



eNews

June 13, 2014



Where is the Trust? (Hint: running out of gas.) With time running out, surface transportation advocates are worried the defeat of House Majority Leader Eric Cantor (R-Va.) this week could further complicate sputtering efforts in Congress to prevent the insolvency of the federal highway fund this summer—a prospect already impacting the ability of states and local governments to issue bids. Majority Leader Cantor, who lost in his primary on Tuesday, was a leading champion of a House Republican proposal to tie transportation funding to diverting potential savings from the elimination of Saturday delivery by the U.S. Postal Service to finance a short-term extension of the federal Highway Trust Fund. House GOP leaders have said that eliminating Saturday delivery by the Postal Service would provide about \$15 billion, which they say would be enough to pay for at least one year of transportation projects. But Speaker John Boehner (R-Ohio) and other top Republicans faced pockets of skepticism from GOP lawmakers who see the plan as budget gimmickry and from others who would like to keep six-day delivery. U.S. Transportation Secretary Anthony Foxx suggested the GOP plan was a gimmick after meeting with House Democrats, while also stopping short of saying the Obama administration would oppose the idea. In the Senate, Majority Leader Harry Reid (D-Nev.) said he would defer to Senate Finance Committee Chairman Ron Wyden (D-Ore.) on propping up the trust fund, calling into question his earlier idea to use revenue from a corporate tax holiday to finance highway projects. That earlier idea had already been flummoxed by a letter from Congress' Joint Tax Committee, which, in a letter to Members this week wrote that offering such tax holidays not only would not raise money to finance a temporary patch for the ebbing trust fund, but rather would increase the federal deficit by nearly \$96 billion over the next decade. Combined with the disruption in the House Leadership and the heavy amounts of Congressional vacations this summer, the chances of any long-term solution appear to have gone from slim to none. *Part of the problem appears to be that the federal government, because it does not have a capital budget like every state and local government, tends to encounter problems addressing capital investment needs of the nation.* Yet even a short-term band aid will be difficult: according to the Congressional Budget Office, Congress must find an additional \$100 billion in addition to the current gas tax to pay for a six-year transportation bill—meaning that many think the most likely solution will be kicking the can down the road: a temporary fix to keep the road graders running through the election. Any such temporary patch will, of course, vastly complicate the issue for cities, counties, states, and metropolitan regional authorities to issue debt for transportation-related purposes.

We're for Cutting the Deficit, except when we're not: The U.S. House yesterday voted 272-144 to increase the federal deficit and national debt in order to make permanent some \$75.2 billion worth of federal tax subsidies—small business expensing of up to \$500,000 in qualifying equipment per year, and rules regarding basis adjustments to the stock of S corporations making charitable contributions of property. In acting on the measure, the House did not consider any proposals to pay for the tax subsidies.

Under current federal law, businesses can get immediate write-offs, without spreading deductions over several years, on purchases of up to \$25,000. The benefit is phased out for companies with more than \$200,000 in capital purchases. Under the bill passed yesterday, those amounts would rise to \$500,000 and \$2 million, and would be indexed to rise with the inflation. The proposal also would make it easier for companies to receive federal subsidies for spending on real property, heating and air conditioning units and off-the-shelf software. The White House opposes the bill, and his administration said his advisers would recommend a veto it if it were passed. The \$73.1 billion in forgone revenue to the government over the next decade should be offset to keep from increasing the federal budget deficit according to the administration.



