

Municipal Assets in Distress (MAD) Task Force

August 2011

Options for Dealing with Municipal Assets in Distress

In recent months, there has been much discussion on the financial markets' concern over the ability of municipalities to avoid defaults on their debt and other obligations, and increasing speculation that many municipalities may need to seek help to restructure their debts, either through a federal Chapter 9 bankruptcy proceeding or other available state law remedy. We have attempted to set forth for the reader a summary of the available remedies as made available by the various states. Because of the vastly different remedies established by the states, it is critical that municipalities and those with claims against municipalities seek legal counsel at the first hint of distress.

Federal law provides the legal framework for municipal bankruptcy. 11 U.S.C. § 903. However, access to Chapter 9 is regulated by state law: a municipality may only file for bankruptcy if it is expressly authorized by state statute or by a statutorily designated government officer or organization. § 109(c)(2). Moreover, the filing must be voluntary, as a creditor cannot force a municipality into bankruptcy. § 109(c)(4). Other Code requirements include the following: (1) the debtor must be a municipality (defined in § 101(40) as "a political subdivision or public agency or instrumentality of a State"); (2) the municipality must be insolvent; and (3) the municipality must have negotiated in good faith with its creditors or been excused from doing so. § 109(c)(1) *et seq.*

Fourteen states allow municipalities to file Chapter 9 without restriction. Thirteen states conditionally allow municipalities to file Chapter 9. One state prohibits Chapter 9 filings. Twenty-two states lack authorization statutes, thus preventing municipalities from filing Chapter 9. However, financially distressed municipalities barred from Chapter 9 might find relief through (1) increasing taxes and decreasing expenses; (2) a state bailout; (3) judicial receivership; (4) special authorization from a government official to file Chapter 9; and (5) special legislation authorizing state receivership of the municipality.

States Authorizing Chapter 9 Bankruptcy Without Restriction

The following 14 states have authorized municipalities to file Chapter 9 without restriction:

- **Alabama**
- **Arizona**
- **Arkansas**
- **California**
- **Florida**
- **Kentucky**
- **Minnesota**
- **Missouri**
- **Montana**
- **Nebraska**
- **Oklahoma**
- **South Carolina**
- **Texas**
- **Washington**

For a list of state statutes authorizing Chapter 9 filings, see the Appendix.

States Conditionally Authorizing Chapter 9 Bankruptcy

Thirteen states have conditionally authorized municipalities to file Chapter 9. Most often, these conditions include prior approval from either a government official or a state appointed financial review board. Rhode Island goes one step further and requires that a state appointed receiver attempt to resolve a municipality's financial problems prior to a Chapter 9 filing. R.I.G.L § 45-9-1 *et seq.* States that have conditionally authorized Chapter 9 filings include:

- Colorado
- Connecticut
- Idaho
- Illinois
- Iowa
- Louisiana
- Michigan
- New Jersey
- New York
- North Carolina
- Ohio
- Pennsylvania
- Rhode Island*

* As of May 2011, legislation regarding municipal bankruptcy is being debated in the state senate.

For descriptions of the conditions municipalities must fulfill before filing Chapter 9, see the Appendix.

States Not Authorizing Chapter 9 Bankruptcy

Georgia is the only state that expressly prohibits municipalities from filing Chapter 9. O.C.G.A. § 36-80-5. However, a municipality may not file Chapter 9 unless it is specifically authorized by state statute. 11 U.S.C. § 109(c)(2). The following states lack authorization statutes:

- Alaska
- Delaware
- District of Columbia
- Hawaii
- Indiana*
- Kansas
- Maine
- Maryland
- Massachusetts
- Mississippi
- Nevada
- New Hampshire
- New Mexico
- North Dakota
- Oregon
- South Dakota
- Tennessee
- Utah
- Vermont
- Virginia
- West Virginia
- Wisconsin
- Wyoming

* As of April 2011, legislation regarding municipal bankruptcy is being debated in the state house.

