The Macrotheme Review
A multidisciplinary journal of global macro trends

Municipal Bankruptcy: 21st Century Challenges

Valbona Metaj
University of Tirana, Law Faculty, Albania

Abstract

The economic crisis of the early 21st century has affected not only consumers and businesses in the United States, but also local governments. Cities as large as Detroit were experiencing profound challenges ranging from political unrest to bankruptcy filings. This article aims at providing a general understanding of the core laws and practices surrounding municipal bankruptcy by addressing the eligibility requirements, the positive and negative aspects of bankruptcy, and the alternative solutions for financially distressed municipalities. More specifically, a review of statistical data and associated research concerning municipal bankruptcy will be discussed in order to better understand the underlying causes. In addition, factors linked with an increase in local government bankruptcy filings will be examined to discover possible reasons for this new pattern. Finally, it will be answered the question if municipal bankruptcy is the only solution for a local government experiencing deep financial distress. As generally it is best avoided for a number of reasons that will be discussed, it will be provided some tools for emerging from a heavy debt profile that may deliver to better solutions for a city, than declaring bankruptcy.

Keywords: municipal bankruptcy; economic crisis; debt; local government

1. Introduction

The economic climate characterized by recession and financial crises, has affected not only the private sector, but also local governments. In this current decade, American cities have been facing budget problems, which require hard decisions. In order to balance the budget, it is necessary to take urgent measures.

The question raised is that how can a budget be balanced? There are two methods that can make this possible: one method is by raising taxes or the second method is by reducing the expenditures. State laws, ballot initiatives and constitutional restrictions limit the raise of taxes especially of the two major ones, property or sales taxes. Regarding municipal budget, the essential expenditures are those of wages, health care and pensions. Therefore for a municipality in terms of decision-making, it is easier to reduce expenditures by cutting services, lay off employees, or shrinking job positions.

Headcount reductions have a place in municipal management, but the cost savings must be weighed carefully against service delivery and done in combination with other longer term reforms (Puccia, 2011). Longer term solutions require a combination of management and efficiency improvements, changes to wage and benefit packages, and the use of common sense. As it is known the public employees' salaries are expected to grow in future years, and the average growth of the tax levy supporting these salaries should also be grown proportionally. Good management means using your resources effectively and making predictions as close to reality as possible.

If the municipality, even after the tough measures, still remains in crisis or worst degrades, bankruptcy is seen as the final way of salvation. It is important to emphasize that bankruptcy is not always the right cure. However before discussing about the alternative solutions, it is very important to know the reasons that cause a municipality to go broke. The best way to solve the problem is by studying its roots from geneses. Hence this paper will talk below about the causes and reasons that lead a municipality toward bankruptcy.

2. Why municipalities go bankrupt?

Municipal bankruptcy and especially municipal fiscal stress have the origin in a combination of factors such as economic, demographic, financial and political factors. These reasons can be divided into two main categories: social-economic reasons, and local-political reasons (Morgan & England, 1983, 73-74). According to Omer Kimhi (Kimhi, 2010, 351-395), the social-economic causes are:

1. The national economic situation, and in particular a national recession, which shrinks the city's taxes base and lead to a local fiscal crisis.
2. Suburbanization, which shrinks the local taxes base and creates greater unemployment and so leads to economic deterioration.
3. The states' intergovernmental policies, which affect the local budget by determining the type and rates of the taxes and by dispensing intergovernmental transfers. As a result the state imposes mandates due to expenditures, and may lead thus to a local crisis or economic deterioration.

Various scholars have different opinions about local-political reasons. The most important ones are listed below:

1. Individual politicians (Martin, 1982, 129) if they are corrupted they may apply risky financial and accounting practices that lead to a financial distress.
2. The political system-certain attributes of the political system give the liberty to the politicians to overspend without calculating the resources.
3. The level of political fragmentation (Peroti & Kontopolous, 2002, 191-194) which measures the degree, to which the cost of a dollar of aggregate expenditure is internalized by the individual maker in the government (Kimhi, 2010, 351-395). The greater the fragmentation is, the more likely the budget of the municipality will be unbalanced.

