

Honorable Chairman and Members of the Committee, Thank you for the opportunity to testify before you today.

Together, as we tackle the challenges that confront the nation, and navigate the financial sinkholes that have created uncertainty and instability, it is important to remember that each and every one of our actions will have consequences, both intended and unintended, anticipated and unforeseen. Whatever we do should be reasoned and rational.

I, more than most, understand what the local elected officials who are testifying here today are facing: angry constituents, an uncertain future and the paralyzing fear of facing a seemingly a insurmountable fiscal black hole.

Fifteen years ago, bad investments forced Orange County, California into bankruptcy. In one of the nation's most affluent counties, taxpayers remain on the hook for \$1 billion dollars of bankruptcy debt. I stood in the shoes of these local leaders.

But as a result of directly facing those challenges, Orange County came together to solve the problems and overcome the obstacles that financial collapse posed. Labor and management, conservatives and liberals, businesses and unions, the entire community pulled together and solved our problems, without the government intervening to cover our investment losses.

Today, because of compromise and teamwork, Orange County holds the prestigious AAAM rating from Standard & Poor's ... the highest rating in the Nation and the only County in America to have achieved this recognition.

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The pleas that you hear today are heart wrenching, but the actions these good people are asking you to take ... are nonetheless wrong.

We, as state and locally elected officials, must live with the intended, and unintended, consequences of our decisions. If we do not live with the decisions and accept those consequences, we are shirking our responsibilities as leaders. We must not look to someone else to blame for our current condition ... or solve our current problems.

Bailouts will not instill the virtue of fiscal responsibility at the local level. A bailout simply masks the problem, and permits leaders to avoid the consequences of financial mismanagement. We must meet today's challenges today ... not push them down the road to our children.

And what are the known, and unknown, consequences if we cover municipal losses? Realistically, just how much more debts can the United States of America assume without threatening the AAA, Full Faith and Credit of our Nation? If the cost to the Federal Government

for issuing debt increases dramatically due to a credit downgrade, all the assumptions upon which the anticipated recovery are based, will be rendered irrelevant and moot.

In the last few weeks the ten-year US Treasury Bond yields, despite billions of dollars of Federal purchases, have already climbed to 3.2 percent. That is a 25% increase in very short period of time!

Rising obligations reinforce the market's concerns about the solvency of the Debt of the United States of America. To add billions more in commitments...could be the tipping point that crushes the fragile and embryonic recovery.

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If we are going to shelter our local leaders from the consequences of their investments in Lehman Brothers, how can we stop there. Why not reimburse cities and counties for their mistaken investments in Chrysler, General Motors, AIG and Washington Mutual.

And why stop at government entities? Why shouldn't we cover the losses of our own citizens who have seen their 401k's decimated and retirement dreams destroyed by this economic tsunami? How do we determine which constituency merits a government bailout?

When we create laws, no matter how good our intentions that exempt individuals from the consequences of their actions, we eliminate responsibility and promote irresponsibility. Bailouts, no matter how lofty the original goal ... encourage bad behavior.

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Pain, however uncomfortable and difficult, is part of the healing process. From experience, I can say that living through and managing short-term pain, gave Orange County the resolve and fortitude to bring about financial rehabilitation and community healing.

I caution you as our National Leaders, to be deliberate in evaluating the legislation before you today and mindful of potentially unintended consequences. ... I urge you to vote no on this proposed legislation.