



Sarasota County

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House Financial Services Committee
2125 Rayburn House Office Building
Washington, D.C. 20515

**STATEMENT OF THE SARASOTA COUNTY
CLERK OF THE CIRCUIT COURT AND COUNTY COMPTROLLER
THE EFFECT OF THE LEHMAN BROTHERS BANKRUPTCY ON
STATE AND LOCAL GOVERNMENTS
HOUSE FINANCIAL SERVICES COMMITTEE
TUESDAY, MAY 5, 2009 AT 10:00AM**

Mr. Chairman and members of the committee, thank you very much for the opportunity to submit this statement for the record for the hearing on the effect the Lehman Brothers' bankruptcy has had on state and local governments.

The Secretary of the Treasury has the authority to purchase "troubled assets" as defined within the Emergency Economic Stabilization Act of 2008 (the "ACT"). The purpose of my testimony today is to:

1. Respectfully encourage Treasury Secretary Tim Geithner to designate a portion of the \$700 billion Troubled Asset Relief Program (TARP) to purchase the troubled assets of Lehman Brothers Holding, Inc., held by many cities, states, and local governments, like the State of Florida, its cities and Sarasota County.
2. Request your support for HR467, Equitable Treatment of State and Local Governments Act of 2009.

It is my understanding that as of this date, the Treasury Secretary has not yet exercised his authority to purchase the troubled assets from state and local governments, and the adoption of HR467 will require the purchase of bonds and other debt instruments issued by Lehman Brothers Holdings, Inc.

Florida's weakened economic activity, high unemployment rate, reduced revenue, declining property values and record high foreclosures (*FL ranks in top four in the nation*), and insurance crisis has resulted in an extreme economic crisis for the State of Florida, and weakens our ability to withstand losses caused by the failure of Lehman Brothers. It is important to note that for those states and local governments that rely heavily on development-related revenue and sales tax, like Florida, the impact is even greater due to the severe decline in home construction and spending.

The decision to treat Lehman Brothers' financial situation differently than other failing financial institutions resulted in devastating consequences on state and local governments. The State of Florida was holding over \$300M and Sarasota County was holding \$40M in Lehman bonds at the time Lehman filed for bankruptcy. Our economic analysis indicates

that for every \$10M of losses, the estimated impact to the local economy is approximately 95 jobs, and \$12.7M in total economic output.

The direct impact of this investment loss has had a negative consequence for several key areas of community service: health and human services, public safety, emergency services and courts.

Listed below is a sample of the effect caused by the bonds purchased by Sarasota County Government:

- ❖ Inability to build, equip and staff a new fire station which would expand ambulance coverage in the eastern part of Sarasota County
- ❖ Reduced operating budgets for the county transit authority (non-state and federal funding component)
 - ▶ 45 buses with fixed route service
 - ▶ 2.6 million annual riders
- ❖ Inability to build and equip two new libraries
 - ▶ 2 locations
- ❖ Reduced operating budgets for the county's library system
 - ▶ 8 locations
- ❖ Inability to construct new parks
 - ▶ 11 parks
- ❖ Reduced operating budgets for Pretrial Services
 - ▶ Pretrial Services provides a vital role by ensuring violent offenders are identified, so appropriate decisions concerning their release or detention can be made. Reductions in this program are likely to increase the jail population, and accelerate the need to construct a new jail facility.

I ask for your support to assist state and local governments, by ensuring they are placed in the same position they would have been in, had the Secretary of the Treasury and the Board of Governors of the Federal Reserve System provided emergency financial assistance to Lehman Brothers Holdings Inc.

Mr. Chairman, thank you very much for calling this hearing, and providing me the opportunity to submit this statement for the record.



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