

Transparency.gov 2.0

**Using The Internet For Budget
Transparency To Increase
Accountability, Efficiency And
Taxpayer Confidence**

Arizona PIRG Education
Fund

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Using The Internet For Budget Transparency To Increase Accountability, Efficiency And Taxpayer Confidence

Arizona PIRG Education Fund

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About the Arizona PIRG Education Fund:

With public debate around important issues often dominated by special interests pursuing their own narrow agendas, the Arizona PIRG Education Fund offers an independent voice that works on behalf of the public interest. The Arizona PIRG Education Fund, a 501(c)(3) organization, works to protect consumers and promote good government. We investigate problems, craft solutions, educate the public, and offer Arizonans meaningful opportunities for civic participation.

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Executive Summary

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.

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. More than 20 states currently mandate that citizens 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. Many of these web portals are already up and running.

Arizona has made the commitment to such transparency, though the online budget portal is not required to become operational until January 2011. The law to create this transparency system was passed by strong supermajorities in

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

Transparency 1.0	Transparency 2.0
Incomplete: Citizens have access to only limited information about public expenditures. Information about contracts, subsidies, or tax expenditures is not disclosed online and often not collected at all.	Comprehensive: User-friendly web portal provides citizens the ability to search detailed information about government contracts, spending, subsidies, and tax expenditures.
Scattered: Determined citizens who visit numerous agency websites or make public record requests may be able to gather information on government expenditures, including contracts, subsidies, and special tax breaks.	One-Stop: Citizens can search all government expenditures on a single website.
Tool for Informed Insiders: 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.	One-Click Searchable: Citizens can search data with a single query or browse common-sense categories. Citizens can sort data on government spending by recipient, amount, legislative district, granting agency, purpose, or keyword.

At least 19 states currently mandate that citizens 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.

both houses of the legislature and received the signature of the Governor. Given the problems Arizona has with its budget, it is important that the state move swiftly to implement this law as quickly as possible and that it include the strongest best practices.

The Arizona PIRG Education Fund reviewed how current Arizona policy compares to best practices among Transparency 2.0 states that have upgraded their budget transparency systems. This report makes the case that Arizona must seize the opportunity to become a leader of the nationwide movement of state governments enhancing budget transparency in order to increase efficiency, accountability, and public trust. The report documents the accelerating trend toward budget Transparency 2.0 and examines the benefits of improved transparency, highlighting best practices and offering suggestions for how Arizona can become a leader and do so before 2011.

The movement toward government budget Transparency 2.0 is broad, bipartisan, and popular

► *A nationwide wave* – In just the past few years, legislation and administrative rules in over 25 states have given citizens access to a searchable online database of government

expenditures. State initiatives also mirror a new federal program.

► *Bipartisan efforts* – Transparency legislation has been championed by legislatures both Republican and Democratic, with federal legislation to strengthen web-based budget transparency recently cosponsored by U.S. Senator McCain (R-AZ) and then U.S. Senator Obama (D-IL).

► *Large public support* – Three-quarters of voters (76 percent) believe that “creating a national website 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 effectiveness of the Federal stimulus package, including 39 percent who believe its impact would be extremely important. Support for *state* transparency websites 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 websites to track funds was “important,” including 34 percent who said it was “very important.”

Transparency 2.0 saves money and bolsters citizen confidence

► *Increased civic engagement* – Citizens are eager to use transparency websites. Houston officials report improved public confidence after the launch of their transparency website. The Missouri Accountability Portal received more than six million hits less than a year after its launch.

► *Low cost* – Budget transparency websites can be inexpensive to create and maintain.

The federal transparency website, which allows citizens to search over \$2 trillion in federal yearly spending, cost less than \$1 million to create. Missouri's website, which allows its citizens to search over \$20 billion in state annual spending and is updated daily, was created with already-existing staff and appropriations.

- *Big savings* – Transparency websites can save millions through more efficient government operations, as well as fewer information requests, more competitive contracting bids, and lower risk of fraud. In Texas, the Comptroller reports \$2.3 million in saving from more efficient government administration following the launch of their transparency website. Utah estimates millions in savings from reduced information requests. The largest savings may come from the deterrence of waste or abuse of public funds that we never hear about because public officials and 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 in particular have both been able to recapture money from numerous projects that failed to deliver promised results.
- *Better coordination of government contracts* – There are at least 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 efforts where most resources are spent.

Best practices have been developed by Transparency 2.0 States

- *Comprehensive* – Leading states provide more comprehensive information on a broader range of expenditures, including contracts and subsidies with private parties.
 - *Minimal thresholds or delays* – Disclose all expenditures big and small, direct and indirect, with information updated frequently.
 - *Local jurisdictions and authorities* – Disclose spending by all government agencies and entities, including independent authorities and, increasingly, localities.
 - *Contracts* – Disclose detailed information for each government contract, tracking the purpose and performance as well as spending on subcontractors.
 - *Subsidies* – Disclose detailed information, including the purpose and outcome of each subsidy. Compile a unified economic development budget to coordinate information about disparate programs. Link disclosure to automatic mechanisms to recapture subsidies if recipients don't deliver on their promises.
- *One-Stop* – Leading states offer one central website where citizens can search all government expenditures. In many Transparency 1.0 states, a patchwork of disclosure laws provides information about government expenditures – if citizens already know where

to look. But citizens must access numerous websites, go to several agency offices, read through dense reports, make formal information requests, and figure out complex bureaucratic structures to ascertain what is and isn't included. Transparency 2.0 states, by contrast, disclose all information about government expenditures on a single website, including comprehensive information about government contracts and subsidies.

- *One-Click Searchable* – Commercial Internet vendors know that a few extra clicks make it far less likely that users will get to their destination. Leading states allow citizens both to browse broad, common-sense categories of government spending and to make directed keyword and field searches.

Arizona can be a leader of the Transparency 2.0 movement

Good first steps, but follow through is vital

- *Contracts* – The Arizona Department of Administration (ADOA) website allows citizens to examine some statewide contracts. However, only some contracts are included and data is often incomplete. The website is configured for state contractors; not to provide public oversight or accountability for expenditures.
- *Tax expenditures* – The Department of Revenue's website hosts an annual (non-searchable) Tax Expenditure Report (TER) about the amount of revenue forgone by the state as a result of different programs that grant tax exemptions, tax credits, or other tax preferences. Arizona is among 28 states whose government makes the report available to the public online. However, the reports do not

identify company-specific tax credits, exemptions or preference. Reports do not contain any evaluation of the effectiveness of special tax incentive programs; and information is not in a searchable database, making it difficult for taxpayers to easily find the information they want or spot trends over time.

- *Good lobbying and campaign contribution transparency needs to be linked* – The Arizona Secretary of State's (AZSOS) website offers good transparency on campaign contributions and expenditures and lobbyists. Integrating this information for entities that are awarded state contracts will be a useful check to ensure contracts are not provided as rewards or political favors.
- *Information is scattered* – Arizona government spending information is currently disclosed through a patchwork of websites and reports. Integrating existing government expenditure information on a single central website will go a long way toward providing Arizona residents with one-stop transparency.