In order to have a better understanding of these factors, below it will be analyzed some of the most known and important counties and cities that filed for bankruptcy. It is crucial to underline the factors that cause bankruptcy, and as result to discover what lessons can we learn from these municipalities in crisis.

3. Some examples of counties and cities that have filed bankruptcy

The common characteristic of where expenditures exceed revenues is the main factor of many of the latest municipal bankruptcies. The City of Vallejo which filled bankruptcy in 2009 used to have serious difficulties in balancing its budget. Another common characteristic is high property tax rates. The City of San Bernardino filed for bankruptcy in 2012 due to the high shortfall attributed mainly to the problems with property taxes from housing crises; accounting errors of overstating budgetary balances, and rising labor and pension costs. While the main reason for the City of Central Falls which filed for bankruptcy in 2011 was the unfunded liability for pension and retiree health benefits. The most specific factors that contributed to the cities of Vallejo, Stockton and Central Falls to file for bankruptcy, were reduced revenues caused by the economic contraction and legal and political impediments to raising tax rates (Martin & Thad, 2013, 13). Whereas for many of the cities that have filled bankruptcy recently the major reason is the sudden substantial decrease in assessed property values unpredictably which fits properly also with the City of Detroit that has filled bankruptcy so newly.

The imminent disaster is the estimated $ 1 trillion in unfunded public pension liabilities that municipalities nationwide have amassed (Benvenutti, 2010). Municipalities, for the fact that public pensions are not federally regulated and nor are they guaranteed, have been left in a largely unregulated vacuum, free to make their own choices about how to fund and pay these benefits.

3.1 Orange County, California

According to Mark Baldassare[1], there are three main factors, which cause Orange County bankruptcy. The first one was the political fragmentation as the county had 31 cities and more than 150 governmental entities. The second one was that the distrust of government was rampant among an electorate that was not traditionally conservative but, rather, "new fiscal populist," combining dislike of taxes with moderate social views and a middle-class bias, in favor of the selective continuation of government programs for its own benefit rather than for those less well off. The third was the state fiscal austerity which played a major role. Orange County was especially hard hit by the annual loss of $100 million in property taxes from the state during 1991-1994.

The author blames a little bit everyone, selfish middle-class voters who demand services, but do not want to pay for them, politicians whose Faustian bargain with voters makes them afraid to raise taxes, but willing to accept with no questions asked, risky investments in order to balance their budgets, greedy self-serving investment advisers, who made millions giving irresponsible advice.

After a short overview of the county, which filed for bankruptcy, let's take into consideration a city, which has announced bankruptcy only two years ago in 2013.

[1]The President and CEO of Public Policy Institute of California.

3.2 Detroit, Michigan

Most recently, as stressed by the Judge Steven Rhodes Detroit became the largest municipality in U.S. history which has filed bankruptcy (Thomas, 2013, December 15). In the 1950s, Detroit used to have one of the highest per capita incomes in the country, now it is famous for the highest rate of violent crime. At that time, the population was nearly 2 million inhabitants, now it has decline to 700,000 residents. Suburbanization and the rise of crime are connected. The people who left the city took away part of the revenues, causing serious financial distress for the city. State revenue sharing reduced by $24 million. Based on the Turbenville's report the legislature cut Detroit's annual statutory revenue sharing by an additional $42.8 million (Livengood, 2013).

How did Detroit ended up with almost $20 billion in debt? One of the main reason was the borrowing of a great sum about a billion dollar which was not justified and moreover was mismanaged by the managers of Detroit. It was such mismanagement which led to creation of new taxes and failure to cut expenses. What further exacerbate the situation were the generous bonuses given to the workers and retirees, and from the other side the failure to cut the health care benefits. These were the main reasons that caused the city to face a situation where bankruptcy seems to be the only light at the end of the tunnel.

