

Congress of the United States
Washington, DC 20515

December 9, 2009

President Barack Obama
1600 Pennsylvania Avenue NW
Washington, DC 20500

Dear Mr. President:

As 2009 winds to a close, we appreciate the opportunity to return to the White House for a bipartisan discussion of the jobs situation in our country, an urgent matter which we believe has too often been neglected this year by policymakers in Washington.

The harsh reality beyond the Beltway is that the American economy continues to suffer and shed jobs at an unacceptable rate. Millions of American jobs have been lost since the “stimulus” legislation was signed into law in early 2009, the overwhelming majority of them private sector jobs, with another 11,000 lost last month. And long-term unemployment in America continues to rise as many Americans simply give up looking for work altogether, a disturbing trend that must be reversed.

As we prepare to enter 2010, the American people face the daunting prospect of what is, at best, a jobless recovery – something quite different from the immediate job creation and lower unemployment rates they were promised when the massive “stimulus” was signed into law. As your administration prepares to enter its second year, Americans are looking back at the events of the past year and asking, “Where are the jobs?” The urgency of their question has been intensified in recent weeks as you and your colleagues in the Democratic congressional leadership have announced plans to enact another “stimulus” bill financed with money borrowed from future generations of Americans.

The truth of the matter is that small business, not government, is the engine of job creation in America. Unfortunately, the policies that have been pursued in Washington throughout the past year too often seem to have it backwards. Millions of private sector jobs have been destroyed during the past year. Yet instead of receiving relief from Washington, small businesses have watched with anxiety as their government has devoted its attention to enactment of a job-threatening government takeover of health care, a job-threatening “cap and trade” national energy tax, and other policies that discourage job creation. Small businesses are frozen in their tracks as other sectors of our economy – most notably government – continue to grow.

Last week, following an economic roundtable on Capitol Hill, former Congressional Budget Office Director Douglas Holtz-Eakin warned that an agenda of “higher taxes, easier unionization, protectionist trade policy, intrusive energy and environmental regulation, expansive and costly health care, and enormous budget deficits as far as the eye can see – remains the

single greatest impediment to the creation of jobs by small businesses and entrepreneurs.” Mr. Holtz-Eakin's warning was echoed this week by William Dunkelberg, chief economist for the National Federation of Independent Business (NFIB), who said “[t]he legislative agenda in Washington is a major factor blunting consumer and owner optimism.” In short, small businesses need relief from Washington, but over the past year, they've essentially been under attack.

At the start of this legislative year, as you assumed the presidency, Republicans pledged that when we disagreed with you on policy matters, we would not simply be the party of "opposition," but the party of better solutions. Throughout the past year, on matters ranging from jobs/economic recovery and health care to savings, energy, and federal spending, we have honored this pledge. House Republicans formed solutions groups on all of these issues that have developed detailed legislative proposals for your consideration.

With respect to job creation specifically, we presented formal ideas to you in January and again in October, ideas we believe offer a roadmap for a bipartisan approach to helping small businesses get back on their feet and begin creating jobs. With today's meeting, we appreciate the opportunity to present further ideas for your consideration, developed by the House GOP Economic Recovery Solutions Group – and, on behalf of the House GOP American Energy Solutions Group, to respectfully convey a note of caution as you prepare to depart for the global climate change conference in Copenhagen.

To that end, attached please find several proposals developed by the House GOP Economic Recovery Solutions Group that we believe will help restore confidence in our economic future and free our nation's employers to begin creating jobs. Given our record national deficit, we believe it is important to pursue policies that help grow the economy and support job creation without additional government spending, new bureaucracies, or added debt that will be left to our children and grandchildren. Moody's Investors Service has indicated that should we fail to address the growing national debt, our nation's credit rating could be downgraded.

