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## THE COST OF STATE ONLINE SPENDING-TRANSPARENCY INITIATIVES

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**L**EGISLATURES AROUND THE country have begun to propose spending-transparency Web sites. The most effective argument against these efforts is the potential high cost of such Web sites. We looked at ten recently established state spending sites and found that initial cost estimates often overestimated the final cost. The cost of the surveyed sites range from \$30,000 to \$300,000, and there is little correlation between the amount spent and the quality of the Web site.

### INTRODUCTION

SENATORS BARACK OBAMA and Tom Coburn sponsored legislation in 2006 to create a Web site that transparently details all of the federal government's expenditures. It can now be found at [USAspending.gov](http://USAspending.gov).

The idea is a simple one: By placing the details of every government purchase and contract online where citizens can easily review them, the government will be much more accountable. Why? First, hundreds or thousands of citizens' eyes will pore over the newly transparent data, discovering instances of previously unnoticed waste, fraud, and abuse. As a result, one can expect that these constituents will hold their elected representatives accountable and demand action. Second, once government officials become aware of the heightened scrutiny created by a transparency Web site, they will have an increased incentive to be more careful, frugal, and to think twice before making questionable expenditures.

State legislators and governors around the country have begun to follow Obama and Coburn's lead by introducing measures to create state-spending Web sites. To date, about 20 states have passed legislation or adopted executive orders creating some type of online fiscal database.

One does not have to be a cynic to recognize that a proposal to throw light on how politicians spend tax dollars—and therefore make it easier for citizens to hold them accountable—might not be a very popular idea among politicians. Of course, it is virtually impossible to oppose a transparency measure on the grounds that one prefers more government secrecy and less citizen scrutiny. As a result, the most persuasive reason to oppose online transparency legislation is the potential high cost of developing a searchable Web site.

While an online spending database may be desirable, critics could contend, it may not be feasible given a cash-strapped state budget. This is a legitimate concern. The facts show, however, that governments have often overestimated the cost of creating spending-transparency Web sites. Additionally, there is some evidence to suggest that these sites produce cost savings that may recover any initial outlay.

### THE FEDS

WHEN SENATORS COBURN and Obama introduced the Federal Funding Accountability and Transparency Act, the Congressional Budget Office estimated that creating and maintaining the Web site the legislation mandated would cost \$15 million over five years.<sup>1</sup> It calculated that creating the Web site would cost \$10 million and maintaining it would cost \$2 million annually.<sup>2</sup> Ultimately, however, the Office of Management and Budget (OMB), which was tasked with developing the site, was able to acquire the software and consulting it needed to build the site for \$600,000.<sup>3</sup> The agency purchased it from OMB Watch, a watchdog group that had developed the software for its own expenditure-tracking site. What OMB Watch understood, and luckily made clear to OMB, is that while one can certainly hire a contractor to build a \$10 million site, quality Web sites do not have to be expensive, especially when using free open-source software tools.

### THE STATES

AS ONLINE SPENDING-TRANSPARENCY bills were introduced in legislatures around the country, state budget offices prepared estimates of what those sites might cost. In figure 1, we list ten states that have launched some type of spending transparency Web site. For each state, we list the initial budget-office estimate of how much the site would cost as well as the final actual cost. Four states on our list launched their sites as a result of executive order, so no initial budget office estimates are available for them. However, the actual cost figures for these sites are instructive.

What we find is that although the quality of these sites varies, the average actual cost for developing a spending-transparency Web site is about \$140,000. The most expensive site we looked at is Texas's at \$310,000. Additionally, the states often overestimate the cost of creating spending-transparency Web

**FIGURE 1: ESTIMATED AND ACTUAL COSTS FOR STATE SPENDING-TRANSPARENCY WEB SITES**

STATE	ESTIMATED COST	ACTUAL COST
Alaska <sup>4</sup>	EO	\$15,000–\$25,000 from existing budget <sup>5</sup>
Kansas <sup>6</sup>	\$280,000 to study possibility <sup>7</sup>	\$100,000 <sup>8</sup>
Louisiana <sup>9</sup>	\$1 million for initial site development <sup>10</sup>	LaTrac within existing resources <sup>11</sup>
Maryland <sup>12</sup>	\$400,000 over two fiscal years <sup>13</sup>	Less than \$100,000 <sup>14</sup>
Missouri <sup>15</sup>	EO	\$293,140 from existing budget <sup>16</sup>
Nebraska <sup>17</sup>	EO	\$38,000 <sup>18</sup>
Oklahoma <sup>19</sup>	\$40,000 for initial site development <sup>20</sup>	\$40,000 from existing budget <sup>21</sup>
South Carolina <sup>22</sup>	EO	\$25,000–\$50,000 from existing budget <sup>23</sup>
Texas <sup>24</sup>	\$405,090 <sup>25</sup>	\$310,000 <sup>26</sup>
Washington <sup>27</sup>	\$1,244,316 over six years <sup>28</sup>	\$300,000 <sup>29</sup>

sites. In no case has a site cost millions of dollars as some budget estimates have suggested. For example, an estimate<sup>30</sup> prepared by the Virginia Department of Planning and Budget prompted Nebraska Treasurer Shane Osborn to write to Virginia legislators:

*I heard the same arguments about the cost of a searchable database; we received an estimate of \$1.1 million at one point. In the end, we were able to shine light on Nebraska's budget at a cost to the taxpayer of \$38,000. . . . As far as the \$3 million fiscal impact statement attached to Virginia SB 936, I can't envision a situation in which a budget site would even approach that price range.<sup>31</sup>*

### DATA AVAILABLE

NOT ALL STATE spending-transparency Web sites are created equal. While each site aims to give the public a handle on state financial activities, the breath of information provided and the presentation of that data vary greatly across each of these Web portals.