Options for Municipalities Barred from Chapter 9

Municipalities located in states that have not authorized Chapter 9 filings have other options available to help rectify financial insolvency.

Increase Taxes and Decrease Expenses

Financially unstable municipalities often seek stability from increased taxes and decreased expenses. This solution is easier in theory than in practice: citizens often lack fiscal capacity to pay increased taxes and leaders may lack the political clout or legal ability to reduce expenditures. Further, raising taxes and cutting services could inhibit stabilization by deterring investment and curbing growth.

It should be noted that this step is often taken by municipalities authorized to file bankruptcy. Chapter 9 requires that a municipality be “insolvent.” 11 U.S.C. § 109(c)(3). In reviewing this requirement, courts analyze a municipalities’ taxing capacity. Courts do not require a municipality to use its taxing authority to the fullest extent possible before being deemed insolvent. See *In re Sullivan County Reg’l. Refuse Disposal Dist.*, 165 B.R. 60, 66 (Bankr. D. N.H. 1994). However, a failure to consider reasonable tax increases can effect the good faith requirement of § 109(c)(5). *Id.*

Debt Limits

Many states strictly limit the amount of debt that a municipality may hold. This policy helps to insulate municipalities from bankruptcy due to structural operational deficiencies. However, these municipalities are still susceptible to bankruptcy resulting from a one-time liability (e.g., a large lawsuit or a natural disaster). In short, while a debt limit does not prevent a municipality from going bankrupt, it reduces the likelihood of municipal insolvency. States that do not allow Chapter 9 filings but have debt limits include Delaware, Mississippi, New Hampshire, Oregon, Wisconsin and Wyoming.

Similarly, Kansas requires all municipalities to operate on a “cash-only” basis. Again, these municipalities are protected from bankruptcy resulting from operational deficiencies, but remain vulnerable to bankruptcy resulting from one-time liabilities.

State Bailout

The most popular solution to municipal insolvency appears to be a state bailout. Two highly publicized state bailouts of municipalities occurred in Harrisburg, Pennsylvania, and Hamtramck, Michigan. Pennsylvania advanced Harrisburg \$3.3 million in aid to prevent the city from defaulting on bond payments.¹ The governor of Michigan denied Hamtramck’s request to file Chapter 9 and instead offered three options: (1) a low interest loan from the state; (2) a tax anticipation loan; and (3) a fiscal stabilization bond allowing the city to borrow an amount equal to three percent of its assets.² Interestingly, both Pennsylvania and Michigan allowed Chapter 9 filings at the time of the bailouts. As of June 2011, Hamtramck is still analyzing the three options.

Judicial Receivership

Insolvent municipalities could file for judicial receivership. In May 2010, Central Falls, Rhode Island, owed over \$10 million on outstanding municipal bonds and was insolvent. At that time, Rhode Island had not authorized Chapter 9 filings, so the municipality petitioned the superior court for judicial receivership. The court granted the petition and issued an order enjoining the commencement, prosecution or continuance of actions or proceedings against the city or any of its property—protection typically afforded under Chapter 9. *Pfeiffer v. Moreau et al.*, C.A. No. PB 10-5615 (R.I. Super. Ct. 2010).³ The court appointed a

¹ Nicole Gelinias, *A Reckless Bailout for Harrisburg*, PHILADELPHIA INQUIRER (Sept. 16, 2010), http://articles.philly.com/2010-09-16/news/24976552_1_municipal-borrowers-debt-service-general-obligation-pledges.

² Kelly Nolan, *Michigan Forbids City To Seek Municipal Bankruptcy*, DOW JONES NEWS (Nov. 16, 2010), http://www.advn.com/news_UPDATE-Michigan-Forbids-City-To-Seek-Municipal-Bankruptcy_45309_449.html.

