

**WASHINGTON, DC** –Rep. Peter DeFazio (D-Ore.) today urged President Obama to reconsider an administration proposal to extend and expand the payroll tax cut. DeFazio suggested an alternative that puts millions of people back to work by investing in critical transportation and infrastructure projects.

Recent news stories have highlighted an administration proposal to extend and expand the payroll tax cut on Social Security for an additional year, adding \$220 billion to the deficit. DeFazio's alternative would create an estimated 7.5 million jobs in the construction, architecture, steel, engineering, and manufacturing industries.

Full text of the letter is below.

June 20, 2011

The Honorable Barack Obama

President, United States of America

The White House

1600 Pennsylvania Avenue, NW

Washington, DC 20502

Dear President Obama:

Recent press accounts have reported an administration proposal to extend the payroll tax cut on Social Security for another year and expand it to include the employer side of payroll taxes. I'd like to suggest a more effective alternative to further payroll tax cuts that will put more people back to work at a lower cost.

The one-year payroll tax relief in 2011 added \$110 billion to the burgeoning deficit. Extending this tax break a second year and including the employer contribution will add \$220 billion to the 2012 deficit. I am not convinced continuing a practice that adds billions to our deficit for an unproven job creation policy makes good sense. Putting a few dollars a week in people's wallets is not hastening a recovery or creating long-term economic stability.

Of the tens of thousands of constituent letters, emails, and phone calls I have received since this so-called "tax relief" began, no one has applauded lower payroll taxes. Nor has anyone attributed these lower taxes to job creation. Instead, my constituents remain concerned about the anemic recovery dragged down by high unemployment and high deficits.

Americans understand they cannot ask their children, grandchildren, and even their great grandchildren to pay off the debt we created to give people a small temporary tax cut. But most Americans do think we should be making direct investments that create real jobs. They can all name a federal infrastructure project they benefit from like a nearby interstate highway, federal dam, school, or wastewater system.

As you continue talks with Congress over deficit reduction and raising the debt ceiling, I believe you can make a strong argument that the benefits of investment in infrastructure will more than offset the costs of borrowing. Credible economists attribute 25 percent of today's deficits to lost revenue from high unemployment, the cost of unemployment benefits, and necessary ancillary benefits. Thus putting people back to work could lower the deficit by 25 percent.

Like the U.S., many countries around the world also are making deep and painful cuts to get their budgets balanced. But even as our competitors are making austerity cuts, many have maintained investments in their transportation and infrastructure systems because they know these investments produce economic gains.

Similarly, the bond markets also put a high value on long-term investments that enhance national productivity versus their concerns about borrowing for temporary tax cuts targeted to consumption.

I propose an alternative that is a proven strategy to create millions of jobs which are highly visible to all Americans. If we instead invested \$220 billion in infrastructure projects, we would quickly create jobs for construction workers, architects, steelworkers, civil and software engineers, manufactures, laborers, and a multitude of businesses that supply materials for all these projects. With strong Buy America provisions for these types of projects, we can ensure we are creating jobs here at home.

We know that every \$1 billion invested in just transportation infrastructure, creates or sustains over 34,000 jobs and produces \$6.2 billion in economic activity. Thus a \$220 billion investment creates 7.5 million jobs and \$1.3 trillion in economic activity. This kind of investment would go a long way toward eliminating the backlog of work that must be done to maintain and improve our transportation system and put Americans back to work.

The American Society of Civil Engineers (ASCE) reports approximately one-third of America's roads are in "poor or mediocre condition," and over 150,000 of our bridges are structurally deficient or functionally obsolete. Our major city transit systems have a capital investment backlog of over \$70 billion not to mention more than \$200 billion in proposed unfunded new transit projects. Across the country, trucks are rerouted due to weight restriction on bridges, and Americans waste time and money on high-priced gasoline idling in traffic congestion.

Most Americans think about federal investment when it directly affects them. For instance, Chicago's transit system has a \$6.8 billion backlog of deferred maintenance projects. Unfortunately, the American Recovery and Reinvestment Act (ARRA) only provided \$240.2 million in transit funds to the whole Chicago area. The transit authority obligated the entire amount within 30 days.

While ARRA provided insufficient funding for infrastructure, it also specifically excluded long-term investment in school construction to make way for the marginally effective Making Work Pay tax cut. When that cut expired at the end of 2010, no one noticed. These patterns of promoting tax policies are not major job creators while increasing the deficit are undermining our message to voters.

Your recent speeches indicates a renewed focus on transportation and infrastructure spending and your 2012 budget request included a one-year boost of \$50 billion towards investment in infrastructure. My alternative is consistent with these positions. Let's do away with the dubious payroll tax reduction and use that \$220 billion to rebuild our crumbling infrastructure and put people to work.

Sincerely,

Peter A. DeFazio

Member of Congress

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