New federal reporting requirements make this an opportune time to upgrade to Transparency 2.0

The federal stimulus package includes language that requires all recipients (including states) of recovery funds from a federal agency to report quarterly detailed information about how the funds are spent, consistent with the reporting standards of the Federal Funding Accountability and Transparency Act of 2006 (FFATA).

Since Arizona already has to comply with the (stricter) federal transparency standards for federal recovery funds, it should broaden those standards for all state and local spending.

Introduction

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 citizens 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.”¹

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.

Along with other State governments across the country, Arizona is working to change that. A growing number of states are using powerful Internet search technology to make budget transparency more accessible than ever before.

“We might hope to see the finances of the Union as clear and intelligible as a merchant’s books, so that every member of Congress and every man of any mind in the Union should be able to comprehend them, to investigate abuses, and consequently to control them.”

–Thomas Jefferson, 1802

Legislation and executive orders around the country are lifting the electronic veil on where tax dollars go. At least 25 states, including Arizona, mandate that citizens shall be able to access a searchable online database of government expenditures.² 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 show that these websites are effective, low-cost tools that bolster citizen confidence, reduce contracting costs, and improve public oversight.

Experience from the leading Transparency 2.0 states show that these websites 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 citizens to Missouri’s Accountability Portal website and in the increased number of businesses bidding for government contracts on Houston’s transparency website.³ Meanwhile, Texas’s Comptroller reports her agency saved \$2.3 million by using its transparency website to make its administration more efficient.

Arizona law requires the public have access to a transparency database by January 2011. Currently, Arizona releases an annual report on how much forgone revenue is lost each year by different tax incentive programs. Additionally, the Arizona Department of Administration (ADOA) is in the process of replacing its current semi-comprehensive, on-line procurement database of state contracts

called SPIRIT with an updated, more state-wide comprehensive system called ProcureAZ. However, Arizona has yet to release the plan, and it is not yet clear whether the state will embrace the best practices of the leading Transparency 2.0 states.

The stakes are high. Arizona faces recurring billion-dollar budget shortfalls and a host of challenges that require major public investment. Controversies related to government contracts and subsidies for large corporations and development projects have sullied the public’s trust. Many Arizonans are finding it too difficult to trace the connection between government expenditures and the critical projects they fund. Budget transparency through the Internet can be a significant part of the solution.

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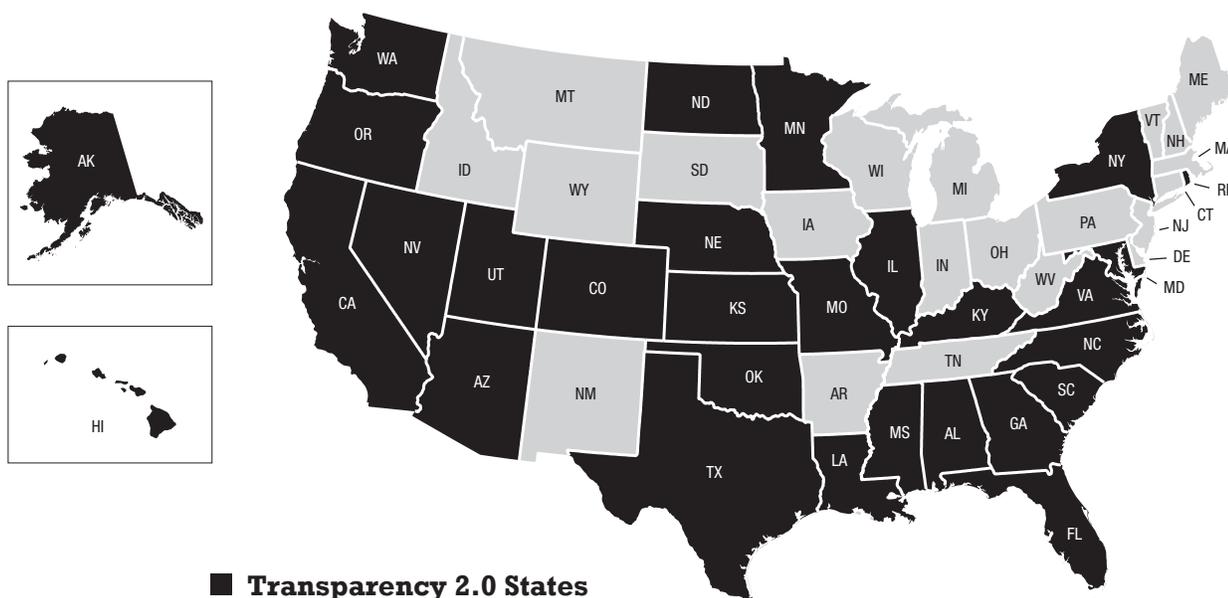
A Growing Movement:

State Governments Embracing Web-Based Budget Transparency

Thanks to recent state efforts, government spending is now more transparent than ever before. In the past couple of years, a nationwide wave of legislation and executive orders has brought Web-based budget transparency to citizens across the country (See Appendix A). These “Transparency 2.0” states provide citizens with access to a comprehensive, centralized, easily-searchable online database of state government expenditures.⁴ Arizona’s searchable website is required to be up and running by January 2011, though it is not yet clear how complete its budget information will be.

These state efforts add momentum to the growing Transparency 2.0 movement, which now holds a broad-reaching, truly global strength. Already, citizens can monitor federal spending through a new government website created by the Federal Funding Accountability and Transparency Act of 2006.⁵ At the same time, a growing number of local and foreign governments have created transparency portals for their citizens.⁶ 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.

Transparency 2.0 States



Taxpayers Are Eager For Transparency 2.0

By The Numbers:

90%

Percent of Americans believe they are entitled to transparent information on how the government manages its finances.

5%

Percent of Americans believe their state government provides understandable financial information.

30%

Percent of Americans have themselves tried to search the Web for information about the financial management of their state government.

