

To strengthen
and promote
cities as centers
of opportunity,
leadership, and
governance.



National League of Cities

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December 6, 2009

The Honorable Barack Obama
President
The White House
1600 Pennsylvania Ave., NW
Washington, D.C. 20500

Dear President Obama:

While the nation's economy may be approaching the late stages of the worst economic downturn since the Great Depression, the consequences of the recession will be playing out in America's cities and towns and in the lives of families for years to come. Since the onset of the economic downturn, city leaders have been forced to make tough choices in an effort to provide desperately needed services and to drive their local economic engines while responding to large and often persistent budget shortfalls. With the nation's unemployment rate at 10 percent and more than 8 million jobs lost since the recession began, families are being forced to do the same.

The extraordinary federal investments in the \$787 billion American Recovery and Reinvestment Act (Recovery Act) are beginning to arrive in our cities and towns, supporting the important role of local governments as agents for the nation's recovery. At the same time, however, nine in 10 city finance officers are reporting difficulties meeting their fiscal needs in 2009 and that they will be less able to meet their fiscal needs next year. In the absence of additional federal intervention, a deepening local fiscal crisis could hobble the nation's incipient recovery with more layoffs, furloughs, cancelled infrastructure projects, and reduced services.

Accordingly, to advance our shared, long-term goals of economic prosperity for our nation, our communities, and our families, the National League of Cities (NLC) urges the federal government to do more to create jobs quickly and to stabilize local government budgets. NLC respectfully recommends the following steps to advance those priorities.

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Save Jobs by Investing in America's Cities and Towns

Under the Recovery Act, the states received \$135 billion in health care and education funding that was flexible and allowed states to offset planned budget cuts and tax increases. According to the National Governors Association, if Congress had not made these funds available, state budget cuts and tax increases would have been much more draconian and devastating to state governments, their employees and citizens. These budget cuts and tax increases would also have been more devastating to the nation's economic recovery.

Like states, cities are facing sizable budget shortfalls for 2009 that are expected to grow much more severe and widespread in 2010 and 2011. And, with the pace of recovery still sluggish, local government budget tightening and spending cuts over the next two years could well impose a significant drag on the nation's economic performance.

To help ensure that does not happen and that local governments are able to fully function as the economic engines the nation needs them to be, we call on the federal government to provide funds for fiscal assistance directly to local governments to help save public sector jobs – the very jobs that can ensure a climate ripe for economic recovery and private sector job creation. NLC welcomes the opportunity to collaborate with you to structure a program to accomplish this quickly and in a manner that would ensure the funds are targeted based on community need and tied to local economic recovery.

Create Jobs by Investing in America's Workforce

One of the most direct and visible ways to put large numbers of unemployed individuals in America's cities and towns back to work quickly is through a public service employment (PSE) program. PSE funding should be made available quickly to local governments through a modified Community Development Block Grant (CDBG) formula so that municipal governments can provide immediate employment to jobless residents through community improvement projects with clear public benefits. New jobs would be created in both public and non-profit sectors with strong protections to prevent displacement or substitution within existing city workforces. Finally, to ensure rapid implementation, city leadership could couple a PSE program with longer-term partnerships with local Workforce Investment Boards to promote stronger linkages to continuing education, occupational training through the Workforce Investment Act (WIA) programs, and emerging transitional jobs programs.

In addition to a PSE program, the Summer Youth Employment Program (SYEP) and the Community Oriented Policing Services Program (COPS) are also direct and visible ways to put people back to work quickly, and we urge you to include additional funding for them in a jobs package. Both proved very effective under the Recovery Act. With the \$1.2 billion in funds

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made available for the SYEP through the Recovery Act, communities created more than 300,000 jobs for young people.

With the Recovery Act COPS program, there was overwhelming demand for the \$1 billion made available to local governments with only enough resources to fund one out of every eight public safety officers requested. The 4,699 public safety officers who will be funded by this program will help local governments maintain the progress we've made in lowering crime rates over the last several years, which is good for the business climate in a community, as well as the quality of life.

In addition to providing funding for these job creation programs, NLC supports extending benefits and subsidized health care insurance for the unemployed; both programs are scheduled to expire at the end of the year without federal action. Besides helping families, unemployment benefits are an effective way to infuse money into the economy quickly.

Create Jobs by Investing in America's Infrastructure

The condition of our nation's infrastructure is vital to our economic recovery and growth. Local leaders from across the country – from cities and towns large and small, rural or suburban, urban or in metropolitan areas – need funds to make badly needed repairs to roads and bridges; modernize water and sewer systems that impact public health; further efforts to reduce greenhouse gas emissions by increasing transit and transit oriented development; and retrofit the nation's housing stock to make it more energy efficient.