³ This cite is to a lawsuit over the enactment of R.I.G.L. § 45-9-1 et seq. that discusses the original order. The appointment of the judicial receiver and the enactment of R.I.G.L. § 45-9-1 have been mired in ongoing litigation. The case still serves as solid anecdotal evidence.

receiver with the authority to supervise municipal business and engage consultants. *Id.* Financial institutions and bond ratings agencies were alarmed. Within three weeks, the Rhode Island legislature passed a new law that prohibited municipalities from entering judicial receivership. R.I.G.L. § 45-9-1 *et seq.* This new law requires municipalities to follow a three-step process that includes appointing a financial overseer, appointing a budget and review commission, and possibly appointing a non-judicial receiver who has the authority to approve Chapter 9 filings. *Id.*

While helpful, remedies offered by judicial receivership are limited. Unlike in Chapter 9, a judicial receiver cannot force a creditor to compromise a claim, since the states are prohibited from passing laws impairing the obligation of contracts. See U.S. Const. art. I, § 10. However, judicial receivership can help stay proceedings against the municipality, giving it time to create a plan of action. Even though it doesn't provide the same protections as Chapter 9, judicial receivership can be a lifeboat for municipalities barred from Chapter 9.

State Receivership

Several states have passed statutes authorizing state receivership of financially distressed municipalities. These states include Nevada, Massachusetts, Maine and Pennsylvania. These statutes have rarely been used, and therefore, there is little track record detailing the process by which a municipality would go into receivership.

Special Legislation

Massachusetts, which does not have legislation authorizing Chapter 9 filings, has passed special legislation authorizing temporary state receivership of a specific municipality.⁴

In 1991, Massachusetts passed special legislation that authorized state receivership of the city of Chelsea. Mass. Gen. Laws ch. 200 (repealed). Prior to the legislation, the state attempted to intervene financially, but a fight over the city's budget and a burdensome financial crisis required more drastic measures. The governor, acting under authority of the special legislation, appointed a receiver who held the powers of the mayor, city council and school committee. The city emerged from receivership in 1995, and has remained prosperous and self-sustaining.

In 2004, Massachusetts passed special legislation authorizing state receivership of the City of Springfield.⁵ The receiver renegotiated union contracts, collected uncollected taxes and fines, and overhauled the city's budget. Within five years, Springfield was operating at a budget surplus and was able to repay over \$52 million in state loans. Unlike Chelsea, Springfield had publicly held long-term debt.⁶ However, Springfield was able to avoid default thanks to the state's Qualified Bond Program, which authorizes the state treasurer to make debt service payments on the city's behalf to prevent default. See Mass. Gen. Laws ch. 44A, § 7.

⁴ Pennsylvania also authorizes state receivership of municipalities through an "Act 47" plan. The state also conditionally authorizes municipalities to file Chapter 9. See the Appendix for further information.

⁵ Sarah Schweitzer, *Springfield's overseers leave a city in the black*, THE BOSTON GLOBE (July 1, 2009), http://www.boston.com/news/local/massachusetts/articles/2009/07/01/springfield8217s_state_over_seers_leave_city_in_the_black/?page=2.

⁶ William Cox, *Lessons of receivership: the legacy of Chelsea*, Gov't Fin. Rev. (Aug. 1993), available at <http://www.allbusiness.com/finance-insurance/391457-1.html>.

This manner of addressing financially distressed municipalities seems clumsy, time consuming and highly controversial. Yet, the process can be beneficial. First, it draws state-wide attention to the problem, increasing the likelihood that it will be addressed. Second, while a state cannot force any creditor to compromise a claim (see U.S. Const. art. I, § 10), in both Chelsea and Springfield, the state's receiver was able to fix fundamental financial problems and coax creditors to voluntarily renegotiate contracts. This allowed each city to stabilize its budget and formulate a plan to pay off creditors.

Authorization from a Government Official

With implicit authorization from the state legislature, an executive order authorizing a Chapter 9 filing likely fulfills the requirements of § 109(c)(2).