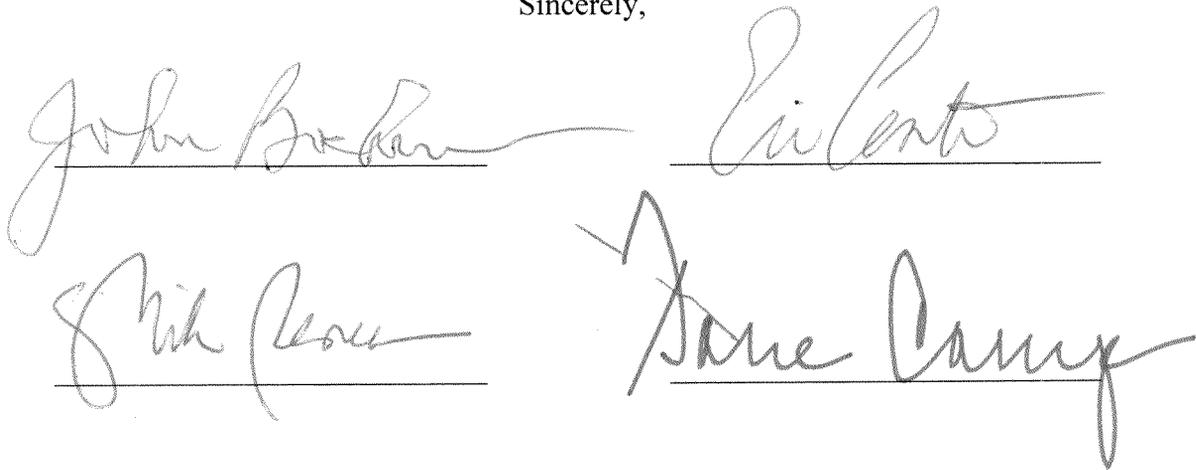
While we appreciate the indication that you are willing to look at deficit reduction as part of next year's budget, rather than increasing spending today and promising deficit reduction in the future, we believe we should act now to demonstrate a commitment to fiscal restraint. Simply put, Washington cannot keep spending money that we do not have. That is why we have proposed limiting non-defense discretionary spending to last year's level. As the Congress is currently debating an omnibus appropriations bill, there is no reason to wait to act on the deficit when we can act now.

We also appreciate this opportunity to reiterate our concerns with reports that your Administration may commit the United States to global climate change standards that will threaten American jobs during your trip to Copenhagen. A binding emissions reduction scheme is certain to have a negative impact on the American economy, particularly for small businesses and the manufacturing and agricultural sectors, during what is already a period of considerable economic difficulty. As members of the House GOP American Energy Solutions Group warned in a letter days ago, it is clear that a binding plan agreed to in Copenhagen would cost jobs in the

United States. As such, we respectfully seek your assurance that U.S. negotiators will not endanger American jobs by committing our government to an emissions reduction protocol at Copenhagen. We believe strongly that a better approach is an "all of the above" energy solution that will ensure energy independence, create American energy by American workers, and help to promote a cleaner environment.

Again, we thank you for the opportunity to return to the White House to discuss the jobs situation in America. As 2009 draws to a close, we would welcome further opportunities to discuss these proposals and issues with you, and to look at any other options for bipartisanship to help struggling working families and small businesses.

Sincerely,



Four handwritten signatures are arranged in two rows. The top row contains "John Boehner" on the left and "Eric Cantor" on the right. The bottom row contains "Mike Pence" on the left and "James Camp" on the right. Each signature is written in cursive and is positioned above a horizontal line.

Attachment: House GOP Economic Recovery Solutions Group Jobs Plan

Republicans' No-Cost Jobs Plan

Tear Down Self-Imposed Obstacles to Economic Growth:

The threat of increased taxes, new government regulation, and costly government mandates – all of which are currently pending before Congress and various regulatory bodies – are a significant threat to any employer who is trying to decide whether they can afford to expand. As the CEO of a steelmaker recently told the *Wall Street Journal* “Companies large and small are saying, ‘I am not going to do anything until these things – health care, climate legislation – go away or are resolved.’”

Therefore Congress and the Administration should:

- ***Halt Any Proposed Rule or Regulation Expected to Have an Economic Cost, Result in Job Loss, or Have a Disparate Impact on Small Businesses:***
 - ✓ Since taking office, the Administration has had under consideration over 100 regulations that are deemed economically significant, meaning they have an impact on the economy in excess of \$100 million. Many of these rules will directly impact small businesses.
 - ✓ The President should issue an immediate Executive Order halting any proposed regulations expected to impose any net costs on the economy in either the near or long-term or that negatively impact small businesses or result in a net loss of jobs. Such rules should be rewritten to fully mitigate any negative economic impact.

- ***Eliminate Job Killing Federal Tax Increases:***
 - ✓ While there is a philosophical difference between the two parties when it comes to taxes, we believe we should find common ground on the premise that the government should at a minimum never raise taxes during periods of high unemployment.
 - ✓ While Republicans will continue to fight both new initiatives that are premised on tax increases and automatic tax increases that are imbedded in current law, we urge a bipartisan commitment to blocking such tax increases at least until unemployment is below 5% again.

Restore Confidence in America's Economic Future:

Record deficits and debts and the seeming lack of commitment on the part of policymakers to restrain federal spending has caused many to conclude that the federal government is likely to address its deficit problems by either raising taxes or inflating the dollar. Even the threat of such actions in the future is a drag on the current economy.

Therefore Congress and the Administration should:

- ***Demonstrate a Commitment to Lowering the Deficit Now Without Raising Taxes By Freezing Domestic Discretionary Spending at Last Year's Level:***

- ✓ In addition to the \$787 billion "stimulus" bill, Congressional Democrats are pushing through appropriations bills that will increase domestic discretionary spending by 12% in one year.
- ✓ A freeze in domestic discretionary spending would immediately save \$53 billion and more importantly demonstrate an immediate commitment to fiscal restraint.

