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Bay Area Congresswomen Step Forward to Help California Counties

California Representatives Anna Eshoo (CD-14) and Jackie Speier (CD-12) have stepped up to assist California counties to recoup losses incurred when Lehman Brothers declared bankruptcy. Several counties and cities in California had purchased investments through Lehman Brothers and were left holding an empty bag when the bankruptcy occurred. San Mateo County lost \$150 million and Alameda County lost \$5 million. These were funds in the county investment pool and impacted all local agencies in the county.

Congresswoman Eshoo has introduced the "[Restitution for Local Government Act of 2010](#)" to help counties and other public entities get back some of the more than \$1.7 billion they lost when [Lehman Brothers](#) collapsed in 2008. Congresswoman Speier has stepped in as the first co-sponsor.

Eshoo's bill would require the Treasury Department to buy Lehman's assets from these municipalities using profits from the sale of any future [Troubled Asset Relief Program \(TARP\)](#) assets. The Treasury Department has earned \$15.4 billion from dividends, interest, and the sale of bank stock which it bought through TARP, and expects another \$7.5 billion from the sale of its 27-percent stake in Citigroup. Eshoo's bill would use some future TARP profits to buy up Lehman securities, bonds and other instruments held by dozens of local governments across the nation when the global financial-services firm went belly up in 2008. Local governments receiving these funds would have to report back to the federal government on how the money is used and to show job creation, retention, and economic activity equal to the amount of funds they received.

This bill is the result of the dogged determination of San Mateo County to seek redress of their losses. Lehman Brothers was an Aaa-rated investment before going defunct in September 2008. While TARP funds were used to cover the losses of private investors, public investors have been left behind. This bill would seek to correct that from profits made by the federal government.

You may recall that last year, CSAC proposed the use of TARP funds to backstop a letter of credit necessary to support a California Communities TRANS pool issue. That proposal failed to gain traction in Congress. Let's hope, at least for San Mateo and Alameda County's sake, that this legislation fares better.

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