To file Chapter 9, a municipality must be “specifically authorized . . . to be a debtor under . . . State law, or by a governmental officer or organization empowered by State law to authorize such entity to be a debtor under [Chapter 9].” 11 U.S.C. § 109(c)(2). “Specific authorization” requires that a statute “expressly authorize” a filing with language that is “exact, plain, and direct with well-defined limits so that nothing is left to inference or implication.” *In re County of Orange*, 183 B.R. 594, 604 (Bankr. C.D. Cal 1995). While a statute must “expressly authorize” a municipality to file Chapter 9, a statute need not “expressly authorize” a “governmental officer or organization” to authorize a Chapter 9 filing. *In re New York City Off-Track Betting Corp.*, 427 B.R. 256 (Bankr. S.D. N.Y. 2010).⁷ However, a government officer likely needs implicit authorization from the legislature for an order authorizing Chapter 9 to be valid. *Id.*

The case of *In re New York City Off-Track Betting* involved a Chapter 9 filing by New York City Off-Track Betting Corporation (NYC OTB), a public benefit corporation.⁸ *Id.* NYC OTB was originally under control of New York City. However, once NYC OTB became insolvent, the New York legislature transferred control of the entity from the city to the state. *Id.* at 269. Shortly thereafter, Governor David Patterson issued an executive order authorizing NYC OTB to file Chapter 9. *Id.* Objectors contended that the governor had not been “specifically authorized” by state statute to allow NYC OTB to file for bankruptcy, and therefore, his executive order did not fulfill the requirements of § 109(c). *Id.* The court disagreed.

The court noted that the legislature's failure to delegate a “specific action” did not prevent the governor “from taking that action pursuant to executive order.” *Id.* at 271. In its order delegating control of the entity to the state, the legislature noted that “the continued operation of NYC OTB corporation is of paramount importance to the public interest.” *Id.* Therefore, the governor was implicitly authorized to allow a Chapter 9 filing because he was merely fulfilling the legislature's stated policy. *Id.*

Case law surrounding this particular issue is sparse. Whether or not a government official is “empowered by State law to authorize” a Chapter 9 filing in the absence of a state statute requires an individual assessment of state law and the facts surrounding the case. It is likely that a government officer needs to have implicit authorization from the legislature before he can authorize a Chapter 9 filing.

⁷ The case was eventually dismissed because no reorganization of the company was deemed possible. Due to constitutional limits on Chapter 9 filings, if a municipality cannot reorganize, the court's recourse is to dismiss.

⁸ Public benefit corporations (PBC) “are created by the State for the general purpose of performing functions essentially governmental in nature.” *In re New York City Off-Track Betting Corp.*, 427 BR 256, 265 (Bankr. S.D. N.Y. 2010). Though PBCs “are not the same as the State of New York or its subdivisions, they may be treated as such in certain circumstances.” *Id.*

APPENDIX:

STATE	CHAPTER 9 ALLOWED?	ALTERNATIVES	RELEVANT STATUE	NOTES OR CONDITIONS
Alabama	Yes	N/A	ALA. CODE § 11-81-3	Applies to “the governing body of any county, city or town, or municipal authority organized under Article 9, Chapter 47 of this title”
Alaska	No		N/A	N/A
Arizona	Yes	N/A	ARIZ. REV. STAT. ANN. § 35-601 - 35-605	Applies to “any taxing district.” This language refers to language from the 1898 Bankruptcy Act.
Arkansas	Yes	N/A	ARK. CODE ANN. § 14-74-103	Applies to “taxing agencies or instrumentalities.” Section 101(40) of the Code provides that the term “municipality” means a “political subdivision or public agency or instrumentality of a State.”
California	Yes	N/A	CAL. GOV’T CODE § 53760	None
Colorado	Conditional	N/A	COLO. REV. STAT. § 32-1-1402	Applies to “insolvent taxing district.” An “insolvent taxing district” is defined as “a special district which is organized or acting under the provisions” of the state’s Special Districts Act.
Connecticut	Conditional	N/A	CONN. GEN. STAT. § 7-566	Requires “express prior written consent of the governor.” Establishes a Municipal Finance Advisory Commission that creates policies and regulates municipal finances. See CONN. GEN. STAT. § 7-394b.
Delaware	No	State regulated debt limits	DEL. CODE ANN. tit. 22, § 106, § 830.	State enacted strict debt limits to lessen the likelihood of state default. DEL. CODE ANN. tit. 22, § 106, § 830.
Dist. of Columbia	No	N/A	N/A	N/A