Assist Community Banks and Small Businesses:

The downturn in the commercial real estate market is impacting not just businesses that must roll over their loans, but also community and regional banks that have a significant exposure in commercial real estate. Because commercial real estate loans are generally written for a five year term and many are coming to term over the next several years, approximately \$400 billion in loans must be refinanced each year for the next several years. Many economists have cited the problems in the commercial real estate market as major hindrance to economic recovery.

Therefore Congress and the Administration should:

- ***Assist Community Banks and Small Businesses with the Downturn in the Commercial Real Estate Market:***

- ✓ The after-tax costs of properties could be lowered by reducing the depreciation schedule for property from 39½ years to 20 years or less.
- ✓ Bank regulators should act to improve transparency and ensure flexibility in underwriting and appraisal standards so as to ensure that financing is available for those properties with the promise of generating revenue. At a minimum this should include requiring standardized reporting on the number of performing loans per institution that are not renewed. This would ensure that regulators on the ground are living up to the commitments of regulators in Washington not to deny renewal of loans simply because of a fall in the value of the collateral.

Reform the Unemployment System to Help the Jobless and Small Businesses Alike:

The current Federal-State unemployment insurance program is ill-equipped to assist individuals in the current economic downturn, especially those who may not be able to find employment in their former field. Furthermore, as a result of declining / negative balances in unemployment trust funds, most states will increase unemployment payroll taxes on employers, averaging almost \$250 per worker per year through 2012. This will directly increase costs of employment for businesses of all sizes.

Therefore Congress and the Administration should:

- ***Reform the Unemployment System to Help Those Out of Work Find Jobs and Lower Federal Payroll Taxes to Assist in Hiring:***
 - ✓ Federal unemployment insurance recipients who are most likely to exhaust benefits should be expected to engage in education, training, or enhanced job search as a condition of eligibility. This proposal would expand on the current successful Reemployment and Eligibility Assessment program operated by some States.
 - ✓ The government should require states to adopt a program like “Georgia Works” as a condition of accessing Unemployment Insurance Modernization funds. Under this successful program unemployment insurance recipients are placed in real part time jobs with real employers, with the employer deciding whether to hire them at the end of a 6-week trial period. Their pay during the period is their unemployment benefit, along with a State-provided stipend for job-related transportation and child care expenses. This has resulted in faster returns to work,

less unemployment payments, and thus lower State unemployment taxes.

- ✓ The Federal government could help offset part of the cost of state payroll tax increases by immediately suspending the Federal unemployment tax, saving employers \$56 per worker per year. The “cost” of this tax suspension is \$7 billion a year and could be offset through reduction in improper government payments, which according to the Administration totaled \$98 billion last year – an increase of \$26 billion over the previous year.

Reduce Regulatory and Tax Barriers to Domestic Job Creation:

Federal regulations and tax law often make it easier for large companies to create jobs overseas than to create jobs here at home. Efforts should be taken to ensure the most favorable environment possible for domestic job creation.

Therefore Congress and the Administration should:

- ***Remove Unnecessary Barriers to Domestic Energy Production:***

- ✓ Increased domestic energy production from all sources (including oil, natural gas, oil shale, nuclear, and renewable) has the potential to lower energy costs, reduce our reliance on foreign oil, and create new jobs. Yet regulatory barriers often prevent or unnecessarily delay environmentally sound domestic energy production.
- ✓ The Administration and Congress should act to remove the regulatory barriers to energy production and streamline the existing permitting process.

- ***Provide an Incentive for Companies to Repatriate Earnings Back to the United States:***

- ✓ Currently any profits a U.S. based company earns abroad are taxed at the 35% U.S. corporate tax rate when those earnings are brought into the U.S. As a result companies often choose to reinvest their earnings in subsidiaries overseas rather than at home.
- ✓ In 2004, Congress allowed companies a limited time to repatriate foreign profits and pay a reduced tax rate of 5.25%. The policy resulted in more than \$350 billion dollars of profits being returned to the U.S. and a windfall to the Treasury of about \$18 billion in tax revenue.
- ✓ Providing another limited window for repatriation of foreign earnings would help U.S. companies retain domestic workers and weather the current economic

downturn. This would actually increase revenues in the short-term and any estimated long-term losses can be offset through reductions in improper payments.

Expand U.S. Export Jobs:

Recently President Obama said that increasing U.S. exports by just 1% would create over 250,000 jobs. The independent International Trade Commission has estimated that implementation of the three pending free trade agreements would increase U.S. exports by more than 1%. By failing to act on just the three pending agreements the Congress and the President are preventing the creation of hundreds of thousands of good-paying jobs.

Therefore:

- ***President Obama should submit – and the Congress should quickly approve – these job-creating trade agreements.”***