The city of Detroit is the most proper example, which failed to pay the pensions promised to the retired workers and as a rescue way chose to fill the bankruptcy.

4. Overview of Municipal Bankruptcy

It is of a great importance, to know the basics of the legal constraints, under which a municipality can declare bankruptcy. Bankruptcy is a mechanism that can be applied to persons and businesses and in some cases to municipalities. All the bankruptcy cases are governed by Federal Law as codified in the Title 11- Bankruptcy, or known as the Bankruptcy Code. The authority to decide over the bankruptcy is given to the Congress by the Constitution of the USA to "establish uniform laws on the subject of Bankruptcy throughout the United States"[2] whereas the U.S Bankruptcy Code constitutes the bankruptcy process and the entities eligible to file for bankruptcy. The purpose of the Bankruptcy Act is to permit the discharge of the bankrupt debtor from his debts and to provide for the equitable and prompt distribution of his remaining assets, if any, among his creditors (Greenberg, 1978, 263).

While states are considered sovereign entities and therefore not allowed to declare bankruptcy, a municipality is a legal corporation and thus eligible to file for bankruptcy under "Chapter 9" of the Code, provided certain conditions are met (NASBO, 2012) States determine whether their municipalities, as "political subdivisions, public agencies, or instrumentalists of the state," may pursue this option (NASBO, 2013).

It is important to distinguish Chapter 9, which governs only the procedures for municipal bankruptcy from Chapter 11, which regulates the procedures for businesses bankruptcies. The

[2] See U.S. Constitution Article I, Section 8.

eligible requirements (11 U.S.C. §109(c)) for a municipality to file for bankruptcy under Chapter 9 are:

- **The entity has to be a municipality** which means a political subdivision or public agency or instrumentality of a state, by the definition given in the Code (11 U.S.C. §101(40)). This definition includes cities, counties, townships, school districts, special authorities and public improvement districts such as airport authorities and utility boards (Martin & Thad, 2013, 16).
- **The municipality must have specific authority to file for Chapter 9 bankruptcy under State Law.** Before 1994 it was unclear whether a municipality needed an express permission from the state to file bankruptcy or if simply not being prohibited from doing so was sufficient. Congress ended the debate by requiring specific authorization by states (Wolfe, 2015, 555-556). Regarding the laws states are divided in four groups:

  I. States that allow by law, their municipalities to file bankruptcy without specifying any conditions that they need to meet in order to have their authorization (AL, AR, AZ, ID, MN, MO, MT, NE, OK, SC, TX, and WA[3]).

  II. States that allow municipalities to file bankruptcy, but further actions of state officials or other entities are required, such as notification of governor or fiscal intervention or of utility districts (CA, CO, FL, LA, KY, MI, NC, NJ, NY, OH, PA, RI).

  III. States which laws are ambiguous about municipal bankruptcy (25 remain states).

  IV. States, which laws forbid explicitly municipalities to file for bankruptcy such as the example of Georgia.

- **The municipality must be insolvent.** The term insolvent is defined by the Code (11 U.S.C. §101(32/c) as the financial condition, in which the municipality is generally not paying its debts as they become due unless such debts are the subject of a bona fide dispute or unable to pay its debts as they become due.
- **The municipality must desire to affect a plan to adjust its debts**. Basically, this condition ensures that the municipality is not simply evading its creditors or buying time to repay its debts (Resnick & Sommer, 2011).
- **The municipality has to try to negotiate a debt adjustment plan with its creditors**. It is important to emphasize that the municipality, must satisfy at least one of the four specified conditions to demonstrate, that it has obtained or tried to obtain an agreement with its creditors, that it is not feasible to negotiate with its creditors holding at least the majority of the claims in each class, that the entity intends to impair under its debt adjustment plan, or that it has reason to believe its creditors might attempt to obtain preferential payment or transfer of the entity's assets (NASBO, 2012). According to the courts, municipalities may demonstrate impracticability by the number of their creditors, the need to file a petition immediately to preserve their assets or the need to act quickly to protect the public from harm (Deal, Heier & Kamnikar, 2013, 26-32; see also Gregg, 2011).