Source: "Public Attitudes Toward Government Accountability and Transparency 2008" Harris Interactive, February 2008, available at <http://www.agacgfm.org/harrispoll2008.aspx>

A recent poll regarding Americans' attitudes towards the stimulus package found that three-quarters of voters (seventy-six percent) believe that "creating a national website 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, including thirty-nine percent who believe its impact would be extremely important. Support for *state* transparency websites to monitor recovery funds received almost equally high marks, again from Republicans, Independents and Democrats: Fully seventy-five percent of American voters said creating state level websites to track funds was "important," and thirty-four percent of those said it was "very important."¹⁰

This is not some abstract desire. Nearly a third of people polled have tried to search the Web for information about how their state government generates and spends taxpayer dollars – searches that usually end in frustration.¹¹

Transparency 2.0 initiatives enjoy broad, bipartisan support

A Harris Interactive poll of online Americans found that an overwhelming majority – ninety percent – of Americans believe that they are entitled to transparent financial management information from government.⁷ Improved reporting is the most commonly cited way respondents say government can demonstrate greater accountability, especially through open disclosure and clear reporting.⁸ Fully seventy-three percent of Americans say that it is personally very or extremely important to have financial management information about their state government available to them.⁹

The bipartisan public support for these websites is reflected in the diverse political sponsorship of Transparency 2.0 initiatives. Elected officials across the political spectrum have championed Web-based budget transparency in their states. Before the presidential race, opponents John McCain and Barack Obama co-sponsored the Strengthening Transparency and Accountability in Federal Spending Act of 2008.¹² 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 budgets¹³

Transparency 2.0 is an effective, low-cost tool

Citizens and business use these web portals: Budget transparency websites have proven themselves to be exceptional tools of civic engagement. Less than a year after its launch, the Missouri budget transparency website received more than six million hits.¹⁴ The Texas spending website reported similar engagement¹⁵ Residents are eager to use transparency websites to learn more about public expenditures.¹⁶

Saves money: In addition to improved public confidence, Transparency 2.0 states realize significant financial returns on their investments. 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 website to save \$2.3 million from a variety of efficiencies and cost savings.¹⁷

Estimates suggest that transparency websites save millions more by reducing the number of information requests from citizens and watchdog groups and by increasing the number of bids for public projects.¹⁸ A lack of prevention and early exposure of 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.¹⁹

Online transparency offers increased support of a range of indirect public policy goals, including affirmative action and community investment –

Community investment and affirmative action goals often stumble 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 website, for example, allows tracking of which recipients of government contracts are women and minority-owned businesses.²⁰

By providing a single one-stop face of 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 that requires subsidy recipients to describe their plans to stimulate hiring from the host community, train employees or potential employees and to reach out to minority job applicants and minority businesses.²¹

Online transparency costs little: The benefits of transparency websites have come with a surprisingly low price tag. The federal transparency website – which allows citizens to search federal spending totaling over \$2 trillion a year – cost less than \$1 million to create. Missouri’s website – which is updated daily and allows its citizens to search state spending totaling over \$20 billion a year – was mandated by executive order and was created entirely with existing staff and revenues.²² Nebraska has spent \$38,000 for the first two phases of its website.²³ Oklahoma’s Office of State Finance created its transparency website with \$40,000 from its existing budget.²⁴

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 websites 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 search 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.²⁵ 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. Hawaii, for instance, requires that its transparency website disclose: the name of the entity receiving the award, the amount of the award, the transaction type, the funding agency, and the location of the receiving entity and the primary location of performance.²⁶ 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 Hawaii require that the purpose of each expenditure be listed on the website.²⁷ And Washington State requires the disclosure of agency performance measures and audits.²⁸ Proposed legislation would also require disclosure of both the expected performance and past performance outcomes for each contract.²⁹ Establishing goals and benchmarks enables

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.³⁰
- Leading states disclose spending by **all government agencies**. Many Transparency 2.0 states also require independent authorities and institutes of higher education to disclose their spending.³¹ Lawmakers in several states have also proposed legislation mandating local spending transparency.³² Extending transparency to the county and municipal level makes sense given that the volume of spending by local governments equals that of state governments.³³ Several counties have independently created their own online transparency portals.³⁴
- Leading states disclose **all spending, without a minimum threshold**. Kansas³⁵ and Missouri³⁶ both disclose spending to 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 website.
- Leading states disclose **timely information**. Missouri has set the standard for dis-

closure timeliness, updating its website's information daily.³⁷ Kentucky has promised to also update its information daily.

- Leading states disclose **all bids** for each contract. Disclosing all bids – rather than just the winning bid – for each contract allows citizens 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 website.
- Leading states disclose contract data that **tracks performance of public policy goals**. 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. For example, government agencies benefit from more readily identifying minority-owned contractors. The Massachusetts' procurement website for statewide contracts labels minority and women-owned vendors with a special icon to allow citizens and agencies to quickly track this information.³⁸
- **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 websites;³⁹ leading Transparency 2.0 states, like Missouri, link those procurement databases to the budget transparency portal.⁴⁰

Tracking the bottom line: Tax subsidies are government expenditures

One way governments allocate resources is through “tax expenditures.” Special tax breaks have the same effect on budgets as direct spending because governments must cut other public programs or raise other taxes to avoid a deficit. In order to increase transparency, Congress’ 1974 Budget Act established the practice of measuring proxy spending programs conducted through the tax code. Congress defined tax expenditure as:

“Revenue losses attributable to provisions of Federal income tax laws which allow a special exclusion, exemption, or deduction from gross income or which provide a special credit, a preferential rate of tax, or a deferral of tax liability.”

States similarly provide tax expenditures through new rules for special revenue reductions on state taxes. These include special breaks on sales taxes, property taxes, real estate transfer taxes, corporate income taxes, or payroll taxes.

► **Subsidies:** State and local governments allocate billions of dollars in subsidies each year, yet most governments still don’t disclose information about these expenditures.⁴¹ Unmeasured, the performance of these subsidies remain 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* 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.⁴²

Unfortunately, public incentives and subsidies to particular businesses too often get approved under the mantle of secrecy. Accompanying \$260 million in public subsidies in Lenoir, North Carolina, negotiations for a new Google facility required over 70 local officials to sign non-disclosure agreements saying they would not talk about the project.⁴³ Such arrangements short-circuit the democratic process because the public, including local and state officials, remain uninformed and cannot hold the responsible representatives accountable.

Arizona’s grant programs are an example of remaining areas in which large amounts of public money are currently being used with minimal levels of public transparency. One such example is Arizona’s rural tourism project hosted by the Arizona Office of Tourism (AOT). While the website offers comprehensive information detailing the grant programs, such as the Rural Tourism Development Grant Program (RTDGP), there is

no searchable database available that would allow the public to see who is receiving the grant allocations. In order to ensure the grants are being effectively and lawfully carried out, there must be far greater public transparency.

