



National Association of State
Auditors, Comptrollers and Treasurers

WASHINGTON UPDATE

444 N. Capitol Street NW, Suite 234 ♦ Washington, DC 20001 July 29, 2013

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Detroit Bankruptcy Draws Array of Responses from Congress

Key House and Senate members from Michigan commented on the recent Chapter 9 bankruptcy filing by Detroit:

Rep. Bill Huizenga (R-Michigan's 2nd District):

"This has been an issue 60 years in the making... it's time that we deal with it... I am glad the governor and the emergency manager are moving ahead with this... this offers a fresh start for Detroit. I hope the people of Michigan and Detroit look at it that way as well."

Rep. Dan Kildee (D-Michigan's 5th District):

"Today is a day of reckoning for the nation... Municipalities in Michigan and across the country are increasingly facing insolvency that requires us to rethink the way we support our cities... While it's arguable that this bankruptcy may be necessary, it's certainly not a solution. It doesn't change the fundamental problem of a shrinking population and tax base, or a municipal finance system that fails to recognize the realities of the twenty-first century."

Sen. Carl Levin (D-MI):

"Today's news that the city has filed for bankruptcy protection saddens me, however necessary it may have been. But what stands out about Detroit through the centuries is its grit and resilience. I know firsthand, because I live in Detroit, that our city is on the rebound in some key ways."

Sen. David Vitter (R-LA), sponsor of The State Bailout Prevention Act (S. 101):

"By no means should the federal government be in the business of bailing out state and local governments that are in the red."

Conyers Asks House Judiciary to Hold Municipal Bankruptcy Hearing

The House Judiciary Committee's ranking member sent a letter to the committee chairman last week asking to have a hearing to discuss Chapter 9 bankruptcies for cities, such as the recent bankruptcy filing by the city of Detroit. Rep. John Conyers (D-MI) cited the recent Chapter 9 filings in Jefferson County, Alabama and Stockton, California, and outlined several issues in his five-page letter that are of concern to him:

- Are the Chapter 9 filings being used to override state constitutional pension guarantees?
- Are these Chapter 9 filing being made in "good faith?"
- Are citizens of a municipality being denied their constitutional rights when an unelected entity such as an emergency financial manager commences a Chapter 9 filing on their behalf?
- What is the impact of a Chapter 9 filing on privatization efforts?

Rep. Conyers also wrote that "A broader concern pertains to the nationwide consequences and precedential implications of large municipalities using Chapter 9 to reduce or possibly eliminate their obligations owed to creditors, such as bondholders and pensions."

A full copy of the letter can be found at www.scribd.com/doc/154837028/07-19-13-Letter-From-Ranking-Member-Conyers-to-Chairman-Goodlatte-Re-Chapter-9-Bankruptcy-Hearings.

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Pew Looks at How States are Helping Their Fiscally Distressed Communities

The Pew Charitable Trust has just released its July 2013 report that examines the range of state involvement in local government finances, focusing on identifying the characteristics of financial distress and how those difficulties can escalate to state intervention. The report, entitled “The State Role in Local Government Financial Distress,” examines various intervention practices, identifies challenges, and elaborates on key policy guidelines. The report also features state profiles and how they assisted municipalities facing fiscal stress, the likely outcomes of various approaches, and the implications for cities, counties, states, and taxpayers.

Pew identified five key findings in the research:

- Nineteen states have enacted laws allowing the state government to intervene in a city, town, or county financial crisis.
- Intervention practices vary among the states that have them.
- Some states are more aggressive than others when they step in to help.
- Local governments often accept state intervention begrudgingly.
- It is rare for a local government to seek bankruptcy protection from a court.

The 60-page report can be found at www.pewstates.org/uploadedFiles/PCS_Assets/Report_images/The%20State%20Role%20in%20Local%20Government%20Financial%20Distress.pdf.

The Week Ahead: DATA Act, GAO Improvement, and ACA Implementation

This Wednesday, July 31, the Senate Homeland Security and Governmental Affairs Committee has tentatively scheduled markups on the following bills. However, staff have also indicated that the bills may be pulled from the schedule:

S. 994 — The Digital Accountability and Transparency (DATA) Act of 2013

H.R. 1162 — The Government Accountability Office Improvement Act

<http://www.hsgac.senate.gov/hearings/business-meeting-7/31/2013>

On Thursday, the House Ways and Means Committee will host Internal Revenue Service Acting Commissioner Danny Werfel to discuss the current status of the implementation of the Affordable Care Act (ACA): <http://waysandmeans.house.gov/>.