For example, Maryland's Funding Accountability & Transparency site is limited to state payments in excess of \$25,000 and does not include information on state employee compensation, which many other Web portals list. Other sites like Kansas's KanView include figures like state revenue and bond debt. In addition to showing information on state expenditures, Oklahoma's Open Books and the Missouri Accountability Portal provide searchable, but not browseable, data on tax credits for certain fiscal years. Some sites also omit data because of differences in financial reporting methods; for example, Louisiana's LaTrac site does not include information on legislative and judicial branch spending because of different financial reporting systems.

When it comes to the data that are available, certain sites provide an extremely comprehensive breakdown of spending information. Texas's Where the Money Goes page allows users to break down spending information by state agency, spending category, the vendor from whom a purchase was made, and the purchasing code. Certain databases, such as Rhode Island Treasury Online Checkbook, break down payments by fund or account, as opposed to by department.

## USABILITY

ULTIMATELY, REGARDLESS OF the range and categories of data being presented, ease of use is a key factor in effectively disseminating state financial data to the public. Of the 10 sites reviewed, Alaska's and Washington's are the only ones that provide data in downloadable Microsoft Excel or PDF files. All other sites utilize some sort of data viewer imbedded in the page to show fiscal data by category. Once again, there is great variety as to the ease of use of these tools.

Web sites such as Oklahoma's Open Books, South Carolina's Spending Transparency, and Kansas's KanView allow users to browse spending by starting with a broad category (by agency, for example) and to click on each item to obtain a further breakdown of the data in each category. Washington State Fiscal Information requires users to specify the information they want from a series of drop-down menus, which is somewhat cumbersome. NebraskaSpending.com presents current fiscal year spending information in a long table listing each state agency. In general, those sites that let users click through the data provide a simple and easy-to-use model; however it often comes at the cost of having to view larger amounts of data.

While a few spending-transparency Web sites utilize a search function for certain information, such as Oklahoma Open Books's search of tax credit information and the Missouri Accountability Portal's expenditure search by vendor, many sites lack any such tool. Maryland's Funding Accountability & Transparency is one of the few standouts in this area. In addition to browsing spending by state agency, by vendor, and by vendor ZIP code, visitors can use a prominently displayed search bar to find information in each of these categories. Implementing a simple tool such as this one would help a number of states' Web sites improve ease of access to financial information. In the future, states may also consider making their sites capable of supporting structures like data feeds, which would be an effective way of keeping the public updated on government activities.<sup>32</sup>

Overall, it is not clear whether the amount of money spent on each state's Web site correlates to the quality of the Web site. Alaska, Nebraska, and South Carolina's Web sites had the lowest actual cost of those reviewed: \$15,000–\$25,000, \$38,000, and \$25,000–\$50,000, respectively. All of these sites feature a simple design and show little more than spending

data. The similarly priced Oklahoma Web site, on the other hand, includes state funding and revenue data, contains other tools such as a "Citizen Education" section and glossary and features a crisper design than those of Alaska, Nebraska, and South Carolina. The Texas site, which had the highest price tag, includes its own specialized data acquisition interface that goes above and beyond the presentations of the other Web sites; however it did not offer fundamentally different information than other sites.

As already discussed, the rest of the Web sites, all falling within the \$100,000–\$300,000 range, have a variety of strengths and weaknesses pertaining to the type of data presented, the years for which the data is offered, and the presentation to the user. The key point underscored by some of the less-expensive Web sites that provide a clean presentation of key spending data is that all states are able to mount a solid effort at making financial data more transparent through the Internet.

## CONCLUSION

THE BOTTOM LINE is that official cost estimates of spending transparency Web sites should be taken with a grain of salt—especially those that put a price tag in the millions. Additionally, the potential budget benefits of transparency should be taken into account. For example, according to Texas Comptroller Susan Combs, the state's transparency initiative has saved the state over \$5 million.<sup>33</sup> This was possible because the site facilitated the discovery of wasteful duplicative contracts for express mail, printer toner, and other goods and services that were later consolidated and renegotiated.

Because there is little correlation between the amount of money spent and the quality of the final Web sites, this leads us to conclude that the most important investment is in the design and implementation of the site. Perhaps counterintuitively, good sites can be inexpensive, but they require a knowledgeable developer using state-of-the-art technology. One simple way states can cut their costs and attract talented developers is to provide raw data feeds rather than attempting to create a user-friendly interface for the data. Third parties such as academics and watchdog groups can then take the data to build useful interfaces that citizens can use.<sup>34</sup>

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