The state of Arizona likewise offers a wide array of special tax expenditures, some of which may be of dubious merit. For instance, a special tax exemption for owners of small airplanes costs the state treasury almost \$1.8 million, according to most recent 2006 data.⁴⁴ A special exclusion on taxes for the mining industry cost the state of Arizona \$43.7 million⁴⁵ and special exemptions and preferences worth \$8.4 million went to encourage horse racing tracks in fiscal year 2007/8.⁴⁶ Arizona also offers tax credits for the production of motion pictures in Arizona;⁴⁷ and defense contractors receive credits for employment and property taxes paid.⁴⁸

In many cases, tax credits given by the state will not be used to offset taxes by the companies receiving them and will instead be sold to other companies. A 2009 report by the state of Massachusetts found, for instance, that 90 percent of tax credits for the film industry were sold to other companies.⁴⁹

Arizona has seen its own share of controversy from special tax subsidies. In 2007, the City of Phoenix agreed to give developers \$97.4 million in sales tax revenues generated from a new 144-acre facility that developers sought to build.⁵⁰ The move was later ruled unlawful for supporting some businesses while not supporting others. Six small businesses filed suit because they were not able to obtain similar gifts from the City of Phoenix. According to one small-scale poll released by Americans for Prosperity in

Arizona, eighty-one percent of those polled in Phoenix agreed that this CityNorth deal was an illegal use of taxpayer dollars, as opposed to nine percent who supported it.⁵¹

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.⁵² Transparency for subsidies in leading states has a number of characteristics:

- **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 companies are merely relocating within the state to obtain 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; and why the recipient may not have completed a project outlined in a prior subsidy agreement at their previous location.⁵³ Likewise Minnesota

mandates disclosure of the name and address of the recipient's parent corporation, if any, and a list of all financial assistance from all grantors of the project. This information makes it clear which companies are already receiving other public subsidies through their affiliates or through other agencies.

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

- **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.⁵⁴ 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.⁵⁵ Likewise Illinois discloses performance and accountability information in searchable format and annual progress reports online.⁵⁶

- **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 Arizona is among those states with provisions for some subsidies, along with Colorado, Connecticut, Georgia, Iowa, Maine, Maryland, Michigan, Nebraska, Nevada, North Carolina, North Dakota, Ohio, Oklahoma, South Carolina, Vermont, Virginia, and West Virginia.⁵⁷ Arizona's laws on economic development subsidies were amended in April 2009, specifying that:

“A business or project that receives assistance shall enter into a memorandum of understanding with this state through the commission. The memorandum shall contain performance standards the business or project is expected to meet within the first five years after assistance is received. The business or project shall submit a report no less than annually of its performance in achieving the standards to the commission. The memorandum shall contain provisions that allow the state, through the commission, to stop, readjust or recapture all or part of the assistance given to the company either in full or in part on noncompliance with the terms of the memorandum.”

This statute, which has yet to be implemented, potentially represents a significant step toward budget accountabil-

ity, especially if this information is to be linked through the state's new budget transparency site. However, the statute does not apply to subsidies for defense contractors, environmental technology assistance, or tax incentives given in Military Reuse Zones. And the statute potentially allows avoidance of public disclosure if a company claims that doing so would hurt their competitive advantage or divulge trade secrets. Unless interpreted very tightly, these provisions could become giant loopholes forestalling public transparency and accountability for public spending on subsidies.

- **Subsidies from a broad range of public sources** are disclosed. These should include local governments as well as independent authorities like the Greater Arizona Development Authority. The law in Arizona for development assistance subsidies, for instance, defines a broad range of activities: "Assistance" means loans, grants, loan guarantees or interest rate subsidies. Assistance also means anything of value or any service for a business arranged for or provided for by referral of the commission including job training, tax incentives, improvements or other services."⁵⁸ North Dakota includes in its regulations subsidies from the state or any political subdivision.⁵⁹
- **Information is disclosed before subsidies are granted.** Subsidy disclosure is most effective when citizens 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.⁶⁰ Minnesota goes further and requires notice and a hearing for large subsidy grants.⁶¹

- **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 can not target where subsidies will be most effective because they have no way to know how or where other subsidies from other programs get allocated.⁶² Most recently, Rhode Island and New Jersey mandated the disclosure of its unified economic development budget online.

One-Stop

Transparency websites in leading states offer a single central website where citizens can search all government expenditures. In many Transparency 1.0 states, particular public officials volunteer to disclose information about their finances⁶³, or a patchwork of disclosure laws gives citizens the right to obtain much information about government expenditures. But in order to exercise that right, citizens have to access numerous websites, know how to inquire at several agency offices, read through dense reports, and perhaps make formal information requests.⁶⁴ Transparency 2.0 states, by contrast, disclose all information about government expenditures on a single website. With one stop, citizens including local and state officials in these states can access comprehensive information on direct spending, contracts, tax preferences, and other subsidies.

Transparency websites in leading states offer a single central website where citizens can search all government expenditures.

One-stop transparency can 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 duplication of procurement efforts; and purchasing agents can more easily enforce Most Favored Pricing and similar contract terms.⁶⁵

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.⁶⁶ Whether or not these amounts are 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,⁶⁷ Illinois,⁶⁸ Iowa⁶⁹, New Jersey,⁷⁰ and Rhode Island.⁷¹ 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.⁷²

One-Click Searchable

Transparent information is only as useful as it is readily accessible, which means easily searchable. Transparency websites in the leading states offer a range of search and sort functions that allow citizens to navigate complex expenditure data with a single click of the mouse. In Transparency 1.0 states, citizens 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 citizens 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 citizens to browse expenditures

by broad common-sense categories and to make directed keyword and field searches. At the federal budget transparency portal, for instance, citizens can browse spending by agency, contractor, legislative district, competition type, or product provided – and advanced search options allow citizens to make directed searches of each broad category.⁷³ Missouri’s

website allows citizens to browse spending by agency or purpose and to browse tax credits by legislative district or purpose – and citizens can make directed searches for specific vendors, contracts, or tax credit recipients.⁷⁴ As it enhances its website in the next year, Oklahoma similarly plans to enhance searchability by including more subcategories.⁷⁵

Transparency 2.0 Best Practices

✓ COMPREHENSIVE

Contracts, Grants, Subcontracts, And Discretionary Spending

- ▶ Purpose of each contract
- ▶ Location of businesses receiving contracts
- ▶ Subcontractor spending
- ▶ All government entities, including localities and independent agencies
- ▶ No minimum threshold for reporting
- ▶ Information updated regularly

Subsidies

- ▶ Detailed information on number and quality of jobs created
- ▶ Information on whether companies have relocated, and from where
- ▶ Purpose and performance of each subsidy
- ▶ Disclosure of performance connected to programs to recapture subsidies when promises not kept
- ▶ Includes all forms of subsidies including direct payment, tax benefits, and infrastructure assistance
- ▶ No minimum threshold for reporting
- ▶ Information disclosed before approvals are finalized
- ▶ Synthesized in a unified economic development budget

✓ ONE-STOP

Single website discloses comprehensive information on expenditures, including contracts, tax credits, and other subsidies.

✓ ONE-CLICK SEARCHABLE

Users can browse by broad, common-sense categories and make directed keyword and field searches

Arizona:

Soon To Be A Transparency 2.0 State?

