents use them frequently where they are available.

Taxpayers and businesses use these Web portals: Budget transparency Web sites have proven themselves to be exceptional tools of civic engagement. Less than a year after its launch, the Missouri budget transparency Web site had received more than six million hits. The Texas spending Web site reported similar engagement. Residents are eager to use transparency Web sites to learn more about public expenditures.

Saves money: In addition to improved public confidence, Transparency 2.0 states realize significant financial returns on their investment. The savings come from sources big and small – more efficient government administration, fewer information requests, more competitive bidding for public projects, and a lower risk of fraud – and can add up to millions of dollars. In Texas, for example, the Comptroller was able to utilize the transparency Web site to save $2.3 million from a variety of efficiencies and cost savings. Estimates suggest that transparency Web sites save millions more by reducing the number of information requests from residents and watchdog groups and by increasing the number of bids for public projects. The Utah State Office of Education and the Utah Tax Commission save about $15,000 a year from reduced information requests, and with over 300 other government agencies, Utah’s total savings are likely in the hundreds of thousands. Moreover, failure to identify and expose fraud can cost billions. When combined with “clawback” legislation designed to recoup money from businesses that do not produce promised results in return for subsidies, the added transparency in contracting can produce even greater savings.

Online transparency offers increased support of a range of indirect public policy goals, including affirmative action and community investment: Governments often stumble when trying to meet community investment and affirmative action goals because public managers struggle to benchmark agencies, spread best practices, or identify contractors that advance these goals. Budget transparency portals allow states to better measure and manage the progress of public policy initiatives like affirmative action programs. Massachusetts’ Comm-PASS Web site, for example, allows tracking of which recipients of government contracts are women and minority-owned businesses.

By providing a single, one-stop destination for public procurement, the system encourages more companies to bid on public projects. This improves quality, keeps prices down, and opens up the system beyond what could otherwise be an “old boy network” of usual bidders who know the system. Advancing similar goals, Rhode Island’s recently passed legislation requires subsidy recipients to describe their plans...
to stimulate hiring from the host community, to train employees or potential employees, and to reach out to minority job applicants and minority businesses.26

*Online transparency costs little:* The benefits of transparency Web sites have come with a surprisingly low price tag. The federal transparency Web site – which allows Americans to search federal spending totaling over $2 trillion a year – cost less than $1 million to create. Missouri’s Web site – which is updated daily and allows its residents to search state spending totaling over $20 billion a year – was mandated by executive order and was created entirely with existing staff and revenues.27 Nebraska has spent $38,000 for the first two phases of its Web site.28 Oklahoma’s Office of State Finance created its transparency Web site with $40,000 from its existing budget.29

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<td>Alaska</td>
<td>$15,000-$25,000 from existing budget</td>
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<td>California</td>
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<td>Kansas</td>
<td>$100,000 from existing budget</td>
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<td>Maryland</td>
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<td>Missouri</td>
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<td>Rhode Island</td>
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Leading States Have Developed Best Practices

As leading states gain experience in Transparency 2.0 initiatives, they have produced a set of best practices. States at the cutting edge of Transparency 2.0 now offer transparency that is comprehensive, one-stop, and one-click.

Comprehensive

Transparency Web sites in the leading states offer spending information that is both broad and detailed. In contrast to Transparency 1.0 states – which may offer only partial information about government contracts online – leading Transparency 2.0 states provide user-friendly searches of a comprehensive range of government expenditures, including detailed information about government contracts with private providers, subsidies, and tax expenditures. Best practices of Transparency 2.0 states include:

➤ Contracts, Grants, Subcontracts, and Discretionary Spending: An increasing number of public goods and services are provided under contract by private companies. Many government agencies now spend well over half their budget on contractors. These contractors are generally subject to fewer public accountability rules, such as sunshine laws, civil servant reporting requirements, and freedom of information requests. It is therefore particularly important that states provide comprehensive online transparency and accountability for all contract spending.

➤ Leading states disclose detailed information for each expenditure for contracts with specific private companies and nonprofit organizations. Hawai‘i’s transparency Web site, for instance, discloses the name of the entity receiving the award, the amount of the award, the transaction type, the funding agency, and agency contact information. The ability to track the location of entities receiving government contracts gives important information about which legislative districts are receiving government contracts and how trends are likely to affect the future capacity to fulfill these contracts. All states exempt state and federal public assistance payments to individuals, as well as any information that is confidential under state or federal law.

