THE STATE FINANCIAL DISCLOSURE PROJECT

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Project Summary

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This project examines personal financial disclosure practices required for public officials across the 50 states and finds that more than 80 percent of states rate poorly when evaluated on a set of objective criteria. A "disclosure degree" score is calculated for each state; these scores are then brought together with a related set of measures to evaluate transparency more broadly for public officials in each state. Levels of public corruption in each state are also considered. For financial disclosure to be meaningful, we argue, three interconnected areas must be evaluated: First, the precision of the information required by law to be disclosed; second, the degree of openness and relevance of information toward the detection of conflicts of interest; third, the degree to which institutional monitors – prosecutors, the press, ethics commissions – can generate public knowledge.

Financial disclosure results

We based the disclosure degree score on five categories ranging from the thoroughness of the disclosures to the accessibility of the information to the public online. Only two states—Florida and Louisiana—earned perfect scores. Two others—Alaska and South Carolina—achieved excellent scores, while two more—Hawaii and New Jersey—received good scores. Three states—New York, California, and Wisconsin—earned average scores, but the vast majority of states (82%) ranked poorly or worse when it comes to financial disclosures for public officials.

On the positive side, Florida and Louisiana – both states renowned at one point for pervasive public corruption – stand out for requiring public officials to disclose specific information about their income, investments, and debts, and making this information easily accessible online. Both states expect officials to be forthcoming about potential conflicts. Florida requires detailed descriptions along with precise figures, while Louisiana uses both exact figures and monetary ranges that provide context for the values. However, there are some differences in each state's approach to financial transparency. While Louisiana asks public officials to disclose information in more categories than Florida, including data about their spouses, the Sunshine State lives up to its name by going a step further and requiring disclosure of an official's overall financial well-being through the declaration of a person's net worth. This includes a detailed list with amounts.

States with limited or nonexistent financial disclosure requirements—Idaho, Michigan, and Vermont—not surprisingly scored worst. But there are other states that require disclosures, seemingly in name only. Notably, New Hampshire's one-page form barely scratches the surface. Filers are only required to check a series of boxes without disclosing any figures. Wyoming's form is only slightly more enlightening. Officials must only indicate if income was earned through security or interest earnings or real estate, leases, or royalties, but not provide more detailed information.

Certain states that scored poorly did so because of the lack of detailed information on financial disclosures. In Arizona, filers must only indicate compensation, personal debts, and financial interest in trusts or investment funds over $1,000 without disclosing the actual amounts. In Missouri, sources of income over $1,000 for the filer and family members must be listed without actual amounts. Stocks and bonds valued at more than $10,000 must be disclosed, but no further detail is required. The scarcity of specifics makes it difficult for the public to evaluate perceived or actual conflicts. This is a running theme throughout many of the disclosures, as there is no standard across the states requiring either specific amounts or detailed monetary ranges.

We also scored states on how the state's governor filled out the disclosure and whether an average citizen learned anything useful after reading it. Minnesota is notable for its lack of information. Governor Mark Dayton reported no sources of compensation or business and professional activities and listed securities by name only. Maine Governor Paul LePage did not actually reveal anything about himself in his five-page disclosure. He checked "none" in 12 of 13 categories. The only disclosure he noted is his wife being an unpaid honorary board member of a foundation. The lack of information only raises more questions. (Although each of the individual governors mentioned here may have a unique financial situation, the overarching point is that the public sometimes learns almost nothing from their disclosures.)

We gathered some information from ethics commissions about how financial disclosures are audited, if at all, and what types of enforcement actions the states take against filers. The results were mixed. Most states that do audit the forms are only checking to make sure they have been filed on time and/or filled out completely. It is striking how few forms are audited to make sure the information provided is accurate and complete. When actions are taken against filers, it is usually for not filing a disclosure. Florida received 22 complaints in 2015 for a willful failure to file a financial disclosure. Alaska reports taking actions against 80 filers, but officials there also note that the state waived most fines, leading to more questions about the severity and effectiveness of the sanctions.

Equally important, perhaps, is the ability for the public to access whatever information is disclosed. Once again, there is no standard. Nearly half the states received top scores in our evaluation by providing easy online access to information; such states included a diverse mix – for example, Alabama, West Virginia, Alaska, New York, and New Jersey. But notably both of those states did not perform well overall in our disclosure degree scoring. While the ability to easily find and analyze financial interests is a key part of transparency, it must be combined with high-quality disclosures to maximize the impact. Other states, such as Maryland—where requestors must show up in person at the state ethics commission and present identification to obtain a copy of a disclosure—and Massachusetts—where an ID must also be provided, even to gain online access—place hurdles for members of the public to jump over to access what is supposed to be public information. Both Maryland and Massachusetts also notify filers that someone has requested to look at their disclosures, which can contribute to a chilling effect on open government and transparency (Wallack, 2015).

Discussion

What this research has sought to do is to analyze a very particular information problem – the status of personal financial disclosure – and connect it to the equally important issue of whether or not citizens might be informed and engaged around the available information. It is certainly not enough for "thin" disclosure forms to be filed and then never examined by independent institutions. Data-poor disclosure is inadequate; and disclosure for its own sake may give some officials pause but is inadequate on the whole. There must be capacity in the system to evaluate data, connect it to larger patterns, and publicize it to citizens who can engage with it and take appropriate action. There must be a "user group" prepared to leverage the specific information, which is often necessarily networked to other streams of data. In the case of financial disclosure, detection of conflict of interest and corruption is often interwoven with lobbying, gifts, campaign donations, contracts, state spending and other data. Further, there must be institutional capacity – prosecutors, the press, ethics commissions – to make these connections.

As the number of reporters continues to decline across the United States and research on "news deserts" develops, we are beginning to understand the consequences of a public sector that lacks the structural capacity to ensure accountability (Abernathy, 2016; Waldman, 2011). Stronger financial disclosure practices are no cure-all in terms of ensuring integrity at the state and local level. Yet uniformly improving these practices across the 50 states is clearly one important step. It makes the ethical conduct of public business, and the detection of unethical behavior, that much more probable.

References

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