During the second regular session of Arizona's 48th legislature, then Senator Tom O'Halleran and State Representatives Lucy Mason and Andrew M. Tobin sponsored the State Expenditures; Searchable Database; Transparency bill (SB1235). This bill passed in both the Senate (21-0-9) and the House (51-1-8) with more than a two-thirds vote. It was signed into law by former Governor Napolitano on July 7th, 2008.

in using the Internet for online budget transparency. And indeed, pockets of Transparency 2.0 are sprinkled throughout Arizona Government:

- ▶ The Treasurer maintains a website that lists the amount of state allotments and revenues that went to or from different public bodies.
- ▶ SPIRIT, the automated eProcurement System hosted by the ADOA, provides online information about a limited number of current government contracts since 2004.⁷⁷
- ▶ An annual Tax Expenditure Report (TER) hosted by the Arizona Department of Revenue's website lists how much tax revenue is forgone by different programs that create tax deductions, exclusions, exemptions, and credits each year, but lacks information about which companies received these expenditures, what results were supposed to be delivered, or what results were actually produced.⁷⁸
- ▶ The Arizona Secretary of State's website tracks campaign contributions through a searchable database open to the public, but which is not integrated with the SPIRIT database on contractors
- ▶ An Economic Recovery program website to track spending on federal stimulus funds.

Based on the experience of other states and our own steps to date, Arizonan can become a leader of the Transparency 2.0 movement with great benefit and relatively little expense.

The new law calls for the Arizona Department of Administration (ADOA) to create and maintain a governmental website accessible to the public at no charge that includes complete database of all state budget contracts by January 1, 2011. The law, moreover, calls for the ADOA to issue a progress report by September 1, 2009, detailing the progress toward creation of this transparency system.⁷⁶

Given Arizona's reputation as an innovator of ways to increase public participation in government, one might expect the state to be a leader

These programs are good first steps, but lack basic features and important state-of-the-art elements to provide accountability for tax dollars. Moreover, all of the programs are scattered throughout different agencies, making it difficult for an average member of the public to easily find or compare information.

On top of these deficiencies, a national report ranking states on the level of open access to official records found that Arizona garnered a failing grade of “F.” According to the report, which was jointly produced by the Better Government Association and the National Freedom of Information Coalition, failing grades were given to 38 of the 50 states largely due to a lack of penalties that would ensure officials actually comply with Public Record laws and due to an absent guarantee of a timely response to citizen information requests.⁷⁹

Based on the experience of other states and our own steps to date, Arizona can become a leader of the Transparency 2.0 movement with great benefit and relatively little expense. A one-stop portal on government expenditures is an essential way to promote more efficiency, accountability, and greater faith in government use of tax dollars.

Moreover, since a framework already exists for many of these functions, it should be inexpensive to improve Arizona’s transparency relative to building it from scratch.

Treasurer’s distributions website: Transparency 1.0

The Treasurer’s online website of state distributions details payments to or from other public entities and the state of Arizona. It includes cities, towns, counties, federal pass-along monies,

as well as boards of education or public universities. Like typical Transparency 1.0 systems, however, it reports nothing about which contractors ultimately receive public funds, for what purpose, or under what terms.⁸⁰ It reports payments and revenues for which there is statutory authority, and which therefore have already received some scrutiny from the legislature. It does not report on contracts, special tax deals, or other subsidies, which public officials typically decide with less public or legislative scrutiny.

SPIRIT: A first step toward tracking public contracts

SPIRIT, the searchable online database hosted by the Arizona Department of Administration (ADOA) is a good first step in disclosing comprehensive information on state contracts. On the positive side, open solicitations and contracts can be listed. Suppliers can also post their services on the site and receive notifications when a request for bidding is issued. The site functions as it is designed, much like EBay or Craigslist, to facilitate contracting between buyers and sellers.

The site is not designed, nor does it function well, as a tool for public scrutiny and accountability. The contracts that are included on the website are only those from individual requests and participating members of the Cooperative Purchasing Program, which includes over 400 cities, counties, universities and school districts and non-profit organizations. This is a very partial listing. One could imagine that fraudulent contractors would opt not to list on this site. Doing so is not mandated for all state departments, much less other government entities. Comparisons with past contracts are also not possible because the site only lists current contracts.

As a part of Arizona's developing Transparency 2.0 status, the State Procurement Office (SPO) has launched the Arizona eProcurement Project, which focuses on the two-phase implementation of the updated eProcurement system, ProcureAZ. The first phase, which is expected to be completed by September 1, 2009, will include vendor registration, integrating vendor data with the state financial system, and the management of statewide contracts. Phase two will include the implementation of full purchasing functionality for the entire state and full integration of the state financial system, but the timeline and methods are not specified. There is a significant void in the amount of information made available online regarding ProcureAZ. While the goals are defined, the methods remain limited in information.

According to the July 2009 update of the eProcurement Project released by SPO, users of ProcureAZ system will include:

- Vendors who want to monitor and respond to State solicitations
- Vendors with active State contracts
- State users, local (coop) users, and the public wishing to browse active contracts and solicitations
- Local government (co-op) users who order off State contracts
- Local government (co-op) officials authorized to set-up new users
- State agency users who order off State contracts
- State agency buyers who currently manage solicitations in SPIRIT

Upgrading information on public contracts:

- Make disclosure mandatory for all state and local government agencies
- Make contracts searchable by agency, functional categories and the location of contractors
- Include the procedure for soliciting a contract
- Disclose actual (not prior estimated) contract costs
- Disclose information on the performance of contracts to show whether companies delivered on promises
- Disclose subcontractor spending on contracts
- Disclose any amendments made to a contract
- Identify which contracts are emerging businesses or women/minority-owned
- Archive past contracts

The more complete online expenditure data that will come with the implementation of ProcureAZ could be integrated as part of an upcoming planned overhaul of Arizona's accounting system. The Arizona Financial Information System (AFIS), according to ADOA, is currently out of date, lacks flexibility, and will have to be replaced. The ADOA requested \$100 million, which would be given over a five year period, in order to replace the aged financial system. However, the funding has not been approved.

Although the ADOA has stated the possibility of a temporary solution, the department has not released an estimate for this partial solution. It is known, however, that the upgrade, which would lead to future savings, would cost less than \$100 million.

In order to upgrade the transparency of the state's public contracting, full disclosure of information should be mandatory for all state agencies, local governments, and independent agencies. Contractors should be required to disclose information about significant subcontracting in completing these contracts. Actual spending amounts should be disclosed rather than only the estimated amounts at the outset of contracts.

Additionally, past contracts should be archived and searchable so that viewers can identify trends over time. Viewers should be able to see a bird's-eye view of the number of contracts issued by agency, and the details of those contracts. Contracts should be searchable by geography and district, as well as through a menu of different kinds of functional spending categories (such as consulting services, stationary, road construction, maintenance, etc.). Such a system will enormously enhance public managers' ability to reduce contracting costs while also strengthening the public's ability to hold leaders accountable for spending decisions.

Arizona's Tax Expenditure Report: In need of an upgrade

Arizona is among 35 states that make an annual Tax Expenditure Report (TER) publicly available – of which 28 states including Arizona's are made available online. While Arizona's TER (published by the Department of Revenue) is a step in the right direction, that acknowledges

the importance of tax expenditures and disclosure thereof; its shortcomings leave the tool of limited use for public transparency.