➤ Leading states track the purpose and performance of contracts. Both Texas and Hawai‘i list the purpose of each expenditure on their Web sites. And Washington State requires the disclosure of agency performance measures and audits. Establishing goals and benchmarks allows public managers in leading states to drive improved contracting performance and allows the public to track patterns in the awarding of contracts.
Leading states track subcontractors since these entities may perform most of the work and receive most of the profit as part of a government contract. Hawaii has mandated the creation of a pilot program to test the implementation of a sub-award reporting program across the state, and by January 1, 2010, all subcontracts must be disclosed. At the federal level, the Federal Funding Accountability and Transparency Act of 2006 requires that all sub-grants be disclosed on the federal transparency Web site.

Leading states disclose spending by all government agencies. Nearly every Transparency 2.0 state requires all government agencies, including independent authorities and institutes of higher education, to disclose their spending. Lawmakers in several states have also proposed legislation mandating local spending transparency. Extending transparency to the county and municipal level makes sense given that the volume of spending by local governments equals that of state governments. Several counties have independently created their own online transparency portals.

Leading states disclose all spending, without a minimum threshold. Kansas and Missouri both disclose spending by every entity, regardless of that entity’s cumulative funding from the state. The governor of Kentucky has promised that any expenditure information subject to the Open Records law will be on the Web site.

Leading states disclose timely information. Missouri has set the standard for disclosure timeliness, updating its Web site’s information daily. Kentucky updates its contract information every night.
Leading states disclose **all bids** for each contract. Disclosing all bids – rather than just the winning bid – for each contract allows residents to have complete confidence in the awarding process. The Massachusetts Highway Department, for example, lists all bids that it receives for each of its contracts on the CommPASS Web site.45

Leading states disclose contract data that **tracks performance of public policy goals like affirmative action.** Government contracting agencies are expected to deliver performance in a variety of ways. Tracking and disclosing information about attainment of public mandates helps to ratchet up performance, identify trouble spots, and nurture best practices in contracting. Government agencies also benefit from more readily identifying minority-owned contractors. The Massachusetts’ procurement Web site for statewide contracts labels minority and women-owned vendors with a special icon to allow Bay Staters and agencies to quickly track this information.46

**Active and past contracts** are disclosed in leading states, allowing residents, including state and local officials, to track patterns in the awarding of contracts and to measure current contracts against benchmarks. Many states already disclose this information on their procurement Web sites. Leading Transparency 2.0 states, like Missouri, link those procurement databases to the budget transparency portal.47

**Subsidies:** State and local governments allocate billions of dollars in subsidies each year, yet most governments still don’t disclose information about these expenditures.48 Unmeasured, the performance of these subsidies remains unmanaged and unaccountable. Special tax breaks and credits are especially in need of disclosure because they typically receive much less oversight. Once created, these have the same bottom-line effect on public budgets as direct appropriations; yet they often escape oversight because they are not included in state budgets and do not require legislative approval to renew. In the rare cases when unexpected audits of subsidy programs are conducted, they are often shown to fall short of promised results. For instance, a *Milwaukee Journal Sentinel* investigative report in 2007 examined 25 Wisconsin subsidy deals that were awarded $80 million in subsidies and found that, overall, the companies fell about 40 percent short on their job creation promises.49

Unfortunately, public incentives and subsidies to particular business too often get approved under the mantle of secrecy. Negotiations for a new Google facility in Lenoir, North Carolina required over 70 local officials to sign non-disclosure agreements saying they would not talk about the project, at the same time that $260 million in public subsidies were allocated to the project.50 Such arrangements short-circuit the democratic process because the public, including local and state officials, remains uninformed and cannot hold responsible representatives accountable.

Leading states offer best practices on providing transparency and accountability for
all forms of subsidies, including tax benefits, direct grants, low-interest loans, infrastructure improvements, and other incentives. Transparency for subsidies in leading states has a number of characteristics:

Transparency 2.0 states, by contrast, disclose all information about government expenditures on a single Web site. With one stop, residents including local and state officials in these states can access comprehensive information on direct spending, contracts, tax preferences and other subsidies.

> **Detailed information** disclosed about each subsidy in order to guide future decision making and enhance accountability. For instance, Minnesota mandates the disclosure of the type and amount of subsidies and the number of jobs created, as well as the hourly wage of each job created and the cost of health insurance provided by the employer. Thus, while states around the country often justify subsidies by the jobs they promise to create, Minnesota can evaluate how many jobs they actually do create, as well as the quality of those jobs. Minnesota similarly tracks information that helps determine whether subsidies are increasing the number of jobs in-state or merely encouraging companies to relocate within the state for higher subsidies. Minnesota mandates disclosure of: the location of the recipient prior to receiving the business subsidy; the number of employees who ceased to be employed by the recipient when the recipient relocated to become eligible for the business subsidy; why the recipient may not have completed a project outlined in a prior subsidy agreement at their previous location; and if the recipient was previously located at another site in Minnesota. Likewise, Minnesota mandates disclosure of the name and address of the recipient’s parent corporation, if any, and a list of all other financial assistance to the project and its source. This information makes it clear which companies are already receiving other public subsidies through their affiliates or through other agencies.

