**Introduction**

Transparency in government has been often upheld as an American ideal since its founding. The “republican form of government created by the U.S. Constitution would be the best ever known to man…” because of its emphasis on the Constitutional framers’ unique ideals: transparency, checks and balances, individual rights, and separation of power. A government accountable to its people would, in theory, minimize corruption and promote good governance. Additionally, transparency allows citizens to better hold policymakers accountable for their decisions. In Federalist No. 27, Alexander Hamilton wrote as Publius that, “…it may be laid down as a general rule that [the people’s] confidence in and obedience to a government will commonly be proportioned to the goodness or badness of its administration.”

**A Snapshot of Alabama’s Budget**

There are several major characteristics that define Alabama budget making. First, Alabama’s constitution requires that the legislature pass a balanced budget every year, meaning that any deficiencies in the state budget must be matched by spending cuts to ensure a balanced budget. This is relatively common among states. Alabama also maintains its Education Trust Fund and General Fund budgets separately, being one of only three states to do so. And finally, Alabama has 93 percent of its tax revenue earmarked for particular expenses, which is almost four times the national average of 24 percent, as well as the highest in the nation.

Earmarking such a high amount of tax revenue and maintaining two separate budgets can bring budget transparency problems. First, earmarking is often practiced because it theoretically funnels tax revenue from certain transactions toward the spending associated with it; a gas tax that is earmarked for road construction is efficient in that it taxes the very drivers which take advantage of that road construction. However, studies have shown earmarking can mask increases in spending and “tend to result in an increase in total government size…” This is because a dollar increase in an earmarked tax theoretically frees up a dollar in the general fund to be spent elsewhere. This leads to an increase in the amount of earmarked taxes, as well as general spending, and appears to be the case in Alabama.
…dedicated revenues in the [Education Trust Fund] increased by more than 52 percent between 1997 and 2014 (from an inflation-adjusted $4 billion in 1997 to $8.5 billion in 2014) and by an astounding 807 percent in the [General Fund] between 1997 and 2014 (inflation-adjusted $1.4 billion in 1997 to $12.5 billion in 2014). Maintaining two separate budgets can result in budgetary issues during economically volatile times. For example, in 2015, Alabama experienced a shortfall in the General Fund of nearly $200 million—while the Education Trust Fund that same year had a surplus of around $140 million. The surplus could not transfer over to the shortfall, complicating budget woes. This is further a problem, since Alabama’s General Fund revenue is somewhat volatile compared with other states. The tax revenue in the Education Trust Fund is generally more stable, since it comes from general sales tax and the personal income tax. While only a temporary fix, consolidating the budgets could help protect the state against shortfalls in the future.

It should be noted that Alabama has undergone some measures to improve transparency in recent years. In 2009, under Governor Riley, Open.Alabama.Gov website was created “to show citizens how their money is being spent.” This includes monthly financial reports, comprehensive annual financial reports, and the Alabama “checkbook.” More recently, Alabama also published a tax expenditure report for Fiscal Year 2017, showing most importantly the estimated loss of tax revenue from each tax expenditure. However, as the report explicitly notes, it does not include “an evaluation or recommendation regarding the various tax expenditures as to their effectiveness in fulfilling the desired public policy objective.” This is a crucial element of transparency, especially since foregone tax revenue is foregone state budget money. The state must measure the effectiveness of its tax expenditures to ensure it’s not wasting dollars.

Transparency Reform in the States

At its core, increasing budget transparency comes down to making information publicly accessible, easily understood, and providing meaningful performance measures. Technology has helped to mitigate the argument that budget transparency costs more in the long run because of the extra resources needed to implement and maintain it. Thirty-four states, Alabama included, have passed legislation that requires state spending to be available online. For example, Oklahoma implemented its Open Books website in January 2008 for only $40,000, while an initial estimate put implementation at $300,000. Similarly, Missouri created its transparency measure, Missouri Accountability Portal, using resources already within the department.

The use of data to assess how well the state government is performing fiscally is increasingly becoming available to the public, which is a crucial step in budget transparency. This is a step beyond just providing spending data. The National Association of State Budget Officers reports that twenty-six states have websites dedicated to performance measurements; although Alabama is not one of them. While Alabama does report spending data through Open.Alabama.Gov, this does not include performance measures. Neighboring states Georgia, Tennessee, Florida, and Louisiana all have performance measurement websites. Alabama reports using performance measures for internal agency or program management, but importantly, does not use them in strategic planning, executive budget recommendations, or “legislative action on appropriations.”

Alabama also did not adopt a “formal approach to improving government efficiency/management in [the] last 5 years,” while twenty-two states reported that they had.

Recommendations for Alabama

It is certainly the case that Alabama has followed suit in publicly providing some budget and spending information recently. However, there are some major fronts on which budget transparency can be improved in the state. First, budget consolidation could alleviate short-term...
budget problems, especially in a state with slightly volatile revenue streams.

Second, transparency goes beyond reporting spending data. If the state already uses performance measures internally, it should open those up to the public like neighboring states have. This will allow citizens to better monitor their government, as well as allow Alabama to be better compared to other states. Policy analyses of Alabama's budget, such as this one, would be better able to check on Alabama's fiscal health, serve as a public watchdog tool, and increase state performance.  

1 Newbold, Stephanie P. “Federalist No. 27: Is Transparency Essential for Public Confidence in Government?” Public Administration Review.
2 Piotrowski, Suzanne J. and Gregg Van Ryzin. “Citizen Attitudes Toward Transparency in Local Government.”
5 "State Budget Consolidation." Alabama Policy Institute.
7 Dove and Smith, page 13.
9 Dove and Smith, page 14.
12 Dove and Smith, page 21.
19 Page 140. Ibid.
20 Page 140. Ibid.
21 Page 138. Ibid.
22 Page 146. Ibid.
23 For example, see John Dove and Daniel J. Smith’s argument on why budget transparency in Alabama is badly needed to allow for better policy analysis.