Arizona's TER provides information about the cost of credits, deferments or exemptions in the Arizona tax code that reduce the amount of revenue taken in. However, the report does not include all forms of subsidies through all mechanisms. Nor does it provide information about subsidies targeted to individual businesses or how subsidies are allocated across industry, geography, or political district. 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. Instead, the public must dig through dense reports to find program information.

Upgrading the TER into a searchable database that includes all subsidy programs, company-specific information, and information about the relative economic impact of each subsidy will give the public greater tools to evaluate the relative value of these subsidies compared to other public needs.

Arizona's Economic Recovery website

The federal stimulus package includes language that requires all recipients (including states) of recovery funds (grants, loans, and contracts) from a federal agency to report quarterly the following:

- ▶ Total amount of recovery funds received from the agency.

- Amount of funds expended or obligated to projects.
- A detailed list of all projects for which recovery funds were expended, including: name and description of the project, evaluation of the completion status of the project, analysis of the number of jobs created or retained by the project, and detailed information on any subcontracts or subgrants, including data elements required by Federal Funding Accountability and Transparency Act of 2006 (FFATA) – that is, elements that are required to be reported on USASpending.gov.⁸¹

Like all fifty states, Arizona did create a stimulus website.⁸² It will provide information about spending for Arizona’s \$4.4 billion share of the \$787 billion stimulus package. The state sites are supposed to provide the opportunity to track information on government contracts and subcontracts. However, Arizona’s site currently lacks information on who receives these contracts or subcontracts. A recent report found that Arizona’s stimulus website is tied for 34th place among 50 states for providing transparent and accessible information.⁸³

Campaign Contribution Transparency in Arizona

Campaign contributions are among Arizona’s existing pockets of transparency. The Arizona Secretary of State’s (SOS) website, www.az-sos.gov, hosts a public searchable database of campaign expenditures and contributions. Although locating the searchable database is not easy, the SOS website does allow users to search contributions by type of contributor (**individuals, committees or businesses**) and the year (**records between 1998 to 2010**) and name. Upgrading the website, by providing broad,

Upgrading the Tax Expenditure Report

- **Convert into a searchable database**
- **Organize the database so that expenditures may be tracked by agency, funding source and budget program**
- **Include expenditures from previous years** so the public can search for spending trends
- **Disclose all forms of subsidies from both state and local governments, including** subsidies to individual companies or companies within a particular industry or geographic area, direct payment, tax benefits, loans, and infrastructure assistance.
- **Track purpose and performance of each subsidy** to determine whether promises were fulfilled.
- **Disclose actions taken to recapture subsidies** from companies that fail to deliver on promises.
- **Disclose information publicly before subsidy agreements are finalized** to illicit public input.

common-sense categories, would allow users to make more direct keyword and field searches. It would also be of value to allow users to see a bird’s eye view of patterns.

SOS also hosts a Campaign and Contributions Publication that details how political committees report campaign contributions to AZSOS. Furthermore, on the SOS website, there is a

link to the Citizens Clean Election Commission (CCEC) whose mission it is to carry out the requirements of the Citizens Clean Election Act. Passed in 1998, the Act provides candidates an alternative to special interest groups.

An example of an area in which the ADOA website lacks user-friendliness is the SuperPac Committees List under the Special Notifications for Contributions section of the website. With membership numbers that exceed 500, SuperPac Committees are allowed to make larger campaign contributions. Although 20 committees are listed on the ADOA SuperPac list, the explanation of what SuperPac committees are remains absent. The role of special interest groups in elections is an especially important area in which transparency needs is present.

The SOS previously offered Campaign Finance Software free of charge, which tracked all transactions made by committees; however it is no longer being used to report state campaign finance to the SOS. Instead it is only being used for local jurisdictions. Providing committees with user-friendly methods to track their expenses enhances the accuracy of finance reporting. Integrating information about contributions with lists of public contracts would

ensure that citizens and watchdog groups can easily connect private money going to public officials with taxpayer contracts that might be unfairly going to contributors.

The Need for a One-Stop Shop

Upgrading SPIRIT and the TER's content and functionality on contracts in the ways outlined above would move Arizona significantly forward in becoming a true Transparency 2.0 leader.

In addition, Arizona should consolidate the elements of ADOA, the TER, AFIS and AZSOS into a one-stop shop for citizens. Linking AZSOS with data on campaign contributions and lobbying will also be a useful check to ensure that contracts and subsidies are not provided as rewards or political favors. To the extent it is impractical to house local spending data on the state website; there should be links to all local spending sites from the statewide site.

Since a framework already exists for many of these functions, it should be relatively inexpensive to improve Arizona's transparency compared to the cost if Arizona were building the system from scratch.

Conclusion

Transparency 2.0 – a broad bipartisan movement for online government spending transparency is growing. In the past couple of years, over 25 states and the federal government have launched or made commitments to upgrade their expenditure transparency websites, making them 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 taxpayers and businesses.

Arizona has long been an innovator of ways to increase public participation in government and we need to now be a leader of web-based transparency and accountability. Although there is a date set for Arizona to embrace the Transparency 2.0 practices, we can not start too soon and we must – in any case – act now to ensure we are on track. To successfully become a leading Transparency 2.0 state, we need to include quasi-independent agencies, tax expenditures, and other public subsidies.

The stakes are high. Arizona faces recurring billion dollar budget shortfalls and a host of

challenges that require major public investment. Controversies related to the government contracts and subsidies for large corporations and development projects have sullied the public's trust. Many Arizonans are finding it too difficult to trace the connection between government expenditures and the critical projects they fund. Budget transparency through the Internet can be part of the solution.

In light of the state's tremendous budget deficit, Governor Brewer has proposed a temporary sales tax increase. With most Arizona residents in support of this short-term solution, and as the state receives billions of dollars in federal stimulus funds, budget transparency must become a high priority. Arizona has taken the initial steps needed to be a leading Transparency 2.0 state, but whether or not the state follows through in an efficient and effective manner will determine if the state will become a leader. Building on the initial steps of state agencies including the ADOA, AZSOS, and AFIS, Arizona should adopt and implement the best practices of Transparency 2.0 and provide its citizens with the best web-based budget transparency in the nation.