> **Purposes and performance** of each subsidy tracked. Public decision makers can only manage what they can benchmark or otherwise measure. Rhode Island requires subsidy recipients to file reports on the status of their program each fiscal year, which are made available to the public. These include information on the number of jobs created, the benefits provided with those jobs, and goals for future job creation and retention. Minnesota mandates the disclosure of the public purpose of the subsidy as well as the date the job and wage goals will be reached, a statement of goals identified in the subsidy agreement and an update on achievement of those goals. Likewise, Illinois discloses performance and accountability information in a searchable format with annual progress reports online.

> **Mechanisms to recapture subsidies from companies that do not deliver** on promises are connected to information about performance on agreed-upon
goals. Such provisions provide a kind of taxpayer money-back guarantee to ensure that public monies paid to private entities achieve their public goals. Among the states with these “clawback” programs tied to public disclosure of subsidy performance are Illinois and Minnesota, and those with provisions for some subsidies are Arizona, Colorado, Connecticut, Georgia, Iowa, Maine, Maryland, Michigan, Nebraska, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, Vermont, Virginia, and West Virginia.56

Subsidies from a broad range of public sources are disclosed. These may include local governments or independent authorities. North Dakota includes in its regulations subsidies from the state or any political subdivision.57

Information is disclosed before subsidies are granted. Subsidy disclosure is most effective when residents can use information to weigh in before subsidies receive final approval. Rhode Island’s recent legislation requires the preparation and public release – prior to finalization of the agreement – of an analysis of the impact of the proposed subsidy on the state.58 Minnesota goes further and requires notice and hearing for large subsidy grants.59

Unified economic development budgets are compiled and published by leading states, enabling decision makers to see how subsidies are distributed from various public agencies between regions, industries, and companies. In the absence of such a unified view, decision makers cannot target where subsidies will be most effective because they have no way to know how or where other subsidies from other programs get allocated.60 Most recently, Rhode Island and New Jersey mandated the disclosure of their unified economic development budgets online.

One-Stop

Transparency Web sites in leading states offer a single central Web site where residents can search all government expenditures. In many Transparency 1.0 states, particular public officials volunteer to disclose information about their finances, or a patchwork of disclosure laws gives residents the right to obtain much information about government expenditures.61 But in order to exercise that right, residents have to access numerous Web sites, go to several agency offices, read through dense reports, and perhaps make formal information requests.62 Transparency 2.0 states, by contrast, disclose all information about government expenditures on a single Web site. With one stop, residents, including local and state officials, in these states can access comprehensive information on direct spending, contracts, tax preferences, and other subsidies.

One-stop transparency can also produce big savings. For contracts, the centralized collection and disclosure of government spending data allows purchasing agents to find savings more efficiently. Massachusetts’s State Purchasing Agent identifies four ways that centralized spending transparency improves coordination: state procurement officers know where the most money is spent and can focus negotiation resources; purchasing agents can share information on good deals, harnessing the power of the market; purchasing agents can avoid dupli-
One-stop transparency is perhaps most important in the oversight of subsidies. Subsidies come in a dizzying variation of forms—including direct cash transfers, loans, equity investments, contributions of property or infrastructure, reductions or deferrals of taxes or fees, guarantees of loans or leases, and preferential use of government facilities—and are administered by countless government agencies.

Because many subsidies are not publicly reported at all, determining the total subsidy assistance a company receives can be nearly impossible. In order to determine the amount of subsidy assistance received by Wal-Mart, for example, the organization Good Jobs First resorted to searching local newspaper archives and contacting numerous local officials directly. They tabulated well over $1 billion in subsidies nationally from state and local governments. Whether or not these amounts are considered excessive, making the information publicly available will improve decision making about subsidies in the future.

The scattered nature of subsidy expenditures makes coordination and oversight of these programs crucial. States that make comprehensive disclosure of all subsidies a high priority include Minnesota, Illinois, Iowa, New Jersey, and Rhode Island. The experiences of these states show that the one-stop nature of budget transparency portals is successful at improving coordination of subsidies. When Minnesota began to require agencies to submit reports on the performance of subsidized projects, the reports revealed that numerous projects were receiving assistance from two or more funding sources—that is, Minnesota taxpayers were double- and triple-paying for the creation of some jobs. After the centralized publication of those reports, the double-dipping stopped.

