

## **Testimony from Michelle Savage, Vice President, XBRL US to the California State Committee on Governance and Finance**

**April 10, 2019**

Thank you, Chairman McGuire, Vice Chair Moorlach and members of the committee. I appreciate the opportunity to provide testimony today. I'm mS and I'm with a nonprofit standards organization called XBRL US.

Our mission is to improve government and business reporting through free and open standards. We have built standards programs for the SEC and for the Dept of Energy( for solar financing).

Accurate, timely, automated, unambiguous data, is necessary for government setting policy; for municipal securities analysts making investments; and for citizens to understand how their tax dollars are being spent.

The one method to ensure the availability of high quality, timely data is through standardization. Data standards are a long-term solution to reduce data collection and analysis costs, increase transparency and accountability, and let governments respond to change.

We support SB598 because it will help the state of California establish a better data collection and analysis infrastructure – for the long term.

While the benefits of standardization outweigh the cost, cost is always a concern, particularly when it comes to government programs. SB 598 calls for the creation of an XBRL taxonomy which is a digital dictionary of terms that represents financial statement data. The taxonomy can grow and change over time, but the creation of the taxonomy is a one-time cost. Support and maintenance going forward can be handled by business managers and doesn't require significant IT involvement.

An XBRL US working group is building data standards to represent the CAFR – this can be a starting point for the California data standards. That work is already done.

The XBRL standard is named in SB 598 because it has certain characteristics that make it the right fit for state and local financial reporting:

### **Widely used**

Its been adopted by 100 regulators , used by over 10 million companies. Used by governments, private and public companies, and banks. XBRL is mature, and well-supported standard. In the US, over 6,000 US public companies and over 8,000 banks report their financial statements to regulators every quarter in XBRL format.

### **Free, Open**

Second, XBRL is free, open, nonproprietary. There are no licensing fees to use the XBRL technical specification. This keeps costs low.

### **Software agnostic**

Third, XBRL is NOT software or a product. But any existing software can be enabled to support XBRL. Software that municipalities already work with.

### **Financial data**

Fourth, XBRL is the only standard that can unambiguously handle financial data. Every data point delivered in XBRL form carries with it metadata like time period, definition, data type, units, and even dimensional characteristics like whether it's for governmental activities or business-type activities. Paper documents (PDF, Excel) are transformed into machine-readable data so that information can be automatically extracted and analyzed.

### **Adapts to change**

Requirements change and XBRL is designed to handle that. Today, 6,000 public companies transition to a new taxonomy every year; 8000 banks transition to a new taxonomy even more frequently (as much as every quarter). The XBRL standard also adapts to technology changes. The technical standard has been adapted to work with not only XML, but also with JSON and CSV files.

Governments worldwide adopt standards because they work. The SEC is adding new rulings every week that require the use of XBRL because the data is easier to work with. The FDIC program for banks has resulted in massive increases in productivity. A program in Australia where businesses report to the government in standardized format is saving them \$1.1 billion every year.

I urge you to support SB 598 – it will be a win for California.