These two last requirements are designed to show that the municipality acts in good faith toward its creditors.

[3]See the map of the Municipal Bankruptcy States Law at http://www.governing.com/gov-data/state-municipalbankruptcy-laws-policies-map.html

5. Statistical Data

This part of the paper is dedicated to statistics over the years of municipalities' bankruptcy. The most important component of analyzing statistical data is to better understand the underlying causes. In addition, factors linked with an increase in local government bankruptcy filings will be examined to discover possible reasons for this new pattern.

If we consider the historic aspect, Municipal bankruptcies, known as Chapter 9 filings in federal bankruptcy court, have escalated in recent years due to the current economic climate of lower federal and tax revenues coupled with the increased costs of delivering services to citizens (Deal & Heier, 2013, 26-32). Since 1937 there have been almost 650 Municipality Bankruptcy Filings. Compared to the number of all of the U.S.A Municipality Bankruptcies, which according to the data of US Census Bureau is 89476[4] the percentage of the municipalities that have filed bankruptcy up to now is 0.7 %. According to this statistical data, it can be concluded that municipal bankruptcy is a rare phenomenon.

From 1980 until 2013, based on the statistics of the American Bankruptcy Institute[5] 281 cities filed for bankruptcy under Chapter 9. Since 2010 the number of municipality bankruptcy filings is 38[6]. Among these municipality bankruptcies were 8 local governments (city of Hillview, City of Detroit, City of San Bernardino, City of Stockton, City of Harrisburg, City of Central Falls, Town of Mammoth Lakes, Jefferson County and Boise County). They filed for bankruptcy only during the last 3 years (2011-2013), but the request was dismissed to three of them (Town of Mammoth Lakes, Boise County, City of Harrisburg).

The year of 2012 records the largest number of municipal bankruptcies since 1980, totaling 20 municipal bankruptcies in one year. In the last 5 years, 60 municipalities declared bankruptcy. Thus if we compare this number, with the number of all municipalities, that have filed bankruptcy up to now, which is 650 in total, we notice that roughly 10 % of all municipal bankruptcies, has happened only in these last 5 years. In consequence it can be concluded that recently the number of the municipalities filing for bankruptcy is increased.

According to a recent report of the NYFR completed by Appleson, Parsons and Haughwout (Appleson; Parsons and Haughwout, 2012) defaults have numbered more than 2500 since 1958 and most of these occurred; in bond financing for industrial development 28%, health and human services 23%, in special assessment 8% and to the lower end of the range in pension bond issue defaults 5% (Deal; Heier & Kamnikar, 2013, 27). Accordingly if we compare with the study of 1973 of the Advisory Commission on Intergovernmental Relations which identified eight common characteristics of fiscal stress within a local government, it can be concluded that these characteristics are at present as valid as they used to be in the past.

As a final point, it is important to emphasize, that even though municipal bankruptcy is a rare phenomenon, based on the fact that only approximately 1% of all municipalities have filed

[4] http://www.census.gov/govs/cog/GovOrgTab03ss.html
[5] http://news.abi.org/sites/default/files/statistics/Chapter%209%20Filings%201980- Current.pdf
[6] http://www.governing.com/gov-data/municipal-cities-counties-bankruptcies-and-defaults.html

bankruptcy up to now, recently, in particular in the last five years, it is happening more frequently, equal to 0.07%.

6. Why municipal bankruptcy is more frequent now than it was in the past?

Analyzing all the data from the past until the present a question rose. Why this phenomenon is becoming more frequent now that in the past? As analyzed the number of Municipal bankruptcies filings in federal bankruptcy court, have been increased in recent years.

