



TAMPA BAY BANKRUPTCY CENTER, P.A.

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January 23, 2011

States Do Not Want Bankruptcy Right

All the states in the US are considered sovereign territories which makes it unconstitutional for them to be under federal bankruptcy supervision. But in times like these where many states are facing huge budget deficits, would filing for bankruptcy be the answer? Newt Gingrich thinks so and he is about to propose a new bankruptcy bill to Congress next month.

As sovereigns, all states are expected to balance their budgets at the end of every financial year, with the exception of Vermont. To improve their cash flow, most states issue state bonds. The bond industry is a burgeoning \$2.8 trillion business each year. Among the biggest bond issuers are New York, California and Illinois.

However all the states including the most cash-strapped ones like New York, California and Illinois reject the idea of a bankruptcy bill. California's state treasurer Bill Lockyer outrightly rejected the idea. He said bankruptcy would destroy the state's ability to overcome the recession and make the infrastructure investments that would create jobs for Californians. He also said that California is taking steps like reducing benefits and increasing workers' contributions in order to close the budget deficit.

<http://tampabankruptcy.pro/blog/>

Lockyer draws a distinction between California's short-term budget deficit and its long-term funding obligations. Both are presently being addressed without having to resort to bankruptcy.

Texas Governor Rick Perry stressed the need for states to be responsible over their own finances without having to receive bailout funds from the federal government. According to him, bankruptcy should not be a means to escape financial prudence and good management.

Thomas DiNapoli, New York's state controller said that filing for bankruptcy and defaulting on bond payments would have a detrimental effect on the state's credit rating and severely destabilize investor confidence. Bankruptcy is seen as merely an easy cop out. As such he is against the option for states to file for bankruptcy, preferring to address the financial shortfall with steps that align recurring spending and revenue.

Illinois Governor Pat Quinn's director of communications for the Governor's Office of Management and Budget, Kelly Kraft was even more blunt, avoiding any comments by saying, "We do not comment on hypotheticals. States cannot declare bankruptcy."

Even though states do not want to file for bankruptcy, you may want to consider doing so to get a fresh start financially. If you or your business wish to file for bankruptcy, call us at (813) 200-4133 for a free consultation.