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Jefferson County Bankruptcy may not Materialize

The plan to avoid filing what would be the nation's biggest municipal bankruptcy might be derailed following opposition to the plan by Alabama lawmakers. Jefferson County's financial problems stem mainly from the inability to repay \$3 billion in sewerage debt. Among the measures proposed to avoid bankruptcy was a sewer rates hike that triggering an adverse response by many Alabama lawmakers.

Over the last 3 years, the Jefferson County Commission has been slogging to find ways to avoid filing for bankruptcy. Commission members worked out a settlement with Wall Street lenders earlier this month that involves the lenders forgiving county debts of about \$1 billion. In addition the county will refinance \$2 billion, and sewer customers are to be subjected to a series of rate hikes. Rates would increase up to 8.2% for each of the first three years, followed by yearly increases of up to 3.25%.

Refusing to back the \$3 billion deal, the co-chairman of the Jefferson County House delegation, Democrat John Rogers of Birmingham, described the requirement for sewer rate hikes over the next 40 years as "asinine, cruel and inhumane." Any plan to solve the financial problems of the county must gain approval of the House as Alabama's Constitution vests lots of authority in legislators over financial matters.

The problem is how to address a \$50 million a year shortfall in revenue. If sewerage rates are not increased, raising revenue might come down to installing occupational tax. But Rogers' other co-chairman of the Jefferson County House delegation is Republican Paul DeMarco who reiterated that he is "100% opposed" to reinstating the county's former occupational tax to generate more revenue. The Jefferson County delegation is generally divided along party lines, with many Democrats supporting an occupational tax while the GOP opposes it.

Another authoritative political figure is the chairman of the Senate Rules Committee, Republican Scott Beason of Gardendale. Beason said, "I've been consistently opposed to tax increases".

Governor Robert Bentley had met with legislators last week to begin drafting details of a preliminary deal. Bentley hopes to avoid bankruptcy because it would raise borrowing costs for Alabama state, its cities and counties. Although there is no deadline for the Legislature to take action, if it does not enact the required laws under the deal on time, it may still have to file for bankruptcy. Governor Bentley said he intends to call a special sitting for the Legislature to approve any agreement.

Governor Bentley is intent on getting asking residents outside Jefferson County to pay for the county's debts. He reiterated, "If there is money that has to be raised, it will have to be raised in Jefferson County".

Jefferson County has more than 658,000 residents and has been hit by the \$3 billion sewer debt, a public corruption scandal, the economic recession and rising interest rates. Recent court rulings dismissing the county's occupational tax left it unable to pay its bond debt and other financial obligations.