

Help Your Local Communities by Co-Sponsoring

HR 467: The Equitable Treatment of State and Local Governments Act of 2009

(Current co-sponsors: Baca, Connolly, Ellison, Farr, Filner, Grayson, Perlmutter, Linda Sanchez, Schiff)

June 19, 2009

Join us in helping state and local governments and other publicly funded entities nationwide that lost millions of safely and prudently invested taxpayer dollars when the Treasury Department allowed Lehman Brothers to go into bankruptcy last September.

HR 467 would require the Treasury Department to repurchase certain Lehman investments held by these government entities at full face value using TARP funds. The Treasury Department has used hundreds of billions of taxpayer funds to save Wall Street. We are asking that it use just \$1.7 billion of those taxpayer provided funds to save Main Street. This truly is a national problem--there are affected communities in at least 20 states, from Alaska to Washington to Massachusetts. For example, public entities in Minnesota lost more than \$56 million, Missouri lost \$50 million, Oregon lost \$173 million, Arizona lost \$61 million, and communities in California lost more than \$350 million. Florida, already hurt hard by natural disasters and the recession, lost more than \$465 million. This is money these communities, already devastated by the recession, cannot afford to lose. These local governments provide critical services and programs that every American family and business relies on to protect public safety, provide healthcare services, respond to emergencies and educate our children.

Lehman is the only major investment bank the federal government did not rescue last Fall when Wall Street went into freefall, seemingly overnight. In the words of Nobel Prize winner Paul Krugman, the decision to let Lehman fail was the event that “basically brought the entire world capital market down.” The decision by the Treasury and Fed to allow Lehman—and only Lehman-- to fail was arbitrary and caught many taxpayer-funded agencies unprepared.

It is not like these government bodies were using taxpayer funds to speculate in the market. The public agencies we are talking about invested in Lehman corporate bonds and notes as part of a strict, safe and conservative investment strategy. In fact, most of the debt instruments in question were highly-rated right up until the moment of Lehman’s collapse.

We believe the Treasury already has the power to do what we are asking. Section 103 of the Emergency Economic Stabilization Act, that we passed last Fall, instructs the Treasury Secretary to take into consideration “the need to ensure stability for United States public instrumentalities, such as counties and cities that may have suffered significant increased costs or losses in the current market turmoil.”

Restoring the value of these Lehman Bonds is perhaps the fastest way to bring relief to communities across America, allowing them to pay their employees, maintain current levels of service and immediately put shovels in the ground on already approved projects.

Our communities need help now. To co-sponsor this legislation or if you have any questions, please contact Erin Ryan (Speier) at erin.ryan@mail.house.gov or at 5-3531.

Sincerely,

Jackie Speier
Member of Congress

Anna Eshoo
Member of Congress