Florida	Yes	N/A	FLA. STAT. § 218.01	None
Georgia	No	State aid available	O.C.G.A. § 36-80-5.	Chapter 9 filing is prohibited by statute. However, the state provides for grants of state funds to municipalities for any “public purpose.” O.C.G.A. § 36-40-23. Ostensibly, a grant could be used to assist financially distressed municipalities.
Hawaii	No	N/A	N/A	N/A
Idaho	Conditional	N/A	IDAHO CODE ANN. § 67-3903	A “taxing district,” defined as “any entity or unit with the statutory authority to levy a property tax” must adopt a resolution authorizing the bankruptcy petition. See § 63-201; § 67-3904.
Illinois	Conditional	N/A	50 ILL. COMP. STAT. § 320/1 <i>et seq.</i>	The Financial Planning and Supervision Commission may recommend that a unit of the local government file bankruptcy. A “unit of local government” is limited to municipalities with populations of less than 25,000 people. The Local Government Financial Planning and Supervision Act details the multitude of requirements for a “unit of local government” to file bankruptcy. 50 ILL. COMP. STAT. § 320/1 <i>et seq.</i> Municipalities with more than 25,000 citizens may seek debt restructuring through the Financially Distressed City Law.
Indiana	No*	N/A	N/A	As of 4/19/2011, the “bankruptcy bill,” which would allow municipalities to file Chapter 9, is in debate in the state senate.
Iowa	Conditional	N/A	IOWA CODE § 76.16A	A “city, county, or other political subdivision” may file Chapter 9 only if it is insolvent due to involuntarily incurred debt.

Kansas	No	Cash only basis	See KAN. STAT. ANN. § 10-1102.	State requires municipalities to operate on a cash-only basis, making a bankruptcy filing highly unlikely and very difficult. See KAN. STAT. ANN. § 10-1102.
Kentucky	Yes	N/A	KY. REV. STAT. ANN. § 66.4	None
Louisiana	Conditional	N/A	LA. REV. STAT. ANN. § 39:619 and § 13:4741	- Section 39:619 requires “consent, approval and authority of the state through the governor and the Attorney General” before filing. - Section 13:4741 requires written approval of State Bond and Tax Board before filing.
Maine	No	State receivership	ME. REV. STAT. tit. 30-A § 6102 <i>et seq.</i>	State law contains provisions for the creation of a Board of Emergency Municipal Finance that would “enable municipalities that have fallen into financial difficulties to receive assistance from the state and to be reestablished on a sound financial basis and to assure the state of the collection of the taxes due from those municipalities to the state.” The statute allows for a type of state receivership. ME. REV. STAT. tit. 30-A § 6102 <i>et seq.</i>
Maryland	No	Treasurer must approve debt limits	N/A	Municipalities must adopt “local debt policies” that are approved by the state treasurer. MD. CODE ANN. Article 95 § 22F. To remain eligible for state aid, a municipality must submit annual financial reports using the state’s uniform system of financial reporting. MD. CODE ANN. Article 15 § 38.