Endnotes

- 1 “Public Attitudes Toward Government Accountability and Democracy 2008,” <http://www.agacgfm.org/harrispoll2008.aspx>
- 2 Arizona, Georgia, Hawaii, Kansas, Kentucky, Louisiana, Maryland, Minnesota, Mississippi, Missouri, Nebraska, Nevada, New York, Oklahoma, South Carolina, Texas, Utah, Washington,
- 3 See “Gov. Blunt’s Accountability Internet Site Eclipses Six Million Hits” April 29, 2008, available at <http://governor.mo.gov/cgi-bin/coranto/viewnews.cgi?id=EkpAulyFlknIHFthID&style=Default+News+Style&tmpl=newsitem> and “Bill Shines Light on Baltimore Contracts” Baltimore Sun, July 19, 2008.
- 4 For a detailed description of state efforts, please see “State, Federal and Local Efforts to Increase Transparency in Government Spending,” a memo produced by Americans for Tax Reform, available at www.atr.org/content/pdf/2008/ot-trnsp-memo.pdf
- 5 Pub. L. 109–282. The website is operational at www.usaspending.gov
- 6 For a local example, see Milwaukee County, Wisconsin’s transparency portal at http://milwaukeecounty.headquarters.com/search_mke.aspx. In Texas, over 150 school districts reportedly post online their check registries, which are reportedly already a matter of public record. And Collin County, Texas is reportedly the first county in the nation to do the same (See: http://www.denverpost.com/opinion/ci_10548963). For a foreign example, see, Brazil’s transparency portal at www.portaldatransparencia.gov.br/english/ For a detailed discussion of Latin America’s successes with transparency portals, supported by the Inter-American Development Bank, see Miguel Solana “Transparency Portals: Delivering public financial information to Citizens in Latin America” available at http://www-wds.worldbank.org/servlet/WDSContentServer?WDSID=2004/11/03/000160016_20041103103505/Rendered/PDF/303320ENGLISH0Thinki ng0out0loud0V.pdf%20.
- 7 Only four percent believe the opposite. “Public Attitudes Toward Government Accountability and Transparency 2008” Harris Interactive, February 2008, <http://www.agacgfm.org/downloads/AGAHarrisFinalReport2008.ppt> slide 17. For more context on the survey, see <http://www.agacgfm.org/harrispoll2008.aspx>.
- 8 <http://www.agacgfm.org/downloads/AGAHarrisFinalReport2008.ppt> slide 30
- 9 Only four percent say it is not very or not at all important. Only seven percent are satisfied with the information their state government currently discloses. <http://www.agacgfm.org/downloads/AGAHarrisFinalReport2008.ppt> slide 15.
- 10 Lake Research Partners and Topos Partnership, New Poll Shows Broad Support for Economic Recovery Package and Tough Government Accountability Measures, February 1, 2009, <http://static.uspirg.org/consumer/archives/2-4-09LRPMemoonTransparentRecovery.pdf>
- 11 <http://www.agacgfm.org/downloads/AGAHarrisFinalReport2008.ppt> slides 45 and 15.
- 12 S 3077; the progress of the bill can be tracked at <http://www.govtrack.us/congress/bill.xpd?bill=s110-3077>.
- 13 Norquist and Nader, Joint Letter to Governors, available at http://www.atr.org/content/pdf/2007/july/070507lt-nader_norquist_govs.pdf
- 14 “Gov. Blunt’s Accountability Internet Site Eclipses Six Million Hits” April 29, 2008, available at <http://governor.mo.gov/cgi-bin/coranto/viewnews.cgi?id=EkpAulyFlknIHFthID&style=Default+News+Style&tmpl=newsitem>
- 15 In its first four months, the brand new site received 242,302 hits during 32,543 sessions. “People Behind the Scenes: Where the money goes” Statewise, Fall 2007, available at <https://fm.xcpa.state.tx.us/fm/statewise/07/fall/money.php?style=print>
- 16 A 2008 survey found seventy-one percent of respondents who receive budget information or believe it is important to receive budget information would use that information to influence their voting decisions, forty-eight percent would respond by contacting their representatives, and twenty-eight percent would attend a town hall meeting or other political gathering. “Public Attitudes Toward Government Accountability and Transparency 2008” Harris Interactive, February 2008, available at <http://www.agacgfm.org/harrispoll2008.aspx>. Houston officials similarly report improved public confidence after the launch of their website. “Bill Shines Light on Baltimore Contracts” Baltimore Sun, July 19, 2008.
- 17 “How Much Will Transparency Cost?” Sutherland Institute, available at http://www.sutherlandinstitute.org/uploads/How_Much_Will_Transparency_Cost_Policy_Brief.pdf. The \$2.3 million dollars saved came from multiple sources, including:
 - * \$73,000 from combining multiple printer toner contracts;
 - * \$250,000 from not printing a duplicate study conducted by another agency;
 - * \$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 paggers.
- 18 “How Much Will Transparency Cost?” Sutherland Institute, available at http://www.sutherlandinstitute.org/uploads/How_Much_Will_Transparency_Cost_Policy_Brief.pdf. Houston’s city website has similarly reduced public records requests and increased bids. “Bill Shines Light on Baltimore Contracts” Baltimore Sun, July 19, 2008. The Boston Housing Authority reports that it receives approximately twenty percent more bids per contract since it began using Massachusetts’s Comm-PASS website and that the bids are of higher quality due to the increased competition. Phone interview with Dan Casals, Chief Administrative Officer, Boston Housing Authority, August 8, 2008.