CDBG. The House this week voted 288-134 to defeat a proposal from Rep. Paul Broun (R-Ga.) to cut \$20 million in funding for the Community Development Block Grant program. As adopted by the House, the FY 2015 Transportation-Housing and Urban Development (THUD) Appropriations bill provides \$3 billion for the Community Development Block Grant program, \$30 million less than the current level, but \$200 million above the Obama administration's request. The vote came as the House Tuesday evening finished floor debate and voted 229-192 to pass and send to the Senate the Fiscal Year (FY) 2015 Transportation, Housing and Urban Development and Related Agencies (THUD) Appropriations bill, a version nearly identical to the one passed last week by the House Committee on Appropriations. As with the Committee's bill, the final House THUD FY 2015 Appropriations bill funds the core Federal Transit Administration (FTA) formula programs at the MAP-21 FY 2014 authorized level of \$8.595 billion, but also includes the Committee's cuts to Amtrak, Research, TIGER Grants, Capital Investment Grants and FTA Administration, which are funded from the General Fund. The bill would cut housing and community development programs from current levels, but increase funding over the level requested by the Administration. The bill proposes to keep federal highway funding at current levels. In total, the bill reflects an allocation of \$52 billion in discretionary spending – an increase of \$1.2 billion above the fiscal year 2014 enacted level and a decrease of \$7.8 billion below the President's budget request. Within the legislation, funds are targeted toward transportation, infrastructure, and housing programs of national need and significance that have the biggest impact on Americans and communities across the country. As reported, the bill would provide \$41 billion for highway projects next year, \$7 billion less than the President's request. The committee rejected an attempt by Democrats on the panel to restore funding for the Transportation Investment Generating Economic Recovery (TIGER) grant program to the \$600 million in the fiscal 2014 budget from the \$100 million in the committee's bill—far below the White House request for \$1.16 billion. Amtrak would receive \$850 million in capital grants next year under the committee's bill, \$200 million less than in 2014 and some \$400 million less than requested by the Federal Railway Administration. The committee's bill would reduce the New Starts grant program for rail and transit projects to \$1.7 billion from \$1.9 billion in 2014. The president's 2015 budget seeks \$2.5 billion for the capital improvements grant program. The full Senate will debate a spending "minibus" package next week funding the departments of Agriculture, Commerce, Justice, Transportation and Housing and Urban Development, the Senate Appropriations Committee announced Wednesday. The \$120 billion package will be the first 2015 spending legislation to appear on the Senate floor this year and it contains some of the least controversial of the 12 annual measures that need to pass by Oct. 1 to keep the government open.



High Noon. Securities and Exchange Commission (SEC) enforcement director Andrew Ceresney this week warned that the municipal securities market is "fertile ground" for further enforcement initiatives aimed at getting market participants to comply with their obligations under the law. Mr. Ceresney discussed the Municipalities Continuing Disclosure Cooperation initiative, a time-limited initiative launched by the muni and public pensions enforcement unit that allows state and local government issuers of municipal securities, as well as other borrowers and underwriters, to receive lenient settlement terms if they voluntarily self-report to the SEC, by Sept. 10,

their failures to ensure bond offering documents were not false or misleading about their compliance with their continuing disclosure obligations. Though he declined to discuss any details about possible new muni enforcement initiatives, Ceresney said the muni market provides a good opportunity for more and praised the high-level of activity of the muni unit, which is led by LeeAnn Gaunt, noting: “I think it is fertile ground for us.” Mr. Ceresney addressed the issue of settlements requiring admissions of guilt, an issue that spans all the markets the SEC regulates, noting that once the SEC decides that an admission of guilt is warranted, it is non-negotiable.

