

Legislative Analysis



STATE EXPENDITURES: SEARCHABLE DATABASE

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House Bill 4096 (Substitute H-3)

Sponsor: Rep. Kevin Cotter

Committee: Oversight, Reform, and Ethics

First Analysis (5-22-12)

BRIEF SUMMARY: Not later than January 1, 2013, the bill would require the Department of Technology, Management, and Budget to create a searchable database that lists all expenditures of appropriated or non-appropriated funds processed through the state's central accounting system by executive branch agencies; and to make that information available through a link on their website homepages.

FISCAL IMPACT: House 4096 would increase costs for all state agencies. All state agencies would incur administrative and data collection costs to comply with the Department of Technology, Management, and Budget directive required under the provisions of the bill. It is unknown whether these increased costs would be absorbed under current appropriation levels.

The Department of Technology, Management, and Budget would be required to create a searchable website. The department would incur certain startup costs in the creation of the website, but no estimate as to cost has been provided at this time. Additionally, the department would incur certain administrative and website maintenance costs on an ongoing basis.

THE APPARENT PROBLEM:

The Pew Center on the States has tracked the ways in which the 50 states have worked to achieve greater "transparency" in government. The Pew Center notes that the Internet makes it possible for states to provide citizens with easy access to information. And they argue that creating a transparent government helps to overcome the inherent mistrust people harbor about their leaders, whether elected or not.

What is a transparent government? According to the Pew Center, a transparent government means that citizens can easily find information about how their money is being spent and whether their money is being spent effectively. For example, at the federal level, the U.S. Congress recently passed the Federal Funding Accountability and Transparency Act, which requires disclosure of all entities or organizations receiving federal funds so that citizens know where their federal tax dollars are being spent. To provide this disclosure, the federal Office of Management and Budget developed *USAspending.gov*, which provides searchable information on all federal government contracts and assistance (loans, grants, etc.). This way, citizens can search websites to follow the money trail and see exactly in whose hands their money ends up.

According to the Pew Center on the States, about 20 states have also passed laws or administrative rules to develop similar websites for citizens. They argue that citizen websites should meet the following standards:

- Ensure that citizens can search through all expenditures, including contracts, grants and assistance from various angles, such as by agency, spending category, program, and vendor. Citizens should be able to find out what their money is being spent on and which companies or organizations are receiving their dollars, including all sub-grants and sub-contracts.
- Include features to allow citizens to search other financial information, such as state employee salaries and who is receiving economic development tax credits.
- Update the information as often as possible. (They note that the data on both the Texas and Missouri websites are updated every business day.)
- Develop a transparency board similar to the Kansas Public Finance Transparency Board that includes members of the public and advises the state about how they can become more transparent.

Earlier this legislative session the Oversight, Reform, and Ethics Committee of the Michigan House of Representatives reported House Bills 5196 and 5274, both of which await action on the House calendar. House Bill 5196 would require all public entities to compile and annually update information regarding the compensation of their employees, by job classification, including the terms of any severance payments, and submit this information to the Michigan Department of Technology, Management, and Budget (DTMB) by June 1 of each year. Similarly, House Bill 5274 would require public entities to compile a list of all contracts to procure goods and services for \$25,000 or more, and either post this information on their websites, or submit it, updated on a monthly basis, to the DTMB, which would be required to post the information on its public website.

Now, in addition, legislation has been introduced to require that the Michigan Department of Technology, Management, and Budget create a searchable database that lists all state expenditures.

THE CONTENT OF THE BILL:

House Bill 4096 (H-3) would amend the Management and Budget Act (MCL 18.1101 et al.) to require the creation of a searchable database that lists state expenditures.

Under the bill, the Department of Technology, Management, and Budget would issue directives to require that all state agencies provide the department with, and make available through a link on their website homepages, all of the following information regarding the expenditure of state funds:

- the name of the entity receiving the funds
- the amount of state funds
- the funding state agency

- a descriptive purpose of the funding action or expenditure, and
- any other information required by the department

Not later than January 1, 2013, the DTMB would be required to develop and operate a searchable website accessible by the public at no cost, to access the information provided (as described above). The bill specifies, however, that information considered confidential by state or federal law would not be disclosed. The bill defines "expenditure of state funds" to mean an expenditure of appropriated or non-appropriated funds processed through the state's central accounting system by an executive branch agency that includes, but is not limited to, state purchases, contract and subcontracts, and grants.

BACKGROUND INFORMATION:

To learn more about the Michigan Department of Technology, Management, and Budget, and to search the existing budget databases, visit <http://www.michigan.gov/budget>

ARGUMENTS:

For:

Proponents of the bill argue that greater government transparency will enable taxpayers to rebuild their trust in government. They say that greater access to information about state agency spending will help taxpayers know both how effectively and how efficiently their taxes are spent. Proponents also argue that greater transparency in government decision-making helps to prevent extortion, fraud and abuse; prevents unwise and wasteful decisions by policymakers; and gives taxpayers more information and oversight.

Against:

Opponents of the bills say while they generally favor greater government transparency, this legislation may well have implementation costs for all state agencies. Further, they point out that the Michigan Department of Technology, Management, and Budget already has a transparent website that provides citizens with a broad array of information and analysis.

POSITIONS:

The Department of Technology, Management, and Budget testified in favor of the bill, as amended. (5-15-12)

Americans for Prosperity supports the bill. (5-8-12)

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■ This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.