One-Click Searchable

Transparent information is only as useful as it is easily accessible, which means easily searchable. Transparency Web sites in the leading states offer a range of search and sort functions that allow residents to navigate complex expenditure data with a single click of the mouse. In Transparency 1.0 states, residents who don’t already know government funding flows are stymied by inscrutable layers of subcategories, jurisdictions and data that can’t be readily compared. Transparency 2.0 states, by contrast, allow residents both to browse information by broad, common-sense categories and to make directed keyword and field searches.

Best practices of Transparency 2.0 states include allowing residents to browse expenditures by broad category and to make directed searches. At the federal budget transparency portal, for instance, Americans can browse spending by agency, contractor, legislative district, competition type or product provided—and advanced search options allow residents to make directed searches of each broad category. Missouri’s Web site allows residents to browse spending by agency or purpose and to browse tax credits by legislative district or purpose—and residents can make directed searches for specific vendors, contracts, or tax credit recipients.
### Transparency 2.0 Best Practices

<table>
<thead>
<tr>
<th>COMPREHENSIVE</th>
<th>Subsidies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Contracts, Grants, Subcontracts and Discretionary Spending</strong></td>
<td>➤ Detailed information on number and quality of jobs created</td>
</tr>
<tr>
<td>➤ Purpose of each contract</td>
<td>➤ Information on whether companies have relocated, and from where</td>
</tr>
<tr>
<td>➤ Location of businesses receiving contracts</td>
<td>➤ Purpose and performance of each subsidy</td>
</tr>
<tr>
<td>➤ Subcontractor spending</td>
<td>➤ Disclosure of performance connected to programs to recapture subsidies when promises not kept</td>
</tr>
<tr>
<td>➤ All government entities, including localities and independent agencies</td>
<td>➤ Includes all forms of subsidies including direct payment, tax benefits and infrastructure assistance</td>
</tr>
<tr>
<td>➤ No minimum threshold for reporting</td>
<td>➤ No minimum threshold for reporting</td>
</tr>
<tr>
<td>➤ Information updated regularly</td>
<td>➤ Information disclosed before approvals are finalized</td>
</tr>
<tr>
<td></td>
<td>➤ Synthesized in a unified economic development budget</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>ONE-STOP</th>
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<tr>
<td>Single Web site discloses comprehensive information on expenditures, including contracts, tax credits and other subsidies.</td>
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<tr>
<th>ONE-CLICK SEARCHABLE</th>
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<tr>
<td>Users can browse by broad, common-sense categories and make directed keyword and field searches.</td>
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</table>
California’s Transparency Web Site: 
A Good Foundation That the State Should Build on

In 2009 California entered the ranks of the Transparency 2.0 states with its new Web site, Reporting Transparency in Government.69 This Web site is a solid foundation for Transparency 2.0, providing Californians with one-stop access to a number of sets of easily searchable government accountability information. In particular, state contracts paid by government agencies are keyword searchable by department, supplier name, and price. The site cost the state only $21,000 to create, and keeping the site accurate and updated will cost under $40,000 a year.70

However, the transparency Web site still leaves key holes that California should fill in. California still does not release detailed reports on corporate tax breaks and subsidies, or information on whether they’ve achieved their purpose. Quasi-public agencies and independent agencies, responsible for important government functions, also do not report expenditures on the Web site. The Web site lists contract amounts and suppliers without listing the purpose of the contracts – the key piece of information that would be most useful for laypeople in evaluating spending. And the site has a long way to go to meet the standard other states have set for accessibility and ease of use.

California should continue to build on the foundation it has laid, filling in key holes and using the best practices already established by other states.

Reporting Transparency in Government Web Site: 
A Good First Step

California’s Web site has already saved the state money—the Governor will be reducing the state’s vehicle fleet by 15 percent after visitors to the transparency site saw that a Department of Transportation audit showed that many of the cars were not needed. This reduction is projected to save $24.1 million.

Governor Schwarzenegger has continued to improve the site, adding audits to the documents the site is required to post in June, and a wide array of reports and documents such as performance reviews and studies of audits in September.71

California’s new Web site is a commendable first foray into Transparency 2.0. The site serves as a one-stop destination for government accountability information, is well organized, and makes government contracts available and easily searchable. California will benefit from this site, which puts some key sets of information at every citizen’s fingertips.
Reporting Transparency in Government makes information about government contracts available along with other state government accountability information. The site has separate tabs for contracts, travel expense claims, audits, and Statements of Economic Interest – legal documents that agency heads and other important staff use to report any financial gifts they’re received, investments they hold, or other types of financial interests. Putting all of this information in clear categories on one site brings California leaps and bounds forward on transparency.