State & Local Finance

Uh oh. The Rockefeller Institute of Government yesterday reported (see “April ‘Surprises’ More Surprising Than Expected”) that States that collect personal income taxes enjoyed a strong growth in income tax collections last year, but face widespread shortfalls this year. The Institute examined January to April tax collections for 38 of the 41 states that impose broad-based personal income taxes, finding an overall decline of 7.1 percent, or \$8.4 billion, when compared to the same period a year earlier. Overall, 33 of the 38 states covered in the report experienced personal income tax fall-offs, ranging from a high of 31.1 percent in Ohio to a low of 0.6 percent drop-off in Pennsylvania. Five of the 38 states studied reported an increase (Data were not available yet for Hawaii, Minnesota, and New Mexico). According to the report, the large and widespread declines were mostly “due to the mirror-image impact of the federal ‘fiscal cliff’ that led to a one-time surge in income tax collections last year and reversal of that effect this year.” Last year, states reported 23.6 percent growth in personal income tax collections in the months of January-April 2013 compared to January-April 2012. For state leaders, the report notes that the “[d]eclines in personal income tax collections were much anticipated, but the size of the declines surprised officials in many states. It was extremely difficult for states to forecast personal income tax collections as it was hard to sort out the impact of income acceleration from tax year 2013 to tax year 2012 relative to the countervailing effect of the strong 2013 stock market. While many states tried to be cautious in their forecasts, early figures indicate that income tax collections are below the forecasts in many states.” The bulk of the decline was in the month of April and was in estimated and final payments that are associated with non-wage income such as capital gains and other investment income. And, the report notes that withholding showed a relatively strong growth of 5.4 percent in the third quarter compared to the same period of last year—as opposed to both estimated payments and income tax returns, which dropped by more than 17 percent in January-April of 2014. The Institute notes that the declines in non-wage income tax collections is a clear indication that many taxpayers shifted income from tax year 2013 to tax year 2012 to minimize federal tax liability, so that the authors believe the declines in overall income tax collections are not a sign of weakening of an overall economy—notwithstanding, however, they created enormous challenges for state leaders with resulting shortfalls.



Potholes in Lansing. The Michigan legislature adjourned yesterday after failing to act on legislation to address surface transportation that Gov. Rick Snyder has advocated for more than two years in a state increasingly pockmarked by potholes. The Governor, who has called for more than \$1 billion a year in additional road spending since 2012, met two or three times Wednesday with leaders from both parties in both chambers in an effort to reach a deal. The Senate tried one final time to pass a revenue-neutral tax last evening, which the body reported would have set the table for more work on the issue over the summer and fall, but fell three votes short. The inaction Thursday followed several failed votes Wednesday on proposed gas tax hikes ranging from major — close to 25 cents per gallon over five years — to minor — almost revenue neutral. An alternative plan to provide for a 1 percentage point increase in Michigan’s 6% sales tax, with the extra money going to fix Michigan roads, was soundly defeated. The proposed sales tax hike required an amendment to the state constitution and therefore needed a two-thirds majority to put it on the November ballot. But it was defeated 24-14, with

many Republicans joining Democrats in opposing it. The failed votes came despite a deal under which eight of 12 Senate Democrats voted in favor of the tax hikes in return for Republican support of an enhanced Homestead Property Tax Credit for low- and middle-income families, which also died with the gas tax hike. The Senate also failed to pass a resolution that would have let voters decide in November whether they wanted to raise the 6% general sales tax by 1 percentage point, with the more than \$1 billion in extra revenue raised going to fix the roads. Gov. Rick Snyder, who worked with the Legislature to try and come up with a solution, said he will remain “relentless in my pursuit of a long-term solution: “Unfortunately, this is an issue that I would admit there’s too much politics going on...“It’s a challenge, it’s an election year and you’re finding participants in this process be more political and that’s unfortunate.” Nevertheless, work on a state surface transportation plan remains alive—but the failure yesterday not only means there will be no new funds during the critical summer and fall construction seasons to fix crater-marked roads and bridges ravaged by a particularly tough winter and spring thaw, but also—combined with the inability of the federal government to come up with any long-term program, Michigan roads and bridges will continue to deteriorate, and that the more time that goes by, the more expensive the fix will be. A recent *Detroit Free Press*/WXYZ-TV (Channel 7) poll showed that fixing the roads is the No. 1 issue for Michigan voters, and they are willing to pay higher taxes to get the job done, though there has been a lack of agreement on what form those taxes should take. In May, the House passed bills to double and in some cases, quintuple, permit fees for overweight trucks after the Free Press reported that Michigan’s \$50 fees for trucks — that in some cases weigh more than 1 million pounds — are far below what other states charge.

