# Government Lending Transparency Act

## STATE GOVERNMENTS DON'T ACCOUNT FOR MANY OUTSTANDING LIABILITIES

State governments operate like banks and lend public money to local governments or the private sector

Unlike banks, the total amount or potential losses from these lending programs **are not reflected in the budget** or even accurately reported

There is almost no research on this subject, but these loans and debts **likely exceed $100 billion a year**

**Government loans often fill in "gaps" in private lending, so the risks are likely greater than private sector loans**

## PUBLIC ACCOUNTING SHOULD HAVE THE SAME STANDARD AS PRIVATE ACCOUNTING

The State Lending Transparency Act ensures that taxpayers, bond buyers, and legislators know the true cost of lending and guarantee programs by requiring the state to:

**List all state programs** and the amount of money each lends or guarantees

Use **private-sector accounting standards** to estimate the likely costs of these programs

**Incorporate these cost estimates** into the state's balanced budget requirements

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# Government Lending Transparency Act

## THIS REFORM **WOULD NOT:**

**1**

### Increase the cost of state borrowing

Bond markets reward transparency, so states can boost their credit ratings

**2**

### Prevent the state from lending or guaranteeing money

It incorporates reasonable cost estimates into state budgets

**3**

### End important government programs

It merely makes transparent the actual financial risks from state programs

## INCENTIVES MATTER


The federal government's comprehensive accounting standards helped expose defaulted loans to businesses such as Solyndra and the true cost of housing and student loans

## BOTTOM LINE

To best direct and protect state resources, policymakers and voters deserve to know the total amount of state loans and guarantees and what the likely losses are

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