

## Beware Chapter 9

Your first questions probably are “what is Chapter 9,” and “why should I fear it?” Simple, Chapter 9 could permanently alter the town you live in and, if you are employed by that town, put a large dent in your future income.

### What is it?

Chapter 9 is one of the chapters in bankruptcy, like Chapter 7, 13 and 11. What’s special about Chapter 9 is that it can only be claimed by municipalities. It was created by Congress in 1934 so that towns could deal with the effects of the Great Depression upon their ability to raise revenue and meet their budgets. There are some differences with Chapter 9 from other chapters in bankruptcy. This chapter is restricted not only to municipalities, but only to municipalities that are within states that constitutionally allow for towns to claim Chapter 9. Further, municipalities can neither be forced into bankruptcy nor can they be forced to liquidate assets, as in the other chapters. Bankruptcy judges cannot modify a municipalities’ bankruptcy payment plan. The chapter does not protect collective bargaining agreements or pension plans. For these reasons, Chapter 9 has been called the “Bankruptcy’s Bully.”

### Why Should I Fear It?

Simple, if the town you live in or work for claims Chapter 9, you are about to lose some part of your town that you rely on. Your town is possibly losing police officers, firemen, teachers or a cut in services such as operating hours at libraries or the town hall. Even worse, the number one reason for a town to consider Chapter 9 is funding pension plans. Once a town claims Chapter 9, pension plans are the first on the chopping block in order to balance the budget. Some pensioners are seeing cuts in the pension payments of 50-70%. Cuts these deep seriously affect a person’s life style.

### What Can I Do?

There is only one solution to solving a town’s economic woes: elect responsible politicians who can design sound financial plans and have the courage to implement them. It’s that simple. In

such trying times, the worst thing for a town is to have leaders who bury their heads in the sand and ignore the financial reality. Otherwise, your town will change and it won't be for the better.

<http://www.latimes.com/news/nationworld/nation/la-na-alabama-bankruptcy-20111111,0,6611133.story>

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<http://borzumalaw.wordpress.com/2011/12/10/beware-chapter-9/>