The Chairman,

Good afternoon, it is my pleasure to present to the Government and Fiscal Reform Advisory Council our recent research on state transparency and accountability practices in Louisiana.

The Mercatus Center at George Mason University has been involved in research and outreach on “accountability in government” for the last ten years. Our research has led us to believe that there is a very strong linkage between disclosure requirements, improved performance, and improved ethical behavior, all leading to an improved level of accountability.

Our research also indicates that the mere perception of poor standards of accountability has the same effect as poor accountability in practice. For public confidence and trust in government to improve, it is necessary not only to correct poor accountability, but also to remove all those practices that lead to public perceptions of unaccountable government. Almost without exception, public mistrust is a result of secrecy and the cure is increased transparency.

The Mercatus Center has been advancing the principles of transparent and accountable government at the state and federal level for over a decade. During my time as an elected Member of the New Zealand Parliament we implemented a series of reforms that dramatically increased the government’s transparency and resulted in better government, heightened prosperity, and improved public approval ratings for government organizations. This is the philosophy driving the Mercatus Government Accountability Project, which strongly advocates reforms that make government more open, transparent, and accountable to the people.

MERCATUS METHODOLOGY

Mercatus has developed a number of procedures to measure and encourage accountability in government. The most prominent of these measures has been the Annual
Report Scorecard\(^1\), a rigorous analysis of the quality and fullness of disclosure by federal agencies. This analysis examines three major segments of federal Performance and Accountability Reports, transparency, public benefits demonstrated, and forward-looking leadership evident in each of the 24 federal agencies covered by the Chief Financial Officers Act annual performance reports.

Recently Mercatus performed a similar analysis to the federal Annual Report Scorecard on the transparency and accountability procedures in the state of Louisiana. This non-partisan analysis examines Louisiana’s processes and procedures of disclosing the information needed to create an informed public on the performance of its government. This is not a process that seeks to identify success or failure, nor does it pass any subjective judgment on whether policy is good or bad. It examines only whether the public has enough information to arrive at those conclusions.

Full transparency in government provides an incentive for decision makers to act in a spirit of compliance. The capability of the public to easily examine and review the full performance and financial statements of government entities leads to confidence and trust in the public sector. Full performance disclosure forces public agencies to focus on actual outcomes for Louisiana, not the quantity of activities.

Today I would like to share some of the findings of our initial research and then lay out options for improved transparency and accountability that have proven successful.

DEFINING ACCOUNTABILITY

The Government Accountability Project at Mercatus constructed the following definition of accountability as “that process that requires us to disclose fully and truthfully our performance to those who are entitled to know.” We took considerable care in developing this definition to see that it could apply in all situations, not just limited to government. To understand the full implications of this definition it is best to deconstruct it and look at each of the obligations separately.

First, it states “requires us to disclose.” Disclosure is not a matter of choice but a matter of obligation. Disclosure also must mean to publish in some form either by verbal statement or by written document. Just acting in a responsible manner is not enough. Preferably the disclosure of actions taken must be published in a form able to be scrutinized by others.

Second, it says “fully and truthfully,” meaning partial disclosure is not enough. Partial disclosure may lead those who are entitled to make judgments on performance to arrive at the wrong conclusion because they were not fully informed. Truthfully means that disclosure must be based on fact, not conjecture, supposition, or impression. That also means that facts stated in disclosure reports must be backed up by evidence and verifiable in some way.

\(^1\) See Annual Performance Report Scorecard
http://www.mercatus.org/repository/docLib/20070403_Scorecard_FY_2006.pdf
Third, “performance” in this context means the results of actions taken or what was achieved must also be described. Simply disclosing actions taken is not indicative at all of actual progress achieved towards an actual outcome.

Finally, “to those who are entitled to know” means those who employ you, those who place their trust in you, those on whose behalf you take actions that may affect their lives, so it is not necessarily everyone that you need to disclose to but only those to whom you owe a duty as you execute your actions. For governments and for politicians that clearly means they must disclose to the public that elects them.

ACCOUNTABILITY IN LOUISIANA

The Mercatus Center has evaluated Louisiana’s processes and procedures against criteria in four major categories: (1) Results Transparency, (2) Program Performance and Results Transparency, (3) Financial and Purchasing Transparency, and (4) An Informed Public. There is a fifth category to account for any recent actions that diminish transparency and accountability practices.

Our research shows that in regards to “Results Transparency”, Louisiana should be credited both for its carefully annotated budget and for its state and agency strategic plans. However, despite strong statutory language requiring these practices, there are implementation problems in easy and central accessibility to this information. In addition, the requirement for agencies and departments to issue quarterly performance reviews according to set criteria is unevenly enforced. Some reports are not published and the quality of the criteria shows significant variance.

Our analysis of Louisiana indicates that some very important accountability measures are already in place, but the application of these measures is uneven or the documents are obscure or almost impossible to find. Procedures for disclosure, including performance measures for items in the state budget, are often excellent, but simple disclosure alone is not enough. The documents need to be easily accessible to be effective. Transparency must be robust if the public is to exercise its right to approve or disapprove of the performance of its government or its elected representatives. In Louisiana, we find that disclosed reports are often scattered through a variety of state Web sites and the information is not presented in a useful format. Unfortunately, poor implementation of good rules causes Louisiana’s results to suffer, despite some of its positive statutory requirements.