Providing information on government contracts might be the most critical transparency hole the new Web site fills. The site lists all government contracts over $5,000, reporting the agency, price, and contractor for each. The list can be sorted by department or supplier name, and searched by keyword or amount. And it can be exported into an Excel document, which means that the information can be easily sorted and analyzed, making it especially useful for taxpayers and government watchdogs.

Making it easy for Californians to access information about government’s use of money is good for the state. It bolsters trust in government, and gives residents the tools they need to evaluate the decisions being made in Sacramento. The site has been visited over a million times in the first six months since it went live. In other states, transparency Web sites have saved millions of dollars by increasing government administrative efficiency, reducing information requests, and deterring waste and abuse. California’s Web site has already saved the state money – the Governor will be reducing the state’s vehicle fleet by 15 percent after visitors to the transparency site saw that a Department of Transportation audit showed that

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California’s new Reporting Transparency in Government Web site allows visitors to search the all government contacts by keyword.²²
many of the cars were not needed. This reduction is projected to save $24.1 million.74

Transparency is always fundamental to a healthy democracy, but these benefits are especially valuable during times of budgetary crisis. Launching the new Reporting Transparency in Government Web site was the right step for the state to take at a critical moment.

Key Holes in Transparency Remain
However, there are still some critical holes in California’s online transparency efforts. The new Web site does not include information on corporate tax breaks and subsidies. Nor does it include expenditures by quasi-public and independent agencies. And some important details and accessibility tools are missing from the site.

Corporate Subsidies Should Be Reported
The most significant hole in California’s transparency Web site is its lack of information on corporate tax breaks and subsidies. California spends $4 billion a year on corporate tax breaks, and likely millions more on subsidies targeted at specific companies, yet there is only limited information on these subsidies, and no information on their effectiveness.75 Searchable, company-level information on all subsidies, and whether they achieved their intended result, should be added to the transparency Web site.

California does publish an annual Tax Expenditure Report (TER), which provides information about the cost of credits, deferments or exemptions in the California tax code that reduce the amount of revenue taken in. However, the report is limited to expenditures of $5 million or more, which leaves out information about tax subsidies targeted to individual businesses.

The TER also does not provide information on how subsidies are allocated across industries, geography, or political districts.76

More importantly, the TER provides at best half the story for comparing costs to benefits because it provides no information about the public benefits of individual subsidies, much less whether subsidies fell short of their promised results.

Finally, the reports are not presented through a searchable database on the transparency Web site. Instead, the public must know where to look to find program information, and search through PDF documents for information on individual subsidies.

For example, the state grants about $500 million a year in tax subsidies to corporations that do business in economically depressed areas.77 This subsidy is intended to bring jobs and businesses to areas that sorely need them, and encourage business to hire disadvantaged workers.78 However, there’s no information available about the numbers of jobs this program creates, where those jobs are created, and whether they actually go to disadvantaged workers.79

Similarly, California recently made changes to corporate tax law that the California Budget Project estimates will cost $2.0 billion a year by 2015, with much of the money going to a small number of corporations that already make large profits.80 These changes were put in place without also making information about the costs and expected benefits of these tax expenditures easily available to Californians. This means that average residents did not have the tools they needed to weigh the costs and benefits of these expenditures, or to compare them with proposed budget cuts.
Tax breaks can also be part of specific deals with companies, which have agreed to build in an area and create a certain number of jobs in return for tax cuts. For example, Lancaster gave a Wal-Mart project a free building and $2.3 million in money for remodeling and sales tax cuts to locate in the city.81

A number other states make much more detailed information about corporate tax breaks available to the public. Illinois’ Corporate Accountability Web site, for example, posts a report from every company that has received economic development assistance from the state each year. The report lists the number of jobs the assistance was intended to create and what was actually achieved through the report year, and requires companies to account for any discrepancies between the two. It also lists the total amount of assistance, the types of jobs added, and the average salary for each job type.82

It is crucial for the public to have information about corporate tax breaks, both in terms of their cost and their effectiveness. Californians currently know the cost of only some corporate tax breaks, and the effectiveness of none.