Massachusetts	No	Special legislation for state receivership	MASS. GEN. LAWS ch. 44A, § 7	<p>If a municipality is going to default on bond payments, it can receive financial assistance from the state to prevent default. MASS. GEN. LAWS ch. 44A, § 7.</p> <p>Some municipalities have sought special state legislation allowing for state receivership.</p>
Michigan	Conditional	Emergency Assistance Loan Board	MICH. COMP. LAWS ANN. § 141.1512-1519	<p>Requires notice to the “emergency financial assistance loan board” and authorization from the “emergency financial manager.” Michigan has the most complex process for a municipality to file for bankruptcy. See MICH. COMP. LAWS ANN. § 141.1512 <i>et seq.</i></p>
Minnesota	Yes	N/A	MINN. STAT. § 471.831	<p>“‘Municipality’ means a municipality as defined in United States Code, title 11, section 101, as amended through December 31, 1996, but limited to a county, statutory or home rule charter city, or town; or a housing and redevelopment authority, economic development authority, or rural development financing authority established under chapter 469, a home rule charter, or special law.”</p>
Mississippi	No	State regulated debt limits	N/A	<p>The state limits the amount of debt that a municipality may incur. MISS. CODE ANN. § 17-21-51. Special annual taxes must be levied if a municipality is unable to service its debt. <i>Id.</i></p> <p>The state also offers financial assistance to municipalities from the “municipal revolving fund,” though its disbursements are based on population and not fiscal requirements. MISS. CODE ANN. § 21-33-401.</p>
Missouri	Yes	N/A	MO. ANN. STAT. § 427.100	None

Montana	Yes/ Conditional	N/A	MONT. CODE ANN. § 7-7-132	Applies to “local entities” and requires that a “local entity’s” legislative body passes an ordinance saying that it meets all eligibility requirements found in § 109 of the Federal Bankruptcy Code.
Nebraska	Yes	N/A	NEB. REV. STAT. § 13-402	None
Nevada	No	State Receivership	NEV. REV. STAT. § 354.685	If certain conditions are met, a hearing will be held with the Nevada Tax Commission. “If, after the hearing, the Nevada Tax Commission determines that a severe financial emergency exists, it shall require by order that the Department take over the management of the local government as soon as practicable.” NEV. REV. STAT. § 354.685
New Hampshire	No	State regulated debt limits	N/A	The state limits the amount of debt that a municipality may incur. N.H. REV. STAT. ANN. § 33:4-a. If an entity whose taxes make up five percent of the municipalities revenue files for bankruptcy, thus causing financial distress for the municipality, the municipality may borrow money in excess of the state mandated debt limit. N.H. REV. STAT. ANN. § 33:7-c.
New Jersey	Conditional	N/A	N.J. STAT. ANN. § 52:27-40	Any county, municipality, school district or political subdivision must get approval from the “municipal finance commission” before filing the plan. § 52:27-41. The “municipal finance commission” must also approve, in writing, each payment to attorneys, agents, committees, or other representatives of creditors. § 52:27-42, 43.

New Mexico	No	State Board of Finance may provide technical assistance and emergency loans	N.M. STAT. ANN. § 6-1-1 <i>et seq.</i>	State government, through the State Board of Finance, provides technical assistance and may make “emergency loans” to municipalities in a wide range of circumstances.
New York	Conditional	N/A	N.Y. Local Fin. Law § 85.80	No municipality with outstanding ARRA bonds (as defined in Public Authorities Law Title 18 § 2432) may file for Chapter 9.
North Carolina	Conditional	N/A	N.C. GEN. STAT. § 23-48	Requires approval of “Local Government Commission of North Carolina.” Note that the statute uses the term “taxing district,” which is in reference to language of the 1939 version of the Bankruptcy Code.
North Dakota	No	N/A	N/A	N/A
Ohio	Conditional	Oversight commission assists municipality in “fiscal emergency”	OHIO REV. CODE ANN. § 118, § 133.36.	Filing must be approved by the tax commissioner. A “fiscal emergency” may be declared by state auditor. An oversight commission of seven members is appointed and the city is required to create a plan to overcome the emergency. The state provides fiscal supervision and advice and prepares a “90-day accounting report” within 90 days of declaring an emergency. Even after municipality is out of emergency, state continues to monitor annual financial reports and audits.
Oklahoma	Yes	N/A	OKLA. STAT. tit. 62, § 283	None
Oregon	No	State regulated debt limits	N/A	State mandated debt limits. Org. Const. art. XI, § 10. The Municipal Debt Advisory Commission offers assistance and oversight of municipalities issuing bonds. Or. Rev. Stat. § 287A.630.

