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Californians dominate at hearing on U.S. help for muni debt

12:00 AM, May 5, 2009

Cash-strapped state and local governments get to make their case before Congress Tuesday for more federal help in reducing their borrowing costs.

But judging from the witness list for the [House Financial Services Committee hearing](#), it's mostly just California governments who have their hats out: Six of the eight scheduled witnesses are from the Golden State.

Committee Chairman **Barney Frank** (D-Mass.) wants to expand the financial-system rescue by having the Obama administration set up a federal guarantee program for municipal debt. The basic idea: With Uncle Sam standing behind their bonds, state and local governments would see their interest costs plummet, relieving some of the financial pressure they face from the deep recession.



California Treasurer **Bill Lockyer** has championed this idea, too, as I noted in [this recent column](#). With the state facing the need to borrow at least \$13 billion in July via short-term notes, Lockyer is worried that investors won't step up to buy without federal backing for the IOUs.

A spokesman for Frank said the goal of the hearing was to "highlight the impacts of the financial crisis to state and local governments, many of which

have to pay higher costs on their bonds which directly impact the people in those jurisdictions by cuts in service, tax increases or deferred maintenance."

That may be a national problem, but for whatever reason the witness list for the hearing is stacked with Californians (although Lockyer isn't one of them, oddly enough).

Scheduled to testify today are Reps. **Anna Eshoo** and **Jackie Speier** (both Northern California Democrats); **Ron Galatolo**, chancellor of San Mateo County Community College; **Richard Gordon**, a San Mateo County supervisor; **Chris Thornberg**, economist at L.A.-based Beacon Economics; and **Chriss Street**, Orange County's treasurer.

Street, however, actually will be arguing against federal help, as this [preview of his testimony](#) shows.

The two non-Californians on the witness list: **Karen Rushing**, comptroller of Sarasota County, Fla.; and **Bob Hullinghorst**, treasurer of Boulder County, Colo.

— Tom Petruno

Photo: Rep. Barney Frank. Credit: J. Scott Applewhite / Associated Press

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Tom Petruno has been chronicling financial markets' highs and lows since 1979, and has been the Times' financial columnist since 1990. He writes on markets, corporate finance and the economy, and how it all ties in to individual investors' portfolios.

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