

House Bill 2375 March 17, 2015

*Section 1,*

*The task force on accountability and public contracting is established consisting of nine members.*

*All members are either legislators or public employees.*

*The task force shall*

*Improve accountability, and lower financial risk, the risk of liability, and other risks?.*

*What are the financial risks? . Does it include public monies provided to the public contractor. How much flexibility does the state have if the contractor needs some modifications? Are there any third parties involved?*

*Does financial risk include the cost of not completing the contract?*

*The bill does not address when payment by the state is made.*

*Tim Cowan, the citizens lobbyist tm*

If you don't know the financial condition of the borrower, then you don't know how to structure your loan. If you don't know how to structure your loan, you are the last to know when the company is in trouble. When you are the last to know when the company is in trouble, you lose the ability to address the issues before other creditors cut and run. When you're the last to know, you're the last to get any recovery.

What they wanted was magic formulas. Such as, current ratio, working capital, debt to worth, minimum capital. Why did the banks have problem loans? They didn't know how to analyze the financial condition of the borrower, structure the loan, and thus could not monitor the loan. Not understanding the financial condition of their borrower, made them nervous and less likely to make modifications to the loan requirements.

I bet you don't know one of the major events that cause the bank to be nervous.

### ***Growth***

***Tim Cowan, the citizens lobbyist. Tm***