Distressed Municipalities Act 47 Changes. The Pennsylvania House has passed and sent to the Senate legislation designed to move distressed Pennsylvania municipalities through the so-called Act 47 process. [Under the bill](#), a cash strapped municipality would be allowed to spend, at most, eight years in Act 47—at the end of which, the Act 47 coordinator would have to submit a report recommending a course of action for a municipality. That could be exiting Act 47 within another three years, requesting fiscal emergency status or disincorporating the municipality. The intent is to force municipalities to make the hard choices to restructure their costs, instead of lingering in Act 47 as many believe the current law encourages, and using added taxing powers as a crutch indefinitely without fixing long-term structural issues. In addition, the bill includes provisions encouraging distressed municipalities to merge with their neighbors to better manage expenses. Should such efforts fail, the bill would offer options to dissolve a municipality if its finances are found to be beyond repair. Other provisions include:

- an Early Intervention program designed to help municipalities avoid going into Act 47 in the first place;
- the Governor's Center for Local Government Services, part of the Department of Economic and Community Development, will provide management reviews and provide analysis. The center will also be able to award up to \$200,000 in matching grants to help municipalities to take steps to improve their finances;
- Further definition and expansion of the powers of an Act 47 coordinator, including requiring public reports, apply for grants, investigate the tax exempt status of properties and negotiate payments in lieu of taxation from tax-exempt nonprofit property owners, like churches, hospitals and universities;
- an annual review for the coordinator with the DCED secretary;
- new guidelines for an Act 47 recovery plan. Some were relatively benign. The plan, for example, can now include recommendations about land use and zoning;
- “An analysis of whether the economic conditions within the municipality are so severe that it is no longer viable and should consolidate or merge with an adjacent municipality or municipalities ... or disincorporate;”

- Authority for a municipality to seek authorization from a court to allow it to increase the earned income tax for both residents and nonresidents beyond the limits currently allowed under the law. The court could also allow the municipality to raise property taxes at an accelerated schedule. The distressed municipalities would also be able to ask for the power to levy a payroll preparation tax. (Those taxes would expire after a year, but the court could allow the municipalities to renew them. Initially, the bill would have allowed municipalities to petition the court for a hike in the local service tax too, but that was stripped out.)
- New timetables for Act 47 to develop fiscal budgets, including reviews by coordinators.
- Allowance for the state to waive certain requirements for the municipality, as long as the waivers will not threaten public safety.

State Credit Ratings from Standard & Poor's, 2001-2014



	May 2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Alaska	AAA						AA+					AA		
Delaware	AAA													
Florida	AAA									AAA				
Georgia	AAA													
Indiana	AAA						AAA		AA+		AA			
Iowa	AAA						AAA							
Maryland	AAA													
Missouri	AAA													
Nebraska	AAA			AAA										
North Carolina	AAA													
North Dakota	AAA	AAA				AA+				AA				
Texas	AAA	AAA				AA+								
Utah	AAA													
Virginia	AAA													
Wyoming	AAA			AAA			AA+							
Idaho	AA+			AA+										
Kansas	AA+													
Massachusetts	AA+									AA				
Minnesota	AA+													
New Mexico	AA+													
Ohio	AA+													
Oklahoma	AA+						AA+							
Oregon	AA+			AA+				AA				AA-		
South Carolina	AA+									AA+				
South Dakota	AA+			AA+					AA					
Tennessee	AA+								AA+					AA
Vermont	AA+													
Washington	AA+							AA+			AA			
Alabama	AA													
Arkansas	AA													
Colorado	AA							AA						AA-
Connecticut	AA													
Hawaii	AA							AA						AA-
Louisiana	AA			AA		AA-	A+			A		A+		
Maine	AA							AA		AA-	AA			
Mississippi	AA													
Montana	AA						AA							
Nevada	AA			AA					AA+					
New Hampshire	AA												AA	
New York	AA													
Pennsylvania	AA													
Rhode Island	AA									AA				
West Virginia	AA					AA								
Wisconsin	AA						AA							AA-
Arizona	AA-					AA-					AA			AA-
Kentucky	AA-													AA-
Michigan	AA-							AA-		AA		AA+		
New Jersey	A+	AA-		AA-						AA	AA-	AA		
California	A	A	A-		A-	A			A+		A	BBB	A	A+
Illinois	A-	A-	A			A+								

Alaska
Alaska has conservatively managed its oil revenues.

