



April 28, 2009

You may have heard about last week's Assembly Local Government Committee hearing, during which Assembly Member Tony Mendoza presented his Assembly Bill 155 for the Committee's consideration. Sponsored by the California Professional Firefighters and the CDF Firefighters Local 2881, AB 155 would, in its present form, require municipalities (counties, cities, and special districts) to seek approval from the California Debt and Investment Advisory Commission (CDIAC) prior to seeking bankruptcy protection in federal court. Essentially, CDIAC would be able to approve or disapprove a municipality's desire to exercise its right to file a petition under federal Chapter 9.

Last Friday's Sacramento Bee editorial outlines the dynamic involved. The bill results from the recent bankruptcy filing by the City of Vallejo, a move that two of the city's employee unions opposed. These two groups have challenged the City's claim of insolvency, as well as a recent decision by the federal bankruptcy court that bankruptcy code and California law authorizes the City to reject collective bargaining agreements.

AB 155, however, reaches far beyond the current situation in Vallejo and anticipates rampant bankruptcy filings by municipalities in this time of economic crisis. CSAC has argued, along with the League of California Cities, the Urban Counties Caucus, and the Regional Council of Rural Counties, among others, that bankruptcy is the option of last resort for communities facing a fiscal crisis. Not only do we reject the notion that local agencies will be seeking Chapter 9 protection *en masse*, we reject a supposed remedy that places the state as the final decision-maker and further politicizes the decision to turn to the bankruptcy court. The process envisioned under AB 155 is time-consuming, costly, duplicative, and may result in greater fiscal harm to a local agency than would have occurred had the agency gone directly to federal court. At a time when we should be looking to trim the state bureaucracy, this bill would add to it.

AB 155 was voted out of the Assembly Local Government Committee on a 4-3 vote. Assembly Members Juan Arambula, Steve Knight, and Mike Duvall voted "no" on the bill and deserve our thanks. AB 155 now moves to the Assembly Appropriations Committee for consideration. **CSAC is urging counties to communicate their opposition with this bill to their legislative delegation.** We have drafted a sample letter (attached) for your use. CSAC's letters can be found online using our legislative tracking tool. AB 155 is truly one of the most troubling pieces of local government legislation to surface this session and will require direct communication with legislators to keep the pressure on. **Write or call today.**

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