

United States Senate

WASHINGTON, DC 20510

October 24, 2008

The Honorable Henry M. Paulson, Jr.
Secretary
United States Department of the Treasury
1500 Pennsylvania Avenue, NW
Washington, DC 20220

Dear Secretary Paulson:

We write to follow up on the attached letter sent earlier this week by twenty California cities and counties regarding the Troubled Asset Recovery Program (TARP) in the Emergency Economic Stabilization Act of 2008.

California cities and counties could lose an estimated \$250 million as a result of investments with failed institutions such as Lehman Brothers and Washington Mutual. This is particularly troubling because these were highly-rated, conservative instruments designed to provide value to investors, including these local governments. The severe losses incurred by local governments now threatens not only retirement security and jobs, but also the availability of public health and safety services in communities throughout our state.

As you know, the economic rescue legislation included provisions that require Treasury to consider the impact of financial market losses on local governmental entities as part of the TARP. Accordingly, we request that you work constructively with California communities that are experiencing financial difficulties as a result of failed highly-rated investments to help develop solutions which keep local communities solvent and protect taxpayer investments.

We cannot ignore local communities that may become unable to provide essential public health and safety services for their citizens. Please do not hesitate to contact us to discuss how we can work together to address this situation. Thank you for your time and attention to this serious matter.

Sincerely,



Barbara Boxer
United States Senator



Dianne Feinstein
United States Senator