The great depression was the period when were occurred the most municipal defaults. The default is of two sorts; “monetary” default, which is the most serious event and occurs when the issuer fails to pay principal, interest or other funds when due; and technical or non-payment defaults, which result when specifically defined events occur, such as failure to comply with bond contract covenants, failing to charge rates sufficient to meet rate covenants, failing to maintain insurance on the project or failing to fund various reserves[7].

States received federal aid as part of the Federal Recovery Act (2009), which helped them enormously to avert some of the most harmful potential budget cuts in the 2009, 2010 and 2011 fiscal years (Bulzoni, 2012, 4). The federal government aid ended up on 2011, leading to some of the deepest cuts to state services, since the start of the recession. Far from providing additional assistance to states, the federal government is now moving ahead with spending cuts, which will very likely make states’ fiscal situation even worse (Oliff, Mai & Palacios, 2012). The difficult economic situation of the states is in symbioses with the economic crises of the municipalities.

The role of the States in local finances is significant as they influence both the revenues and expenditures of cities. They determine the types and rates of taxes that localities levy. Grants, shared taxes and loans are another way of how states affect a considerable portion of the local income. It is important to mention state mandates, which obligate the localities to provide services, which if left to their own decision, would not necessarily provide, or would provide at a lower cost. The mandates reduce the localities' flexibility in managing their budgets, and localities are forced to follow them even in times of financial difficulties. States that impose too many mandates, and do not give their localities the ability or the funds to finance them, contribute to local economic crisis.

Recently, States are severely cutting funds to local governments, forcing them to provide essential services from their own revenues. Local governments rely on taxes for revenue, which are collected only once or twice a year. The matrix “do more with less” is important for an efficient local government, but the reality is different than the theory, since many municipalities have been unable to reduce the expenditures or raise revenues sufficiently to meet their obligation (Wolfe, 2012, 555).

In order to fund projects and to provide services that tax revenues cannot immediately fund, they issue municipal bonds. Recently another problem that some municipalities are facing is that they sold more bonds that they can possibly pay back. Local politicians in order to win elections, made promises for many city projects, that were too expensive and were far away from realistic local budget limitations. This phenomenon happened more frequently than in the past

[7]See the explanation given in the glossary of the Glossary of Municipal Securities Terms at http://www.msrb.org/Glossary/Definition/DEFAULT.aspx

and it created the illusion that it was developing the city. It is actually ruining the city deeper and deeper into putrefaction. The debt of some municipalities has become more like a vicious circle, which anymore it is out of the control of its local politicians.

Mismanagement of revenues and corruption of local politicians definitely plays a very important part in creating the economic distress, which many cities are facing as a result of their actions. The cities often reach a financial crisis due to reasons, which are beyond their local officials' realm of control.

Many local crises that took place in the last fifty years are associated with a suburbanization process. When businesses and residents move, causes local tax base to shrink. The vacuum created by those who left causes inflation to strike, and increases welfare costs.

Another reason, that causes the city's tax base to dramatically shrink, is a national recession. The decrease of real estate values reduces the local property tax income. Sales and income tax revenues are reduced by the collapse of businesses. These processes create deficits, which can escalate to a local fiscal crisis.

Some analysts (Dickinson, 2011) concede that there may not be significant increases in municipal bankruptcy filings in the next few years and they argue the perfect storm is looming just off the radar.

In conclusion, mismanagement of revenues, corruption, and the economic recession are the main factors that have caused the increase of municipality bankruptcies recently. These are not new factors because they were present even in the past, but this last decade the debt of some municipalities is like more a vicious circle that is not being managed properly and by no other choice, bankruptcy is seen as salvation.

We can conclude that economic, political and social factors lead a municipality toward filing for bankruptcy.