NLC calls on the federal government to make infrastructure spending targeted to local governments a priority in any jobs package. This spending would not only create jobs but would also lay the foundation for long-term benefits in our communities. Specifically, we urge you to make funding for the following programs a priority:

1. Transportation. Under the newly created Transportation Investment to Generate Economic Recovery Program (TIGER) program, the U.S. Department of Transportation is making \$1.5 billion available for road and bridge projects, public transportation projects, passenger and freight rail projects, as well as port infrastructure investments. In addition to giving priority to projects that promote long-term outcomes, in selecting projects for awards, the Department will also give priority to projects that create jobs and stimulate the economy in the short-term. The Department received over 1,380 applications requesting \$57 billion in funding for projects. We recommend providing additional funding for transportation projects using the TIGER model to create jobs and help the economy recovery.
2. Energy Efficiency. NLC supports additional funding for the Energy Efficiency and Conservation Block Grant Program to continue the innovative efforts already underway

in cities and towns to create jobs and make investments that will help the country meet long-term clean energy and climate goals.

3. Clean Water and Drinking Water State Revolving Programs. The Recovery Act included \$4 billion and \$2 billion, respectively, to support the construction of facilities or to implement measures necessary to address water quality problems and to prevent water pollution and to help communities achieve and maintain compliance with the Safe Drinking Water Act. To get these resources invested quickly and to create jobs, we recommend more funding for these programs, which flow through the states, with instructions to the states that 100 percent of it be used for principal forgiveness, negative interest loans and grants. We also recommend that these funds not be subject to cost share or state matching requirements and be available to a community regardless of whether it meets pre-defined affordability criteria. Given the current fiscal climate, these adjustments to the programs would ensure that more communities could benefit from these programs and create jobs in the near-term.
4. Community Development Block Grant Program. Some of the very characteristics that make the CDBG an oft-criticized program – long standing existence, great flexibility, direct local allocation – make it a solid counter-cyclical job creation program. It is an existing formula program that has been around for a while, which means it is well understood by federal, state, and local governments and staff and can work smoothly and fast. That it's flexible means it may allow local ingenuity to get money into job-creation quickly. And, its breadth and orientation to urban and struggling communities means it can expedite resources to many of places and types of people that need help most. For all of these reasons, we believe more CDBG funding would be effective in creating jobs in the near-term and supporting needed infrastructure improvements.

Save and Create Jobs by Improving Access to Credit

In addition to direct infrastructure spending, NLC also recommends that measures designed to improve access to credit for local governments and small businesses be included in a jobs package. The municipal finance market, especially the supply of credit, is not functioning as it did before the recession, and it may never do so again. With access to credit, cities create good jobs through capital projects, and to sustain long-term growth, cities need affordable credit. While many cities are beginning to realize the benefits of the finance tools provided in Recovery Act, others are not. To sustain job creation efforts, we recommend an extension of the credit provisions provided in the Recovery Act.

Extending authorization of the Build America Bonds and the increases in the Bank Qualified Debt Limits would sustain important markets for municipal bonds, as would extending excluding application of the Alternative Minimum Tax on private activity and governmental bonds. In

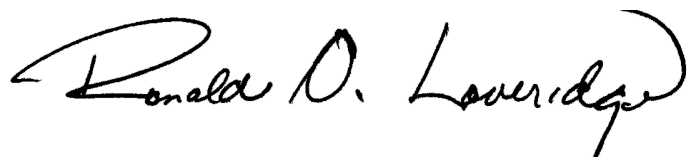
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addition, delaying the effective date (or fully repealing) Section 511 of the Tax Increase Prevention and Reconciliation Act of 2005 (P.L. 109-222), which requires federal, state, and local governments to withhold three percent of their payments for goods and services, would reduce burdensome implementation costs for cities allowing funds to be spent on saving jobs and maintaining essential services.

In addition to extending the Recovery Act credit provisions, enacting pending legislation requiring that all bonds – public and private – be evaluated by credit rating agencies with the same risk of default criteria would reduce the cost of borrowing so cities can create more jobs for their residents. Finally, making permanent the expanded authority for Federal Home Loan Banks to issue letters of credit for non-housing projects would continue a tool that is helping create jobs.

In closing, a few weeks ago, Philadelphia mayor, Michael Nutter, reminded us that “cities are too important to fail.” As the economic engines that generate over 80 percent of the nation’s economic activity, America’s 19,000 cities and towns look forward to partnering with you on our nation’s economic recovery. If you have any questions, please contact me at 951.826.5551 or Carolyn Coleman, NLC’s Federal Relations Director, at 202.626.3023.

Sincerely,

A handwritten signature in black ink that reads "Ronald O. Loveridge". The signature is written in a cursive style with a large, sweeping initial "R" and a distinct "D" for "Loveridge".

Ronald O. Loveridge