



February 13, 2009

The Honorable Timothy F. Geithner, Secretary  
Department of the Treasury  
1500 Pennsylvania Avenue, NW  
Washington, D.C. 20220

Dear Secretary Geithner,

We write to you with a great sense of urgency regarding the Troubled Asset Recovery Program (TARP) and request that you exercise your authority under Section 103(7) of the *Emergency Economic Stabilization Act of 2008* to purchase the troubled assets held by local governments.

As you know, 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. Given our current economic situation, these services are essential for the millions of families suffering economic hardship. Our country cannot properly function without them.

Like businesses and governments at every level, county governments, city governments, and school districts have been hit hard by tightening economic conditions, a shrinking tax base and reduced federal support. 42 California counties, cities, health, water, and sanitation districts, transportation agencies, and joint powers boards recently wrote to you detailing a financial exposure of \$350 million, and they are not the only local governments who have lost significant investments.

Public agencies across the country have lost a minimum of \$1.67 billion, including: the State of Arizona local government investment pool \$40 million, Florida State Board of Administration Investment Pool \$400 million, City of Thousand Oaks \$14 million, City of Ventura \$10 million, Sarasota County, Florida \$40 million, Mohave County, Arizona \$5 million, Massachusetts State College Building Authority \$5.2 million, Michigan State University \$10 million, CalPERS \$393 million, State of Missouri Retirement System \$50 million, State of Oregon Investment Pool \$170 million, Washington State Board Investment Pool \$130 million, and the list goes on.

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All of these agencies invested in conservative corporate bonds and notes issued by firms that have now filed for bankruptcy, including Lehman Brothers Inc., and the catastrophic losses of these localities will result in massive job losses, termination of ongoing construction projects, and elimination or reduction of critical services. Hospitals will reduce services and staff. Schools will lay off teachers. Police and fire departments will have to reduce patrols and limit services.

On January 15, 2009, Rep. Anna G. Eshoo asked Chairman Barney Frank of the Financial Services Committee on the House floor whether the *Emergency Economic Stabilization Act of 2008* granted the Treasury Secretary the authority to purchase troubled assets held by local governments. The Chairman confirmed that authority and said "we expect it to be used and demand a written explanation as to why not. Municipalities have been the unfair victim of this economic crisis."

The *Emergency Economic Stabilization Act of 2008* was signed into law to stabilize our financial system, protect taxpayers, and mitigate the current losses to our economy. If local governments are forced to bear catastrophic losses, local economies will be severely impacted, which in turn will further exacerbate the ongoing problems with our economy and our financial system.

We strongly urge you to use your authority to protect taxpayer funds and purchase the troubled assets held by local institutions. We would like to meet with you to discuss this matter and our staff will follow up with your office to schedule a meeting as soon as possible.

Sincerely,

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