7. Is bankruptcy the solution?

In order to answer this question, it is import to analyze the advantages and disadvantages of bankruptcy. One important benefit, that a municipality receives, is the protection of the automatic stay, which prohibits any further collection efforts by creditors, by blocking their lawsuits. Renegotiating contracts, raising new revenues and restructuring debt obligations is not an easy task and it requires a lot of time. Bankruptcy gives the municipality time to work out its creditor and cash flow problems. While the benefits of bankruptcy may assist in the recovery of a distressed municipality by allowing more time to organize municipal affairs, while still delivering the critical community services. A municipality, which files bankruptcy is going to benefit from debt relief by reducing its past debt obligations.

To be taken into consideration is that there are more disadvantages for filing bankruptcy for everybody. Bankruptcy provides no answer to the causes of the local crisis, and the problems that brought the financial crisis in the first place will continue to exist even after filing bankruptcy (Kimhi, 2010, 5). The city of Macks Creek, for example, filed for bankruptcy in 1998 and filed a second time in 2000, and it contemplated a third bankruptcy in 2004.

It is especially important to mention the negative consequences for creditors, who invested in the municipality and after the bankruptcy is approved, their benefits will be diminished. The debt relief is an advantage for the municipality, and it is a disadvantage for the creditors. It does affects in a negative way the municipality as well, since future investors will have less trust to spend their money in a municipality which used bankruptcy as a solution of its problems.

Cost is something that the municipality, should take into consideration, when filing bankruptcy. Legal and financial consulting fees are very expensive. It is important to evaluate the fact, that these costs consume funds, that otherwise could have been used more productively.

8. What are the alternatives to avoid municipal bankruptcy?

As President Ford suggested, states should not rely on Chapter 9 to save their cities, but rather they should proactively monitor the local finances and get involved to the extent necessary. The author Omer Kimhi suggests as an alternative to bankruptcy, a proactive state intervention solution. Based on this alternative the state monitors its localities on an ongoing basis and when the state detects signs of local distress it intervenes in the local affairs, and tries to prevent a crisis from evolving. Consequently according to this author, the proactive state intervention gives a distressed locality a better chance for rehabilitation, because the state is able to address the root causes of the local crisis. This solution can benefit all public issuers in the state. Local governments enjoy both better fiscal health and cheaper credit prices.

In order to cauterize pecuniary wounds, municipalities can avoid bankruptcy by "cutting operating and maintenance costs, increasing taxes or other revenues, postponing payments on obligations, drawing down general fund and reserve account balances, inter-fund borrowing, refunding debt to extend maturity dates or reduce current debt service requirements or borrowing from government entities or commercial lenders to temporarily meet existing debt service requirements. These possible alternatives are most successful for municipalities that are only experiencing temporary financial setbacks and expect normal cash flow to be restored in the near future.

However, for municipalities that are experiencing severe, long-term financial distress, such as communities that have been devastated by natural disaster, a more developed legal remedy may be necessary. Some commentators have suggested that the creation of state financial boards offer a solution to large-scale municipal insolvency. Although the requirements to create an ad hoc financial board vary state by state, a vast majority require a "city's credit rating to fall below investment grade, or for the city, to be unable to finance its operating expenses, before intervening with the formation of the board.

9. Conclusions

Municipal bankruptcy is a rare phenomenon, caused by complex and intermingled factors. Recently, many municipalities are facing problems to balance their budget. The reasons vary from municipalities based on their specific differences, but mismanagement, corruption, inability to reduce the debt by increasing taxes or by cutting expenditures or services, have lead most of them into bankruptcy.

Municipality bankruptcy, affects both the city and the state and it impacts the future of generations. It is important to take into consideration the severe consequences as well as the short and long-term drastic measures, which are taken under these circumstances. For these reasons, in my opinion bankruptcy is not the right solution for a distressed municipality.

Since the city notice the first signs of financial distress, it is crucial to discuss its alternatives with the stakeholders. If it is not possible to achieve a mutual agreement, than the interference of the state, is important to save its own creature from deeper regression of the financial situation that can spread among other cities.