North Dakota
North Dakota's oil boom and low levels of debt earned it S&P's AAA credit rating, the first since 1966.

California
California is on track to finish the year in its strongest fiscal position of the past decade. The state's credit rating was raised in 2013 after the state paid down debt and revenue continued to outpace spending.

Massachusetts
Massachusetts has steadily diversified its economy.

Rhode Island
Rhode Island's bond ratings were put on a "negative watch" in May of this year over concerns that the state may not pay off the bonds sold in 2010 for former baseball great Curt Schilling's failed video-game company, 38 Studios.

New Jersey
New Jersey's debt in April was downgraded by one notch to A+ from AA- because of the state's reliance on one-time fixes and overly optimistic forecasts.

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Missouri
North Carolina
Virginia



**North Dakota
Texas**

Upgraded to AAA, S&P's highest credit rating, thanks to oil revenues

California's outlook changed to "positive" in January 2014

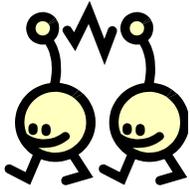


New Jersey

2013

2014

As we observe the changing economy—what with the sharing economy, the impact of the internet on work hours and locations, we can anticipate it will lead to profound changes in transportation and housing. Because the internet is permitting more people to work from anywhere, anytime, the old model of cities and suburbs is becoming increasingly obsolete.



Shared Services, Consolidation of Local Governments, Distress & Dissolution.

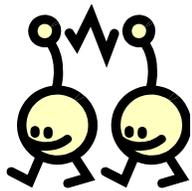
Uber Technologies Inc., the car-sharing service that's rankling cabbies across the U.S., is fighting its biggest protest yet from European drivers who say the smartphone application threatens their livelihoods. Traffic began snarling in cities including Paris this week, with a total of more than 30,000 taxi and limo drivers from London to Milan planning blockades in tourist centers and shopping districts. They are asking regulators to apply tougher rules on San Francisco-based **Uber** (Uber raised \$1.2 billion in new financing led by Fidelity Investments last week, valuing the company at about \$17 billion, before added investments. The company had earlier raised \$307.5 million from investors including Google Ventures, TPG Capital and Menlo Ventures.), whose software allows customers to order a ride from drivers who do not need licenses that can cost 200,000 euros (\$270,000) apiece. The disruptive impact of the "sharing economy" can be perhaps best understood by Rachel Botsman's statement that the peer-to-peer rental market alone is worth \$26 billion. Airbnb is estimated to be worth \$10 billion—more than the value of the Hyatt Hotel Corp. The numbing sizes make clear this is a change that will force cities and states to adapt—where, as with the ongoing struggle to take laws written before the advent of the Internet, states and local governments will have to address interstate tax and regulatory issues. Chief Executive Officer Travis Kalanick, who started Uber in 2009 after he and partner Garrett Camp were unable to find a cab in Paris, has pushed the company into 37 countries. He said the low prices and ease of use that their drivers can offer will lead to a base of support from consumers that regulators will not be able to ignore. Uber said in its **blog** it is responsible for 20,000 new jobs per month. The median income for drivers using the UberX platform, Uber's low-cost service, is \$90,000 per year in **New York** and more than \$74,000 in **San Francisco**, according to the company.



