THE FUTURE OF OUR HOMETOWNS AND THE NATION

At Issue: Economic Recovery – A Call to Action

"Cities and towns have implemented creative solutions for making do with less, while managing their budgets responsibly in the face of legal requirements that they be balanced annually. There is, however, only so much cities can do when faced with the macro-economics of a housing market in crisis, flat revenues and soaring health care and energy costs."

— Kathleen Novak, President, National League of Cities, mayor, Northglenn, Colorado

Local elected leaders see and hear every day about the impact the economic crisis is having on our communities and our residents.

- As of October 2008, the number of homes in foreclosure stood above 2.2 million, record numbers of hard-working families remain at risk of losing their homes to foreclosure, and those who are not at risk are seeing their home values decline.
- Retirement savings aren't safe either. Families have lost as much as $2 trillion — or about 20 percent overall — in their retirement plans in the past 15 months.
- In the last 10 months, our country has lost more than 1.2 million jobs, and the official unemployment rate jumped from 6.1 percent to 6.5 percent.
- Other indicators show even greater labor market weakness.
- As many as 27 states face shortfalls of about $26 billion — numbers that could double over the next few months as revenues continue to decline.
- NLC's own survey of local governments shows a similar pattern, with property, sales, and income taxes down between 3 and 4 percent from last year and the rate of revenue losses accelerating.
- Earlier this year, Washington enacted a $700 billion bailout bill to rescue financial institutions and is now considering an additional $25 billion bailout to rescue the auto industry.

Clearly, our families, our hometowns and our nation are in economic crisis. And, it is in America's hometowns where we can find solutions.

Cities and towns are the economic engines of our country. They are home to more than 80 percent of America's residents; they are where 90 percent of the nation's gross domestic product is generated; and they are where more than 80 percent of the country's jobs are located.

AGENDA FOR THE NATION

As Congress and the Administration prepare to take action on a new national economic recovery package, we call for the following actions to help America's hometowns and families, stimulate the economy, create good jobs for our residents, and provide meaningful, long-lasting benefits to our communities. Even with this assistance, local governments will continue to look for opportunities to consolidate government operations, streamline services, and make government more efficient.

Infrastructure Investment

America's cities and towns call upon the federal government to include funding in an economic recovery package that would accelerate infrastructure investments through programs like federal highway and public transit programs, Amtrak, the Airport Improvement Program, the Community Development Block Grant Program, the Energy Efficiency and Conservation Block Grant Program, and the state clean water and drinking water programs. Investment in ready-to-go infrastructure projects — including funds for airports, housing, highways, bridges, transit, clean water, sewer, communications technology, and schools — creates jobs and stimulates the economy.

The U.S. Department of Transportation estimates that for every $1 billion in federal highway investment, 47,500 jobs would be created, directly and indirectly. Similarly, an analysis by the California Infrastructure Coalition concludes that each $1 billion in transit system improvements, including roadways, would produce 18,000 direct new jobs and nearly the same level of induced, indirect investment. If all public infrastructure investment created jobs at the same rate as transit improvements in

California, $150 billion in infrastructure investment would create more than 2.7 million jobs directly, more than offsetting the jobs lost since the bursting of the housing bubble.

Public infrastructure investment not only creates jobs but generates a healthy multiplier effect throughout the economy by creating demand for materials and services. The U.S. Department of Transportation estimates that for every $1 billion invested in federal highways, more than $6.2 billion in economic activity would be generated. Mark Zandi, chief economist at Moody's Economy.com, estimates that every dollar of increased infrastructure spending would generate a $1.59 increase in GDP. By comparison, a combination of tax cuts and tax rebates is estimated to produce only 67 cents in demand for every dollar of lower taxes. Thus, by Zandi's conservative estimates, $150 billion in infrastructure spending would generate a nearly $240 billion increase (or close to a 2 percent increase) in GDP in the first year.

In addition to short–term infusions, infrastructure also has long-term effects brought out over a number of years. It increases America's competitiveness by providing the necessary components for business development and job creation for years to come.

Support to Individuals

America's cities and towns call upon the **federal government to include funding in an economic recovery package to support individuals through the following programs:**

- Medicaid. As a result of projected state revenue shortfalls, low-income families and children are facing cuts or eliminations in health care coverage. The stimulus package should include an increase in funding for Medicaid health costs.
- Food Stamps. A temporary increase in food stamp benefits would immediately help those in need, while providing a quick infusion to jumpstart the economy.
- Unemployment Insurance Extension. The stimulus package should include an extension of unemployment insurance benefits by seven weeks and an additional 13 weeks in states with high unemployment rates to assist the estimated 1.1 million Americans who will exhaust their unemployment insurance by the end of calendar year 2008.
- Job Training. As the unemployment rate continues to rise, demand for job training programs will continue to rise. The stimulus package should include job training funding for dislocated workers and employment activities.

Access to Financial Markets

America's cities and towns call upon the **federal government to ensure that state and local governments have access to the capital markets.** Because of the national credit crisis, cities across the country are reporting difficulty selling bonds and accessing short-term credit to finance everyday local government operations.

In a hometown stimulus package, we are calling upon Congress and the President to:

- Extend Treasury and Federal Reserve authority under the Economic Stabilization and Recovery Plan to ensure that state and local governments have access to the capital markets; and
- Raise the bank-qualified debt limit from $10 million to $30 million, which will allow small issuers to place their issuance directly with banks.

Bringing a stable economy back to our nation, back to our hometowns, and back to our families is the first of many important steps that all levels of government must take to build a better future for the nation's hometowns and families.

We urge Congress and the President to act now to create good jobs and to help our families. Cities and towns stand ready to go work.