- 19 See, e.g., Illinois's recapture reports at <http://www.corpactportal.illinois.gov/RecaptureProvisions.aspx>
- 20 www.comm-pass.com
- 21 2008 - S2661A and 2008 - H7953A
- 22 Americans for Tax Reform, according to their conversations with Ed Martin, former Chief of Staff to Missouri Governor Matt Blunt (he can be reached at the Institute for Transparent Government, 314-256-1776). The project manager for the Missouri Accountability Portal, Carolyn Aggeler (based at the MO Department of Administration) reported in a conversation with the author that it took a total of 6400 work hours to complete the project (including contractor time).
- 23 Nebraska State Treasurer Shane Osborn, Letter to Maryland Senator Mooney, March 20, 2008, available at www.showmethespending.org/uploads/MD-NE_Letter.pdf.
- 24 Personal correspondence with Lisa McKeithan, Oklahoma Office of State Finance, August 6, 2008. On file with author.
- 25 See, e.g., Stephen Goldsmith and William D. Eggers "Government for Hire" New York Times, February 21, 2005.
- 26 HB 122
- 27 Texas HB 3430; HB 122
- 28 SB 6818
- 29 See, e.g., "An Act Relating to Creating a Searchable Budget Database for State Spending; Model Language" Evergreen Freedom Foundation, available at <http://www.effwa.org/pdfs/googlebudget.pdf>.
- 30 HB 122
- 31 See, e.g., Kansas HB 2730, Georgia SB 300, and Washington SB 6818.
- 32 See, e.g., Florida bills HB 181 and SB 392 of the 2008 session which require 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 website.
- 33 "State and Local Government Finances" US Census Bureau, available at <http://www.census.gov/govs/www/estimate.html>.
- 34 See, e.g., Milwaukee County, WI website at <http://milwaukeecounty.headquarters.com/> and Howard County, MD legislation, available at www.co.ho.md.us/countycouncil/ccdocs/enrcb9-2008.pdf, passed in March 2008.
- 35 HB 2730
- 36 Governor Blunt's Executive Order 7-24.
- 37 <http://mapyourtaxes.mo.gov/MAP/Portal/Default.aspx>
- 38 www.comm-pass.com
- 39 Good Jobs First "The State of State Disclosure" available at <http://www.goodjobsfirst.org/news/article.cfm?id=361>.
- 40 See links at <http://mapyourtaxes.mo.gov/MAP/Expenditures/Contracts/Default.aspx>.
- 41 Massachusetts's economic development tax expenditures, for example, cost the state nearly \$1.5 billion a year. "Subsidizing the Stars" CommonWealth, Spring 2008. During its decades of expansion, Wal-Mart alone has received over \$1 billion in state and local subsidies nationally. "Wal-Mart's Expansion Aided By Many Taxpayer Subsidies" New York Times, May 24, 2004.
- 42 <http://www.jsonline.com/story/index.aspx?id=626798>
- 43 "Hush Money: " Governing Magazine (August 2008).
- 44 2006 is the most recent year for which data is available. The figure comes from preliminary data in Arizona's 2007/8 tax expenditure report, page 47.
- 45 Following from A.R.S. §42-5204 and reported in state tax expenditure report, p. 106. Data on other tax credits and exclusions for the industry was not available in the report.
- 46 Arizona 2007/8 preliminary tax expenditure report, p. 90.
- 47 A.R.S. §43-1163.
- 48 A.R.S. §43-1164
- 49 "A Report on the Massachusetts Film Industry Tax Incentives," Commonwealth of Massachusetts, Department of Revenue (July 2009), available at http://www.mass.gov/Ador/docs/dor/business/outstate/March_2008_Film%20_Incentives.pdf
- 50 "Phoenix's CityNorth Deal Ruled Unconstitutional," Arizona Republic, Dec.24, 2008, <http://www.azcentral.com/news/articles/2008/12/24/20081224citynorth1224.html>
- 51 <http://www.americansforprosperity.org/032509-afp-arizona-poll-results-taxpayers-reject-city-north-subsidy-and-coyotes-bailout>
- 52 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 websites, see Good Jobs First, The State of State Disclosure, available at <http://www.goodjobsfirst.org/news/article.cfm?id=361>
- 53 Minn. Stat. 116J.994. Reports available at <http://www.deed.state.mn.us/Community/subsidies/index.htm>
- 54 The Rhode Island law is 2008 - S2661A and 2008 - H7953A. See also Providence Business News , "R.I. posts \$54M in Tax Credits in FY2008" (Sept 11, 2008), available at <http://www.pbn.com/stories/34972.htm>
- 55 Minn. Stat. 116J.994. Reports available at <http://www.deed.state.mn.us/Community/subsidies/index.htm>
- 56 <http://www.corpactportal.illinois.gov/ProgressReport.aspx>
- 57 Illinois's reports can be found at <http://www.corpactportal.illinois.gov/RecaptureProvisions.aspx>. Rhode Island's recapture provisions were mandated in 2008 - S2661A and 2008 - H7953A. Minnesota's reports are available at available at <http://www.deed.state.mn.us/Community/subsidies/index.htm>. For a full analysis of state subsidy clawback provisions, see Good Jobs First, Clawbacks Chart, http://www.goodjobsfirst.org/pdf/clawbacks_chart.pdf.
- 58 <http://law.onecle.com/arizona/state-government/41-1505.07.html>

- 59 ND Century Code 54-60.1
- 60 2008 - S2661A and 2008 - H7953A at <http://www.rilin.state.ri.us/BillText08/HouseText08/H7953A.pdf>
- 61 Minn. Stat. 116J.994.
- 62 Tax expenditure budgets, such as in Arizona, are typically 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.
- 63 For example, Georgia's Secretary of State posts her own budget and ethics statements on financial disclosure at <http://www.sos.georgia.gov/tig/>.
- 64 See, e.g., Norman Leahy's criticism of Virginia's disclosure laws "So Much for Transparency" May 19, 2008, available at <http://www.baconsrebellion.com/Issues08/05-19/Leahy.php>
- 65 Interview with Ellen Bickelman, Massachusetts State Purchasing Agent, Operation Services Division, August 7, 2008.
- 66 "Shopping for Subsidies: How Wal-Mart Uses Taxpayer Money to Finance Its Never-Ending Growth" Good Jobs First, May 2004, available at <http://www.goodjobsfirst.org/pdf/wmtstudy.pdf>
- 67 <http://www.deed.state.mn.us/Community/subsidies/index.htm>
- 68 <http://www.corpacportal.illinois.gov/ProgressReport.aspx>
- 69 http://www.iowalifechanging.com/business/applications_reports.html
- 70 Passed in November 2007, the info can be found at http://www.njleg.state.nj.us/2006/Bills/PL07/200_.PDF. The disclosure requirements are described for businesses at <http://www.state.nj.us/njbusiness/premierservices.shtml>.
- 71 <http://www.rilin.state.ri.us/BillText08/HouseText08/H7953A.pdf>
- 72 "1999 Minnesota Business Assistance Report" Minnesota Department of Employment and Economic Development, available at <http://www.deed.state.mn.us/Community/pdf/busar99.pdf>
- 73 <http://www.usaspending.gov/>
- 74 <http://mapyourtaxes.mo.gov/MAP/Portal/>
- 75 Personal correspondence with Lisa McKeithan, Oklahoma Office of State Finance, August 6, 2008. On file with author.
- 76 The law requires ADOA to, "submit a written report to the governor, the president of the senate and the speaker of the House of Representatives on the progress and plans for the full implementation of the database. The report shall include details of the development of the database, encountered and anticipated costs and necessary changes in accounting, reporting, procurement and other administrative practices to ensure that required governmental information becomes available in a timely, standardized, uniform and meaningful format from all budget units as required by law and that will be useful to the public."
- 77 <https://www.spirit.az.gov/Applications/SPIRIT/SR.nsf>
- 78 The tax expenditure report is prepared for the Governor and the Legislature by the Arizona Department of Revenue's Office of Economic Research and Analysis.
- The report is prepared in compliance with A.R.S. §42-1005. As of July 2009, the most recent report was the preliminary report for fiscal year 2008-9, which can be uploaded at <http://www.revenue.state.az.us/ResearchStats/Taxep08P.pdf>
- 79 Better Government Association and the National Freedom of Information Coalition, http://www.bettergov.org/pdfs/foia_results_2008.pdf
- 80 <http://www.aztreasury.gov/distributions.html>
- 81 OMB Watch, A Summary of the Transparency and Accountability Provisions in the Enacted Economic Stimulus Package, 2009, http://www.ombwatch.org/files/budget/OMB_Watch_ARRA_Transparency_v2.pdf
- 82 <http://az.gov/recovery/>
- 83 <http://www.goodjobsfirst.org/pdf/ARRAwebtables.pdf>
- 84 This deadline has passed, and the commissioner has not yet created the mandated website. See "A blogger's quest: Where's the database?" Minneapolis Star Tribune, May 15, 2008.

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