Uber alles. The State of Colorado has become the first state to enact a law regulating the fast-growing ride-sharing industry, addressing a host of concerns that have cropped up since the industry was launched just a few years ago. Under the new law, the Public Utilities Commission is provided broad power over regulating the industry. The law requires driver background checks, vehicle inspections, and addresses some insurance concerns. For now it only applies to the two services currently operating in the state: uberX and Lyft. The Colorado requires that the services provide insurance once a driver is logged in, even if he or she has no passenger and is not yet on the way to retrieve one. Uber in mid-March **announced** that it would voluntarily provide backup coverage in such cases, but that would only kick in if a driver's personal insurance policy does not cover the accident. The Colorado law requires ridesharing services make such coverage "primary" by January, meaning it would kick in regardless of a driver's policy. Without that requirement, personal auto insurers had suggested that rates could have risen for all drivers. Until mid-January, ride-sharing companies in Colorado must only provide the minimum insurance required for non-commercial drivers—\$25,000 per person for injuries with a \$50,000 maximum per incident and \$15,000 for property damage. After Jan. 15, that doubles. But the law also requires the state's Division of Insurance to study whether those amounts are adequate. If they are deemed not, lawmakers will have opportunity to increase the requirements during next year's session. Gov. Hickenlooper calls on his state's utilities commission to continue monitoring the way in which background checks are conducted, too, citing concerns that private companies may rely only on publicly available information to investigate potential drivers. He also asked the commission to review

existing rules governing limousines and taxis, concluding “consumer protection is a worthy goal that we endorse, but rules designed to protect consumers should not burden businesses with unnecessary red tape or stifle competition by creating barriers to entry.”

Challenges. The services, which use digital networks to connect drivers using their own vehicles with paying passengers, are so new that there’s still inconsistency on what to call them. Lyft, uberX, and competitor Sidecar all launched in 2012. In Colorado, they will be called Transportation Network Companies, as they are referred to in California, but a [Georgia bill](#) referred to them as Transportation Referral Service Providers. Under a failed [Arizona measure](#), they would have been Ride-Sharing Networks. California is the only other state after the Centennial State to regulate the industry. Its rules were created by the state utilities commission, while Colorado’s are the first born in a state legislature, potentially serving as a model for state leaders in other states. Throughout the country, the highly regulated taxi industry has lobbied for stricter laws over the new services, while occasional allegations of driver misconduct have underscored demands for better background checks. Some cities have moved to stop the companies from operating until regulations are set, but the companies have ignored those orders. Lyft continued to give lifts in Albuquerque despite a May 21 order from the New Mexico Public Regulation Commission to stop, and both Lyft and Uber said this week that they intend to continue providing services in Virginia, despite an order to cease until the proper authority is granted. One key issue to be resolved is how to treat the services, which argue that they are merely technology companies connecting drivers and passengers. Whether and how to impose rules is complicated by the fact that any driver can switch from non-commercial to commercial activity with the press of a button. That ambiguity was underscored by a tragic incident earlier this year when a young girl was killed in San Francisco when she was struck by a vehicle driven by an uberX driver who says he was logged into the service’s application, but not yet transporting or en route to pick up a passenger. The accident — and subsequent lawsuits — highlighted an insurance coverage gap, a gray area in which it was unclear whether the driver or service should be held liable.



Challenges of the Emerging Sharing Economy. At the *Bankruptcy & Beyond* Symposium in Harrisburg last April, I was asked about the prospects for sharing fire services—a kind of sharing that, first, saves lives, and, second, saves fiscal resources—but which has been politically a challenge for local and state leaders. The issue might be made a little easier by a decision last month by the U.S. Supreme Court denying a petition for a writ of certiorari in the case *Alfonso v. Diamondhead Fire Protection District*, in effect rejecting a challenge to the decision handed down by the Mississippi Supreme Court last August. In that case, Diamondhead FPD has imposed a monthly service fee on property owners going back 20 years. In 2009 several property owners filed suit to challenge the fee claiming it was an illegal tax. The plaintiffs also alleged the district was negligent in imposing the fees and committed extortion in the collection process. The trial court determined the DFPD’s charge for fire-protection services was a permissible fee for services rendered, not a tax, and thus was legal under Mississippi law. The Mississippi Supreme Court agreed with the trial court, and rejected the distinction offered by the property owners – that the fee was really a tax because it was collected without regard to whether services were rendered. According to the property owners, a service fee could only be lawfully assessed for services actually rendered. Service fees assessed without regard to whether a service was actually provided would make it a tax. The court dispensed with that distinction quite handily, pointing to the numerous services that the fire department provides to property owners in the community without actually responding to their property for an emergency, including: repairing and maintaining equipment; training and being available to respond; pre-incident planning; hydrant inspections; public safety education; etc: “*We find that the DFPD provides a valuable service by having fire and other emergency services available to respond to an emergency. Therefore, the fee assessed is permissible. The trial court’s judgment is affirmed.*”