REFERENCES

A Free Press investigation, (September 16, 2013). *How Detroit went broke: The answers may surprise you-and don't blame Coleman Young*, pp.2. Retrieved from http://www.memphistn.gov/Portals/0/pdf_forms/How_Detroit_went_broke_.pdf

Appleson, J; Parsons, E & Haughwout, A. (2012). *The Untold Story of Municipal Defaults*. August 15, 2012. Retrieved from http://libertystreeteconomics.newyorkfed.org/2012/08/the-untold-story-of-municipal-bond-defaults.html

Benvenutti, P. (2010). *United Sates: An Overview of Chapter 9 of the Bankruptcy Code: Municipal Debt Adjustments*. Mondaq Blog (Aug. 23, 2010), Retrieved from http://www.mondaq.com/unitedstates/article.asp?articleid=108258

Bulzoni, D. (2012). *Environmental Scan and Five Year Budget Projection*. East Stroudsburg University. March, 2012.

Darby, P, Kaufman, M. & Levinson. M; Marsh. G. & Schalffer, E. (2013*). Corporate Bankruptcy Panel-Municipal Restructuring*. Emory Bankruptcy Developments Journal 29.2.

Deal, K & Heier, J. & Kamnikar, Judith. A. (2013). *40 years later: An analysis of current bankruptcy cases".* The Journal of Government Financial Management. pp 26-32.

Dickinson, M. (2011). *Alabama County Files Biggest Municipal Bankruptcy*. Reuters, Nov. 10, 2011.

Greenberg, D. (1978). *Municipal Bankruptcy: Some Basic Aspects*. The Urban Lawyer. Vol. 10, No.2, 266.

Gregg, J. (2011). *Eligibility of Municipalities for Relief under 11U.S.C 109 (c)(5)*. American Bankruptcy Institute Journal. June 2011. Retrieved from http://www.btlaw.com/files/Uploads/Documents/Publications/John%20Gregg-ABI%20Journal-June%202011.pdf

Hagen, J. & Harden, I. (1995). *Budget Processes and commitment to fiscal discipline*. 39 EUR.ECON.REV.771.

Kimhi, O. (2010). *Chapter 9 of the Bankruptcy Code: A solution in Search of a Problem*. Yale Journal on Regulation 27.2, pp.351-395.

Knox, J, & Levinson, M. (2009). Municipal *Bankruptcy: Avoiding and Using Chapter 9 in Times of fiscal Stress*. Orrick, Herrington & Sutcliffe LLP.

Livengood, Ch. (2013). Report: Detroit's collapse caused more by declining revenue than legacy costs. The Detroit News. November 21, 2013.

Martin, I & Thad, C. (2013). *Employee benefit financing and Municipal Bankruptcy*. The Journal of Government Financial Management.

Martin, Joan. K. (1982). *Urban Financial Stress: Why Cities Go Broke*. pp.129.

Morgan, David R. & England, Robert E. (1983). Explaining Fiscal Stress Among Large U.S. Cities: Toward an Integrative Model, 3 POL'Y STUD. REV.73, pp 73-74.

Oliff, P., Mai, C, & Palacios, V. (2012). States Continue to Feel Recession's Impact Report Published by Center on Budget and Policy Priorities.

Puccia, P. (2011). *Recession pushes Municipalities to the Brink; Fundamental Changes Require Re-examination of Budget Model*. Retrieved from http://www.turnaround.org/Publications/Articles.aspx?objectID=13460.

The National Association of the State Budget Officers (NASBO). (2012). *Municipal Bankruptcy & the Role of the States*.

Thomas, C. (2013). *Detroit's decline didn't have to happen*. RIGHTWING News, December 15, 2013 Retrieved from http://rightwingnews.com/column-2/detroits-decline-didnt-have-to-happen

Von Hagen, Jurgen & Harden, Ian J. (1995). *Budget Processes and commitment to fiscal discipline*. 39 EUR. ECON. REV.771.

Wolfe, L. (2012). *The Next Financial Hurricane? Rethinking Municipal Bankruptcy in Louisiana.* Louisiana Law Review 72 La. L. Rev. 555, 565.