

THE WHITE HOUSE

WASHINGTON

June 12, 2010

The Honorable Nancy Pelosi
Speaker of the
House of Representatives
Washington, D.C. 20515

The Honorable Harry Reid
Majority Leader
United States Senate
Washington, D.C. 20510

The Honorable John Boehner
Republican Leader
House of Representatives
Washington, D.C. 20515

The Honorable Mitch McConnell
Republican Leader
United States Senate
Washington, D.C. 20510

Dear Speaker Pelosi, Senator Reid, Senator McConnell, and Representative Boehner:

We are at a critical juncture on our nation's path to economic recovery. I know that each of you is committed to continuing our efforts to help America's families and businesses turn the corner on the deepest and most painful recession America has experienced since the Great Depression. While our efforts over the past 18 months have helped break the freefall and restore growth, it is essential that we continue to explore additional measures to spur job creation and build momentum toward recovery, even as we establish a path to long-term fiscal discipline.

Given the urgency of the continued economic challenges we face, I am writing to urge swift action on several critical priorities that will give our Nation's small businesses added impetus to hire and grow and address the devastating economic impact of budget cuts at the state and local levels that are leading to massive layoffs of teachers, police and firefighters.

As you know, America's small businesses are key drivers of job creation. They have been at the forefront of the dramatic change in the trajectory of private sector job growth we have experienced over the past eighteen months. At the beginning of 2009, our economy was losing over 700,000 jobs per month. Through the first five months of 2010, nearly 500,000 private sector jobs have been created. While this is good news for those who have found work and for businesses large and small that are once again beginning to expand and add more workers, it is cold comfort for the millions of others who want to get back to work.

This is why the extenders legislation being considered in the Senate is so important. It includes provisions like tax cuts to keep research and development jobs in the United States and extends lending programs through the Small Business Administration so that our Nation's small business owners have access to the capital they need to grow their businesses and create jobs.

The small business legislation that I have called for includes a new lending initiative to help creditworthy firms access loans through community banks and innovative state partnerships. It also calls for the complete elimination of capital gains on small business investments so that small business owners have even greater incentives to expand and create good jobs in their communities. Also important are proposals to bolster our infrastructure and create clean energy jobs here in the United States, including the Home Star program of rebates for home improvements and additional tax credits for clean energy manufacturing here in America, both of which have the potential to unlock private sector investment. All of these targeted, temporary measures are directed at spurring private investment and are cost-effective ways of spurring job creation.

I believe that these targeted investments to help our Nation's small businesses grow and create jobs will boost the economic recovery. I am concerned, however, that the lingering economic damage left by the financial crisis we inherited has left a mounting employment crisis at the state and local level that could set back the pace of our economic recovery. Because this recession has been deeper and more painful than any in 70 years, our state and local governments face a vicious cycle. The lost jobs and foreclosed homes caused by this financial crisis have led to a dramatic decline in revenues that has provoked major cutbacks in critical services at the very time our Nation's families need them most. Already this year, we have lost 84,000 jobs in state and local governments, a loss that was cushioned by the substantial assistance provided in the Recovery Act. And while state and local governments have already taken difficult steps to balance their budgets, if additional action is not taken hundreds of thousands of additional jobs could be lost.

If we allow these layoffs to go forward, it will not only mean hundreds of thousands fewer teachers in our classrooms, firefighters on call and police officers on the beat, it will also mean more costs helping these Americans look for new work, while their lost paychecks will mean less tax revenues and less demand for the products and services provided by other workers.

That is why the actual cost of saving state and local jobs is likely to be 20 to 40 percent below their budgetary cost. The increased matching for Medicaid FMAP currently being considered in the Senate as well as the Teacher Firing Prevention Fund that I have called for would help prevent these layoffs at the state and local level while keeping classroom sizes down and maintaining vital education, health and public safety services. These measures are among the most cost-effective ways of promoting economic growth, as measured by the Congressional Budget Office and numerous independent experts. And they can be designed with appropriate safeguards to ensure that they achieve their objective of keeping people working, rather than rewarding states for poor past policy choices.

Because the urgency is high – many school districts, cities and states are already being forced to make these layoffs – these provisions must be passed as quickly as possible. In addition, we should take steps to continue the Recovery Act program that has already helped millions of unemployed workers pay for continuing their health care coverage.

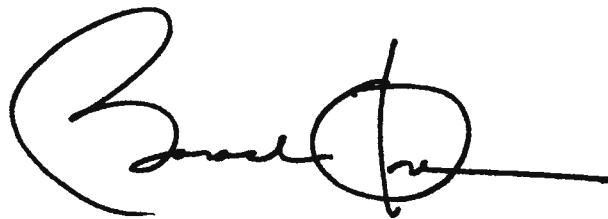
Taken together, these measures to jump-start private sector job creation, avoid massive layoffs at the local and state levels and help the unemployed are critical and timely ways to further the economic recovery and spur job creation. At this critical moment, we cannot afford to slide backwards just as our recovery is taking hold. We must take these emergency measures.

While robust economic growth is essential for achieving deficit reduction, we must also take additional steps to establish a fiscally sustainable budget path over the medium- and long-term. That is why, as we move forward, we must continue to work to ensure that investments are made as efficiently as possible. I have called for a three year freeze in non-security discretionary spending – which the Democratic and Republican Congressional leadership embraced at our bipartisan meeting – and a fee on the largest Wall Street firms to eliminate any increase in the cost of TARP to the deficit. In recent weeks, I have also proposed additional measures to discipline the budget process with expedited rescissions, agency incentives to identify ways to save money, and a process to better use our federal property and sell off the property we do not need.

Ultimately, reining in our deficit will take major steps, including the effective implementation of health reform and laying the conditions for the success of the bipartisan fiscal commission.

Only through this approach of aggressive and well-designed targeted and temporary actions, alongside measures to ensure a sustainable and responsible long-term budget outlook, will we be able to fulfill our economic potential. I know you share my sense of urgency and look forward to working closely with Congress as we continue our efforts to jumpstart job creation and restore fiscal discipline in Washington.

Sincerely,

A handwritten signature in black ink, appearing to be "Barack Obama", written in a cursive style. The signature is positioned below the word "Sincerely,".