Here is a copy of the ruling: [Alfonso v Diamondhead FPD](#)

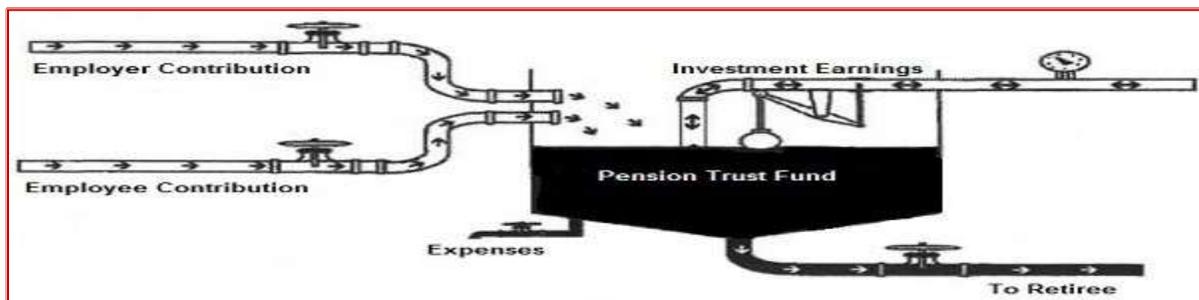


Figure 1 Illustration by David P. Hayes

Pensionary Tidings



The *Bond Buyer* yesterday ran this photograph of the former Director of the League of Kansas Municipalities, Chris McKenzie—who went further West to assume the responsibility and leadership as Executive Director of the League of California Cities. In the piece by Keeley Webster, she notes that the fate and status of public pensions have been among the debates that emerged during California’s two ongoing municipal bankruptcies—but for Chris the sustainability trend of the Golden State’s cities has become very much a central focus in the wake of the San Bernardino

and Stockton cases—especially the former, as it raises issues on appeal to the 9th U.S. Circuit Court of Appeals that could go all the way to the U.S. Supreme Court, testing whether the federal law on municipal bankruptcy which permits reductions in public pension obligations as part of a bankruptcy plan of adjustment can override a state’s constitution. About 450 cities are members of the California Public Employees’ Retirement System (CalPERS), but the long-term fiscal solvency of these cities—measured against their future pension obligations is, as Chris noted: “It is a ‘you will know it, when you see it’ situation.” But it is clear the future for Golden State city leaders will present challenges: many cities in the CalPERS retirement system are facing significant rate increases over the next five years, starting in fiscal 2014-15. Already, Mr. McKenzie noted that many cities have already cut other services that are maintaining police and fire services, warning that, to recognize investment losses that occurred in 2008, CalPERS has estimated the pension fund may need to raise rates by 50% over the next five years on its member cities, leading to a recognition that the fiscal environment at the local level is still tight but not taking action will only put costs off to a future day at a greater expense. It is, increasingly, pressuring cities—auguring fewer and fewer services for citizens as more and more dollars go to pay past promises—and meaning that well before city or county is insolvent and eligible for municipal bankruptcy, it has reached a service level insolvency, in effect dooming cities to pay off past obligations, rather than to provide services. In California – as in Detroit a key issue in both the Stockton and San Bernardino bankruptcies has pitted bond payments against pension obligations. That has been a central issue in the Detroit bankruptcy—and the key issue pending before both the 9th and 6th U.S. Courts of Appeal. In California, Stockton has stayed current on its CalPERS payments throughout its bankruptcy, but San Bernardino has not, holding back a year of payments to the pension fund after it declared bankruptcy in July 2012; nevertheless, the role of pensions has emerged as a key issue in the Stockton case, where one of the last remaining creditors necessary for the city to emerge from municipal bankruptcy said during the city’s hearing that the plan unfairly discriminates against it, because Stockton is treating other creditors,