[Table of Illinois Corporate Accountability Progress Reports]

Illinois posts annual reports from all companies receiving development assistance from the state on its corporate accountability Web site, including the original goals and progress to date.83
California should be analyzing the effects of these sorts of tax breaks and other subsidies, and making that information available on the transparency website along with the original measurable goals of the programs. It should also include company-level information on the cost of all programs, including those targeting specific industries and companies, and include local subsidies in addition to state expenditures. And this information should be made available in a format that can be organized, such as by industry and geography, and easily searched.

Quasi-Public and Independent Agency Contracts Should Be Reported

The Reporting Transparency in Government Web site includes many government contracts, but does not include contracts from quasi-public and independent agencies. These agencies use public funds but often are shielded from public accountability. All government agencies should report contracts on the transparency Web site.

There are many government agencies that have their own streams of revenue, and therefore are outside of the scrutiny of the state budget. However, these agencies receive public funds, either through partial state assistance, such as the University of California, or through their own revenue sources. For example, the University of California relies on state funds in addition to tuition and endowment funding, and a $10 billion bond was allocated to the California High-Speed Rail Authority through a ballot initiative.84

Some quasi-public and independent agencies do publish accountability reports. The University of California publishes an annual report on its Web site that includes revenue and expenditures, and evaluates its success on criteria such as student success, undergraduate access to the university, and sustainability.85

Many agencies do not report on their expenditures and progress, however, and those that do are scattered on individual agency Web sites rather than centralized on the state transparency site with other state expenditures and accountability measures. For example, the California Prison Industry Authority is a “semiautonomous state agency” in charge of managing work assignments in prisons, which is funded through revenue from goods manufactured and services provided by California prisoners.86 Its government Web page, however, has no information on its expenditures or other accountability data.

Putting information about all government agency contracts on the same Web site would give Californians a comprehensive view of state expenditures, and ensure that all parts of the government can be held accountable. California should require all state agencies to report contracts on the Reporting Transparency in Government Web site.

Contract Purposes Should Be Reported

Government contracts are now listed on California’s Reporting Transparency in Government Web site, but the purpose of these contracts is not included, which makes the information much less useful to laypeople. California should include explanations for the contracts listed; ideally, a PDF of the actual contract would also be available online.

Without knowing the purpose of the contracts listed, it is very difficult to evaluate the government expenditures currently viewable on the transparency Web site. For example, Californians can now see a list of all of the contracts from the state’s prison system and who they...
went to but still have no idea what goods or services the state received for that money.

The best Transparency 2.0 states have Web sites that list higher levels of detail on contracts. Hawaii, for example, has a sentence explaining what each contract was for, and a link to a page with more detailed information about the contract. This page includes the award date, project start and end dates, original and final contract amount, and the phone number and email address for the government department responsible for the contract. The search page allows searches by keyword, so that a visitor to the site can, for example, easily find all the contracts associated with vehicle purchases or repairs.87

Making this level of detail on contracts easily available online allows the public to answer the questions they have about how the state is spending money. It makes it possible to track spending patterns and find inefficiencies.

California’s Web site is a good start at making this information available, but it does not yet provide the level of detail that would make it easy to evaluate the state’s expenditures. California should flesh out the contracts section of the transparency Web site. It should list the purpose of each contract, along with other helpful details about the contracts, and provide links to the PDF of each contract.

Hawaii’s contract Web site lists clear descriptions of every expense.88
Contracts Should Be Browsable
Currently, it is fairly easy to search contracts on the transparency Web site, but much more difficult to browse the information. California should improve the accessibility of the site and bring it up to the standard other states have established.

Although the contracts can be searched by any field, the site is not set up to browse. The contracts are available for browsing as unwieldy lists alphabetized by department or supplier name, rather than organized in categories.

Leading states, on the other hand, organize expenditures in common-sense categories. In Missouri, for example, residents can choose from a list of agencies, with the total expenditures listed for each. Clicking on an agency brings the viewer to a list of expenditure categories, such as “building lease payments,” “computer equipment,” and “travel” – again, with a total listed for each category. Each of these is then broken into subcategories, then finally listed by vendor.89

California is a hotbed of computer and internet innovation, and its government transparency website should reflect that. California should bring its transparency site up to the next level, and make it possible find contract information by browsing.

Missouri’s Accountability Portal makes each department’s expenditures easy to browse.90
Conclusion

Transparency 2.0 – a broad bipartisan movement for online government spending transparency – is growing. In the past few years, 29 states and the federal government have mandated that residents have access to spending transparency Web sites that are comprehensive, one-stop and one-click searchable. Many of these states report already reaping the benefits of this greater transparency, saving millions of dollars and bolstering the confidence of residents and businesses.

