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March 18, 2019

Senator John M. W. Moorlach
State Capitol, Room 2048
Sacramento, CA 95814

SUBJECT: Support for SB 598

XBRL US is pleased to offer its support for the goals of SB 598, which modernizes California's municipal finance reporting practices. XBRL US is a nonprofit standards organization, with a mission to improve the efficiency and quality of reporting in the U.S. by promoting the adoption of business reporting standards. XBRL US is a jurisdiction of XBRL International¹, the nonprofit consortium responsible for developing and maintaining the technical specification for XBRL (a free and open data standard widely used in the United States, and around the world for reporting by public and private companies, as well as government agencies).

We support SB 598 because of the proven success of financial data standards at improving the efficiency of data reporting, collection and analysis, which will reduce government expenditures and lower the cost of capital for public agencies in California. This bill would replace portable document format (PDF) audited financial statements with filings in inline eXtensible Business Reporting Language (iXBRL). A multi-stakeholder process would oversee the development of an XBRL taxonomy suitable for public agency financial filings. The State Controller would be required to post all public agency audit reports on a publicly accessible website.

We do, however, recommend two changes to the language in the legislation which are important to the success of the program:

Foster an eco-system of XBRL creation applications.

Encourage the development of multiple commercial and open source iXBRL creation applications that can be used by public agencies to develop XBRL-formatted filings, rather than only build a single open source application that agencies may be required to use, as noted in Section 4540.4 (B).

Require that the open source software has no restrictions on its use, so that commercial providers can build on it and develop more creation applications to ensure public agencies have ready

¹ XBRL International: <http://xbrl.org>

access to low-cost, feature-rich applications that continuously evolve to meet changing reporting needs and technology advances.

Most reporting entities will require some level of support (through documentation, technical assistance, etc.). An open source (free) tool may not meet the needs of all filing entities. Any software tool to create Inline XBRL reports will also need ongoing maintenance and development to adapt to new taxonomy releases and industry changes. While the commission may wish to ensure that an open source tool is available by including it in the legislation, it is critical that the commission also foster a competitive marketplace of commercial applications to give public agencies choice.

Include an individual with financial data standards expertise on the Open Financial Statement Commission rather than simply an information technology professional.

Standards expertise is relatively unique and is not necessarily understood by every technologist.

Over 1,500 public entities prepare annual financial statements, independently audited, and submitted to the State Controller. The reports are submitted as a PDF, either in a text-searchable format or as scanned physical documents producing data that are difficult to extract and analyze. iXBRL has been adopted by the Securities and Exchange Commission for operating company financial statements and fund risk/return summary information, and by the Federal Deposit Insurance Corporation for bank institution reporting. XBRL is widely used around the world by government and business; it has been adopted by over 100 regulators, is employed by over 10 million companies; and is used in over 60 countries. It is a modern tool for analyzing financial reports that can ensure transparency in the world of municipal finance.

This measure will help local governments, private analysts, and the public better track taxpayer dollars by switching to a system that is more accessible, efficient, and user-friendly.

For these reasons we are pleased to support SB 598 and we applaud the work of Senator Moorlach and his team in developing this legislation. Please contact me with any questions at (917) 582-6159 or email Campbell.Pryde@xbrl.us.

Sincerely,

A handwritten signature in black ink, appearing to read 'Campbell Pryde', written in a cursive style.

Campbell Pryde
President and CEO