Improving Transparency Through Data Standards: Mandating Machine-Readable Financial Reporting For State and Local Governments

Current Problems with State and Local Financial Reporting

- The lack of standardized, audited financial data complicates state efforts to construct early warning systems for local fiscal distress or perform other comparative analysis.
- Important financial data about public pensions and other post-employment benefits (OPEBs) is buried in PDF-formatted Comprehensive Annual Financial Reports (CAFRs), making it difficult to compare employee retirement obligations.

Florida Leads Nation in Setting Data Standards

In 2018, Florida enacted a law making it the first state in the nation to require local governments to migrate CAFRs from PDFs to eXtensible Business Reporting Language (XBRL), a machine readable format common in corporate financial reporting.

- XBRL documents can be easily loaded into spreadsheets and databases.
- Gives investors, researchers, and state oversight agencies the ability to easily calculate key risk measures (e.g., ratio of long-term obligations to total revenue).
- Empowers and funds the state's CFO to lead XBRL taxonomy development and implementation (creating the list of standard terms that can be used in CAFRs).
- Florida's approach can be improved upon by extending the XBRL reporting mandate to include both the state itself, as well as all CAFRs and Actuarial Valuation reports prepared by state and local public pension plans.

Why XBRL is the Best Solution

- XBRL is a tested and proven technology used by:
  - Securities and Exchange Commission for data on public companies
  - Federal Financial Institutions Examination Council for data on banks
  - The Spanish central government for reporting by 8,000 local governments
- XBRL will save time and money for both government and researchers by replacing voluminous PDFs that are costlier to create and analyze.

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