Pennsylvania	Conditional	State receivership - "Act 47 Plan"	53 PA. CONS. STAT § 5510.11 and 11701.261	The municipality must submit its bankruptcy petition to the State Department of Internal Affairs and receive written approval before filing. Requirements for approval are detailed in 53 PA. CONS. STAT. § 11701.201. The municipality may elect to follow an Act 47 plan—a form of state receivership. Municipalities are incentivized to participate in Act 47 because of access to state loans.
Rhode Island	Conditional	Non-judicial receivership	R.I. GEN. LAWS § 45-9-1 <i>et seq.</i>	Municipalities are prevented from entering judicial receivership and must proceed through a three-step process including appointment of a financial overseer, a budget and review commission, and possibly a non-judicial receiver.
South Carolina	Yes	N/A	S.C. CODE ANN. § 6-1-10	None
South Dakota	No	N/A	N/A	N/A
Tennessee	No	Assistance from state comptroller with options to restructure debt service	TENN. CODE ANN. § 6-56-101 <i>et seq.</i> ; § 8-4; § 9-21.	State comptroller's office has statutory authority to assist in municipal fiscal crisis. State could allow county to lengthen its debt service (restructure debt). The state could also make a direct loan to a county or guarantee a loan if a county petitions for it. The comptroller's office would perform an audit and give assistance and advice.
Texas	Yes	N/A	TEX. LOC. GOV'T CODE ANN. § 140.001	None
Utah	No	N/A	UTAH CODE ANN. § 10-6-110	State government strictly regulates municipal budgets and requires annual review of each municipality's budget to ensure that revenues equal expenses in any given year. See UTAH CODE ANN. § 10-6-110 <i>et seq.</i> Municipal bankruptcy is highly unlikely.

Vermont	No	Possibility of judicial receiver in some municipal bond defaults	N/A	Possibility of an appointment of a judicial receiver in the “event of default” of municipal bond obligations of public utility systems. VT. STAT. ANN. tit. 24 § 1827. Other statutes deal with bond holders’ rights in the event of default of certain types of municipal bonds. VT. STAT. ANN. tit. 10 § 635, tit. 16 § 3860, tit. 29 § 811, tit. 30 § 5034, § 8067.
Virginia	No	State aid for municipal bond default	VA. CODE ANN. § 15.2-2659	State comptroller will withhold state funds from municipality and make principal/interest payments on behalf of a municipality in the event of municipal bond default. VA. CODE ANN. § 15.2-2659.
Washington	Yes	N/A	WASH. REV. CODE § 39.64.040	A taxing district must adopt a resolution before it files for bankruptcy. § 39.64.050.
West Virginia	No	State aid for municipal bond defaults	W. VA. CODE § 13-3-1	State has a Credit Enhancement Program (consisting of legislative appropriations to prevent municipal bond defaults—the sinking fund deficiencies statute—and the West Virginia Municipal Bond Commission) that reduces risks associated with bond default. W. VA. CODE § 13-3-1.
Wisconsin	No	State regulated debt limits	Wis. Stat. § 67.03	State mandated debt limits established to prevent municipal insolvency. Wis. STAT. § 67.03.
Wyoming	No	State mandated debt limits for bond issuers	WYO. STAT. ANN. § 16-5-107.	State mandated “maximum allowable indebtedness.” WYO. STAT. ANN. § 16-5-107. Any debt created that exceeds the limit is void and any officer who helps create the debt in violation of the state statute and constitution is personally liable. WYO. STAT. ANN. § 16-5-301.

If you have questions regarding the above information, please contact a member of the **Municipal Assets in Distress (MAD) Task Force**.

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