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Regarding HB 7, the Maryland Funding Accountability and Transparency Act

I. Introduction

Chairman Conway and Members of the Committee, my name is Kristina Rasmussen. I am Director of Government Affairs for the National Taxpayers Union (NTU), a grassroots lobbying organization of taxpayers with 362,000 members nationwide, including 7,100 in Maryland. I encourage you to find out more about NTU on our website: www.ntu.org.

I offer this testimony in support of Delegate Warren Miller's "Maryland Funding Accountability and Transparency Act" (HB 7). Also introduced in the Senate as SB 9, this measure would direct the Department of Budget and Management to create a public website that allows users to search for information regarding state funding distributed to non-state entities. This bill, largely fashioned after a federal database approved last year, is based on the widely understood and sensible principle that transparency of, and public access to, government information is vital to the health of our political system.

NTU believes that providing an easy-to-use tool like the searchable database proposed in HB 7 and SB 9 would better enable state residents to make sense of how their tax dollars are being parceled out. Timely access to this information is crucial for helping taxpayers make their own evaluations of spending priorities in Annapolis, and this bill deserves equally timely passage through the House of Delegates.

II. Federal Grant and Contract Database

The Maryland Funding Accountability and Transparency Act already has an impressive lineage, owing to a nearly-identical grant and contract website bill that was signed into federal law last year. Thanks to the bipartisan efforts of Senator Tom Coburn (R-OK) and Senator Barack Obama (D-IL), the general public will soon have access to a searchable online database that will help track the flow of hundreds of billions of dollars in federal grant and contract expenditures.

Historically, information on federal spending via grants and contracts had been spread across innumerable agencies, frequently lacked specificity, and was not always available to the public. Senators Coburn and Obama set out to change this by sponsoring the Federal Funding Accountability and Transparency Act of 2006 (S. 2590). Upon its introduction, the bill immediately drew praise from policy advocates across the opinion spectrum and from grassroots activists across the country.

In fact, NTU help put together a coalition of over 110 supporters that ranged from the U.S. Public Interest Research Group and the Project on Government Oversight to the Maryland Taxpayers Association and the Council for Citizens Against Government Waste. The ideological diversity among the bill's supporters lent credence to the words of Senator Obama when he noted, "whether you're on the left or right, there is no worthy argument against transparency." Congress and the President agreed, and S. 2590 became law in September 2006.

Starting in January 2008, a free website (www.federalspending.gov) will be launched and Americans will have access to the following information for each federal transaction over \$25,000:

- The name of the entity receiving the award;
- The amount of the award;
- Information on the award including transaction type, funding agency, etc; and
- The location of the entity receiving the award.

III. A Grant and Contract Website for Maryland

HB 7 would offer similar access to Maryland residents for state expenditures. The legislation requires the Department of Budget and Management to develop a single website by October 1, 2008 that is searchable by the public at no cost. The database would contain information on state financial assistance or expenditures (such as grants, loans, awards, cooperative agreements, contracts, and purchase orders) given to non-state recipients (such as for-profit and non-profit corporations, associations, partnerships, and other legal business entities as well as grantees and contractors).

The database would start tracking grants and contracts in fiscal year 2008. Along with aggregate totals given to any entity, the website would provide the following information:

- The name of the entity receiving the award;
- The amount of the award;
- The transaction type;
- The name of the agency making the award;
- The budget program fund source;
- A descriptive purpose of each funding action or state award; and
- The location of the entity receiving the award and where it is to be carried out.

Funds transferred from one agency to another would not be included in the database, nor would information related to state employee salaries or state or federal assistance given to individuals. Additionally, anything considered confidential by state or federal law would be exempt.

Currently, HB 7 calls for exempting all expenditures under \$5,000 from the database. SB 9 calls for exempting all expenditures under \$25,000, which is also the federal exemption limit. Between the two, I strongly recommend that you move forward with the \$5,000 exemption limit contained in HB 7, as the resulting database would be far more useful to taxpayers.

IV. Maryland Can Lead Efforts to Increase Transparency

By acting now, Maryland has the opportunity to join other state leaders in making government spending information more easily accessible to the public.

After working to secure the federal grant and contract website, NTU launched the “Show Me the Spending Coalition” to advance the concept at the state level. Since the debut of the Coalition’s project (www.showmethespending.org), nine states have created online spending databases for their residents, including Hawaii, Kansas, Minnesota, Missouri, Nebraska, New York, Oklahoma, South Carolina, and Texas. State leaders have utilized a variety of routes to enact these websites, including legislation, executive orders, and treasurer initiative. Because creating a database via legislation is a lasting solution, we’re happy to see Maryland move forward with HB 7.

V. Existing Information Resources in Maryland and Other States

While Maryland residents can access limited state grant and contract information at this time, existing resources are not designed to serve a broad constituency. Currently, the public can find copies of “Blanket Purchase Orders” (which contain pricing information) on the Department of General Services’ website, and a contract library is available via the Department of Budget and Management’s website. However, these sites are mainly geared toward procurement purposes. Likewise, the Governor’s Grants Office links to a database maintained by the Department of Planning that provides information on over 700 state aid programs from over 70 different state agencies. This database is geared toward grant-seekers, not those who would wish to review past awards.

This focus on procurement and promotion of grant opportunities is reflected in other states’ online databases as well, which may be an outgrowth of administrators trying to serve immediate consumers (e.g., contractors and researchers) as opposed to the taxpaying public. A review NTU conducted in 2006 of state spending databases nationwide found that while more than a dozen states have limited versions of disclosure websites for grants and/or contracts, more often than not, they are designed to advertise funding or list contracting opportunities, rather than invite oversight. While this decentralized arrangement might benefit researchers and contractors, most Marylanders are still waiting for a one-stop web page that will allow them to easily access state spending information.

VI. Crafting Low-cost, High-impact Solutions for Spending Transparency

Creating a citizen-friendly expenditure website would entail a very modest cost, but it would greatly increase transparency in the distribution of precious tax dollars and help hold all elected officials accountable for their budget spending. We believe that it is possible to create a state spending database in a fiscally responsible manner.

I'd like to offer some perspectives on what resources a spending website might require. At the state level, Missouri created an online database using existing resources. Oklahoma passed legislation calling for a website that includes a wide range of expenditures, and its Office of State Finance estimates that fully implementing this spending database would cost up to \$300,000 (\$40,000 in initial costs with future expenses of \$245,000-\$260,000).

Tennessee officials had concerns that their state's current accounting software could not interface with a spending website without a costly upgrade. In turn, we pointed out that it is possible to collect spending information via other methods. West Virginia, for example, requires state agencies to submit grant information to a central database via forms, while North Carolina requires grant recipients to provide relevant data via reports. Kansas is spending \$40 million to replace their entire accounting system and is using the opportunity to interface the system with a spending website. According to an article at www.stateline.org, only a small fraction of that \$40 million will be used to "include a site for the public to see how taxpayers' dollars are spent."

On the federal level, the Congressional Budget Office estimated that implementation of their grant and contract website would cost about \$4 million initially in 2007 and about \$15 million more over the 2007-2011 period.

The bottom line is that there are ways to make spending information accessible to taxpayers without consuming excessive outlays in the process. We are ready to work with you to craft low-cost, high-impact solutions for promoting spending transparency.

Thank you, Chairman Conway, for allowing me to submit this testimony. And again, on behalf of our 7,100 Maryland members, NTU is pleased to offer active advice and assistance as the Committee and the entire House of Delegates work to enact this vital measure.