Louisiana fares about equally as well in “Program Performance and Results Transparency.” Again, the budgeting statutes and the publication of some information about pending legislation is noteworthy, though the system for this reporting is in need of upgrade.

Of greatest concern perhaps is the state’s regulatory process, which operates almost entirely out of public view. The Governor’s Web site makes no mention of regulatory policy, the process, if any, of regulatory review is not clear, and there is no visible attempt to account for the broader social and economic costs of rules promulgated by the agencies. We believe this lack of transparency provides a climate that is prone to being perceived as a culture of secrecy leading to accusations of corrupt practice.
Performance is not the only measure that needs to be accounted for through disclosure. Truly transparent and accountable government must meet the highest standards in financial and purchasing transparency. This is not simply budget disclosure, but rather a full disclosure to the public of the known economic impacts of legislation and executive actions – before implementation.

As I previously mentioned, we are quite impressed with both the statutory requirements for budget disclosure and the implementation of performance measures with the budget document, as well as the budget breakdown to the program level. While we applaud the Legislative Fiscal Office for providing non-partisan economic analysis of proposed legislation, we are dismayed that this information remains confidential unless a legislator requests public disclosure. This information is crucial not only for the legislators casting votes, but for the public that ultimately must face the consequences of their legislature’s decisions.

We also assessed whether the procedures in place in Louisiana foster an informed public. There is an obvious attempt by Louisiana to do this by publishing some information about pending legislation, but it should be displayed in a format that makes it more useful, including a robust search feature. Again, there is a significant demarcation here due to the closed regulation process and the lack of a directly listed means of challenging administrative decisions.

Finally, we note that there has been a recent move away from transparent and accountable government. The Louisiana Legislative Subscriber System, which in the past could be used to inform the public about the progress of legislation, appears to have recently been discontinued. While the reasons for this discontinuation are not listed, we find no reason that this valuable public service should be closed to citizen enrollment – regardless of whether or not the legislature is currently in session.

OPTIONS FOR TRANSPARENCY & ACCOUNTABILITY REFORM

Our analysis indicates that Louisiana does indeed have a lack of transparency. Fortunately, the state’s problems are well within the sphere of reasonable reform. I would like to share a number of options from our research that could be implemented with relative ease:

- **Bring transparency to Louisiana’s regulatory process.**

  Regulations should be clearly publicized in an easily searchable format. The rule promulgation process should also be made transparent and residents should be able to give feedback to agencies regarding existing and pending rules. The economic and social impact of all significant regulations should be analyzed by economists and published before rules take effect.

- **Create a State Ombudsman to be an advocate for the citizens of Louisiana.**

  The Ombudsman would hold the government and its organizations accountable by representing the people’s interests and concerns. This office must be independent of both executive and legislative branches and possess the necessary authority to act as an arbitrator.
for challenging government administrative decisions. The state of Iowa has effectively implemented a similar concept, creating the Iowa Office of the Citizens’ Aide/Ombudsman to increase both the quality and responsiveness of communication between government entities and the people of Iowa.

- **Ensure that all reports required by law are completed and made immediately available to the public**

  The statutory requirements are in place, yet public accessibility to performance reports in a timely fashion is lacking. In practice, these documents are scattered amongst a variety of agency Web sites and the reporting lacks consistency amongst agencies. These reports, while useful to the legislature and administration, should also be useful to the general public and should be written and distributed in a manner that allows the citizen to exercise the right to participate in public debate.

- **Create an online state spending database, “Google for Government”**

  Transparency is the strongest defense against both corruption, and the perception of corruption. Transparency should apply to state expenditures as well. At the federal level, the 2006 Federal Funding Accountability and Transparency Act requires the federal government to publish federal spending data in an easily searchable and readable online database. Many states have adopted similar measures over the last two years, including Kansas, Missouri, Oklahoma, Texas, Hawaii, Minnesota, South Carolina, and Nebraska. Nearly a dozen other states have pending legislation to create similar spending databases.

- **Redesign Louisiana government’s Web site with focus on transparency**

  The easier it is for every citizen in Louisiana to see the workings of its government, the greater the accountability and public confidence in government. The purpose of any Web site is to deliver information in an easily accessible format and the Louisiana Web presence should be no different. It should incorporate all relevant information, including budgeting, performance criteria, regulatory procedures and promulgation, administrative feedback, strategic plans, and similar information directly into the Louisiana.gov page, rather than publishing this information in a dispersed, sporadic, and unsearchable manner.

- **Reinstitute the Louisiana Legislative Subscriber service.**

  The Louisiana Legislative Subscriber service is a key tool in providing timely and relevant information to inform the public. It should be re-instituted immediately and made available for enrollment even when the legislature is not in session. Louisiana should embrace information technology like e-mail and the Web to allow opportunities for all citizens to be informed and engaged in both the legislative and regulatory process.

  I would again like to thank the Government and Fiscal Reform Advisory Council for the opportunity to share this research and my previous experiences with transparency and accountability reforms. Transparency and accountability are the building blocks to restoring faith in government and ensuring the public availability of all of the information needed to make the important decisions facing Louisiana today. It is my hope that our research has been
both insightful and productive as Louisiana looks forward and we are hopeful that Louisiana can become a model of open and accountable government.