Especially in the midst of a budget crisis, California should be doing all it can to ensure that residents have easy access to information about how the state is spending its money. The Reporting Transparency in Government Web site is a commendable first step, but the state still has a long way to go compared with the standard established by leading states. The site is missing information on corporate tax breaks and subsidies, contracts from quasi-public and independent agencies, and the purposes of the contracts listed. The site is also not organized to be easily browsable, making information difficult to find.

California should fill in these major holes and bring the site’s accessibility up to speed. Providing a cutting-edge comprehensive transparency Web site for Californians will help restore the trust in government that has been lost during the budget crises. It will also be useful for identifying inefficiencies and checking corruption, to help avoid another financial crisis.
## Appendix:
### Transparency 2.0 States

<table>
<thead>
<tr>
<th>State</th>
<th>Authorizing Law</th>
<th>Web site Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alabama</td>
<td>Executive Order signed February 2009; SB204 Signed May 2009 codified EO</td>
<td>open.alabama.gov/</td>
</tr>
<tr>
<td>Alaska</td>
<td>Cooperation of Gov. Sarah Palin and Department of Administration</td>
<td>fin.admin.state.ak.us/dof/checkbook_online/index.jsp</td>
</tr>
<tr>
<td>Arizona</td>
<td>SB 1235, signed into law July 7, 2008</td>
<td>To be operational by January 1, 2011</td>
</tr>
<tr>
<td>California</td>
<td>Executive Order April 2009</td>
<td><a href="http://www.reportingtransparency.ca.gov/">www.reportingtransparency.ca.gov/</a></td>
</tr>
<tr>
<td>Colorado</td>
<td>Executive Order April 2, 2009</td>
<td>tops.state.co.us/</td>
</tr>
<tr>
<td>Florida</td>
<td>Chief financial officer</td>
<td>myfloridacfo.com/transparency/</td>
</tr>
<tr>
<td>Georgia</td>
<td>SB 300, signed May 12, 2008</td>
<td>open.georgia.gov/</td>
</tr>
<tr>
<td>Hawaii</td>
<td>HB 122, became law without signature May 1, 2007</td>
<td>hawaii.gov/spo2/</td>
</tr>
<tr>
<td>Illinois</td>
<td>HB 35, pending Governor’s signature</td>
<td>Must be established by January 1, 2011</td>
</tr>
<tr>
<td>Kansas</td>
<td>First authorized by FY 2008 appropriations bill</td>
<td>kansas.gov/kanview/</td>
</tr>
<tr>
<td>Kentucky</td>
<td>Executive Order 2008-508, issued June 6, 2008</td>
<td>opendoor.ky.gov</td>
</tr>
<tr>
<td>Maryland</td>
<td>HB 358, signed May 22, 2008</td>
<td>spending.dbm.maryland.gov/</td>
</tr>
<tr>
<td>Minnesota</td>
<td>HB 376, signed into law May 4, 2007</td>
<td><a href="http://www.mmb.state.mn.us/tap">www.mmb.state.mn.us/tap</a></td>
</tr>
<tr>
<td>Mississippi</td>
<td>HB 101, signed March 14, 2008</td>
<td>merlin.state.ms.us/merlin/merlin.nsf/Navigation?OpenForm&amp;Public</td>
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<tr>
<td>Missouri</td>
<td>Executive order 7-25, issued July 11, 2007</td>
<td>mapyourtaxes.mo.gov/MAP/portal/</td>
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<tr>
<td>Nebraska</td>
<td>Directive of the State Treasurer</td>
<td>nebraskaspending.com/</td>
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<tr>
<td>Nevada</td>
<td>Executive order issued March 18, 2008</td>
<td>open.nv.gov</td>
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<tr>
<td>North Carolina</td>
<td>Executive Order NO. 4, issued January 12, 2009</td>
<td>ncopenbook.gov/</td>
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<tr>
<td>North Dakota</td>
<td>HB 1377, signed into law May, 2009</td>
<td>To be operational June 30, 2011</td>
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<tr>
<td>Oklahoma</td>
<td>SB 1, signed June 5, 2007</td>
<td>ok.gov/okaa</td>
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<tr>
<td>Oregon</td>
<td>HB 2500, pending Governor’s Signature</td>
<td>Planned to be operational January 1, 2010</td>
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<tr>
<td>Rhode Island</td>
<td>Administrative Order February 2009</td>
<td>ri.gov/opengovernment/</td>
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<tr>
<td>South Carolina</td>
<td>Executive Order 2007-14, issued August 30, 2007</td>
<td>ssl.sc.gov/SpendingTransparency/BudgetTransparencyMain.aspx</td>
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<td>Texas</td>
<td>HB 3430, signed June 15, 2007</td>
<td>window.state.tx.us/comptrol/checkup/</td>
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<tr>
<td>Utah</td>
<td>SB38, signed March 14, 2008</td>
<td>utah.gov/transparency/</td>
</tr>
<tr>
<td>Virginia</td>
<td>SB 936, signed March 30, 2009</td>
<td>datapoint.apa.virginia.gov/</td>
</tr>
<tr>
<td>Washington</td>
<td>SB 6818, signed March 1, 2008</td>
<td>fiscal.wa.gov/</td>
</tr>
</tbody>
</table>
Endnotes


