

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 20, 2010
POSITION: Oppose
SPONSOR: CA Professional Firefighters, CDF Firefighters
Local 2881

BILL NUMBER: AB 155
AUTHOR: T. Mendoza

BILL SUMMARY: Local Government: Bankruptcy Proceedings

Existing state law authorizes local public entities, including cities and counties, to file for bankruptcy in federal court without pre-condition.

This bill would prohibit federal bankruptcy filings by local public entities unless approval has been granted by the California Debt and Investment Advisory Commission (Commission) in a noticed public hearing. The bill also would empower the Commission to impose conditions upon the local entities' bankruptcy filings.

FISCAL SUMMARY

This bill would have no state General Fund impact. Administrative delays resulting from this bill could have a significant impact on the fiscal condition of affected local governments.

To the extent that the state prevented local governments from reorganizing their finances through bankruptcy, questions of state liability for payment of the local agency's debts as a state mandate, or under bankruptcy law, might be raised.

COMMENTS

Finance opposes this bill for the following policy reasons:

- This bill would usurp local governments' authority to manage their finances.
If a city or county is facing imminent insolvency, and is unable to restructure its debts and obligations through an expeditious bankruptcy filing, that city or county could be forced to entirely cease the provision of vital services due to a lack of funding.
The amendments to Government Code section 53760, contained in Section 8, are unclear. Subdivision (a) states a local government may file for bankruptcy only with the Commission's approval. Paragraph (2) of that same subdivision states the governing board of a local government whose bankruptcy filing request was denied by the Commission may nevertheless file for bankruptcy if it adopts a resolution to override the Commission's denial. However, subdivision (a) apparently requires that the Commission approve the governing board's resolution.

It is doubtful the Commission would approve a local government's resolution overriding the Commission's denial of the local government's request to file for bankruptcy.

Analyst/Principal Date Program Budget Manager Date
(0762) C. Hill Mark Hill

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)

AUTHOR

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AB 155

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2009-2010	FC	2010-2011	FC	2011-2012	
0001/Major Rev	SO	No		-----	No/Minor	Fiscal Impact	-----		0001