2 Alabama, Alaska, Arizona, California, Colorado, Florida, Georgia, Hawaii, Illinois, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New York, North Carolina, North Dakota, Oklahoma, Oregon, Rhode Island, South Carolina, Texas, Utah, Virginia and Washington. Four of these states – Arizona, Illinois, North Dakota and Oregon – do not require Web sites to be operational until 2010 or 2011. See Appendix for details.


* $73,000 from combining multiple printer toner contracts;
* $250,000 from eliminating duplicate printing in many state agencies;
* $130,000 from posting publications online rather than printing and mailing;
* $457,319 from eliminating information technology contracts;
* $100,000 from eliminating microfilm no longer needed; and
* $14,600 from disconnecting pagers.


12 Ibid. Only 4 percent say it is not very or not at all important. Only 7 percent are satisfied with the information their state government currently discloses.


14 See note 11.


19 In its first four months, the brand new site received 242,302 hits during 32,543 sessions. Joni Sager, “People Behind the Scenes: Where the Money Goes,” Statewise, Fall 2007, available at fmx.cpa.state.tx.us/fm/statewise/07/fall/money.php.


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29 Lisa McKeithan, Oklahoma Office of State Finance, personal communication, 6 August 2008.

See, e.g., Kansas HB 2730 (2007), Georgia SB 300 (2008), and Washington SB 6818 (2008).

38 See, e.g., Florida HB 181 (2008) and Florida SB 392 (2008) which would have required all government entities – defined as “a state agency, a political subdivision, a corporation created by and acting on behalf of a state agency or political subdivision, or a taxing authority created by a state agency or political subdivision” – to disclose their spending on a transparency Web site.


42 Kentucky OpenDoor, Site Policy, downloaded from opendoor.ky.gov/Pages/sitepolicy.aspx, 12 August 2009.

43 State of Missouri, Missouri Accountability Portal, downloaded from mappurtaxes.mogov/MAP, 12 August 2009.

44 Kentucky OpenDoor, Contract Search, downloaded from opendoor.ky.gov/Pages/contractsearch.aspx, 12 August 2009.


46 Ibid.


51 North Dakota regulates all “business incentives,” defined as any direct cash transfer, loan, or equity investment; contribution of property or infrastructure; reduction or deferral of any tax or any fee; guarantee of any payment under any loan, lease, or other obligation; or preferential use of government facilities given to a business. ND Century Code 54-60.1. For an analysis of state subsidy disclosure Web sites, see Good Jobs First, The State of State Disclosure, 21 November 2007, available at www.goodjobsfirst.org/news/article.cfm?id=361.


54 See note 53.


57 ND Century Code 54-60.1.

58 See note 26.

59 See note 53.

60 Tax expenditure budgets, such as Massachusetts, are often unable to provide this policy-making support. John L. Mikesell, “Tax Expenditure Budgets, Budget Policy, and Tax Policy: Confusion in the States’ Public Budgeting and Finance, Winter 2002.

61 For example, Georgia’s Secretary of State posts her own budget and ethics statements on financial disclosure: Georgia Secretary of State, Transparency in Government Initiative, downloaded from www.sos.georgia.gov/tig, 21 September 2009.


63 Ellen Bickelman, Massachusetts State Purchasing Agent, Operation Services Division, personal communication, 7 August 2008.


68 See note 44.


70 State of California, Office of the Chief Information Officer, personal communication, 26 August 2009.


72 See note 69.

73 See note 71.


76 Ibid.

77 Ibid.

78 David Carroll and Jean Ross, California Budget Project, California’s Enterprise Zones Miss the Mark, April 2006.

79 Ibid.

80 California Budget Project, Budget Brief: To Have and Have Not, June 2009.


83 Ibid.

84 California High-Speed Rail Authority, Financing California’s High-Speed Train System, downloaded from www.cahighspeedrail.ca.gov/news/FUNDING_1r.pdf, 11 August 2009.


88 Ibid.

89 See note 64.

90 Ibid.