such as CalPERS as untouchable. The creditor’s attorney argued in federal court that if Stockton can continue meeting its pension obligations, then it should be able to pay his client more than a penny on the dollar—adding, moreover, that the city’s pension liability is disproportionate to its workforce, and that if the city does not impair its pension contributions, it will continue to pay for its mistakes: “By 2018-19, its pension expenses will be 18.5% of its general fund and its contribution rates, as a percentage of payroll, will be 57.1%.”

Public Trust & Ethics

From the *Richmond Times Dispatch*:

Successful government relies on trust. The breakdown of comity at all levels reflects the citizenry’s lack of confidence in institutions and individuals. Washington’s woes are well documented. Local jurisdictions suffer self-inflicted damage as well.

Quotes of the Week

“Detroit is, for better or worse, an inseparable part of this state: It simply cannot be liquidated like a private business and sold away. The citizens will remain. The infrastructure will remain. And we must address it.” ~ Michigan House Speaker Pro Tem John Walsh (R-Livonia), who is chairing a special committee in the legislature to oversee the package of bills that will determine the City of Detroit’s future.

TIME TO STEP UP
Daily Press Editorial (Paywall for certain articles)

Running for public office takes courage, confidence and the committed support of family and friends. The endeavor is not easy — walking through neighborhoods and knocking on doors takes plenty of time and effort — nor is it cheap, since campaign signs do not grow on trees. So as we head down the stretch toward Election Day, we extend our gratitude to those who volunteered for the experience and seek a place in local government. And we encourage other civic-minded citizens to lend their time and talent to the calling of public service, since our communities will surely benefit as a result.

“Property values are back up faster than expected, but the pressure is still there...It’s hard to be a city in Michigan because state policy is very negative toward cities in general.” ~ Eric Scorsone, an economist at Michigan State University in East Lansing who specializes in municipal finance.

“The decision here is most likely all or nothing: One side is going to win and the other side is going to lose — and that’s going to be very happy on one side and very tough on the other side.” ~ U.S. Bankruptcy Judge Steven Rhodes.

“Municipal Bankruptcy, to a large degree, is like ‘Let’s Make A Deal.’ ” ~ The incomparable Jim Spiotto.

“State and local finances are very important to the stability of our economy. I think that the complete elimination of the state and local deduction would be something that would be a real challenge for many jurisdictions.” ~ U.S. Treasury Secretary Jacob Lew, testifying before Congress on the proposed tax reform plan recently released by Ways and Means Chairman Dave Camp (R-Mi.).

Grants

CFDA	Opportunity Title	Federal Agency	Opportunity Number	Eligibility	Due Date	Match ?
10.171	Organic Certification Cost Share Program	Department of Agriculture-Agricultural Marketing Service	USDA-AMS-NOP-AMA-2014	State governments	6/20/2014	
10.171	Organic Certification Cost Share Program	Agricultural Marketing Service	USDA-AMS-NOP-NATL-2014	State governments	6/20/2014	
10.200	Alfalfa and Forage Research Program	National Institute of Food and Agriculture	USDA-NIFA-OP-004536	State agricultural experiment stations, Institutions of Higher Education (IHEs)	7/7/2014	
10.500	1890 Facilities Grant Program (Renewals)	National Institute of Food and Agriculture	USDA-NIFA-EF47-004542	1890 Land-Grant Institutions, including Tuskegee University, and West Virginia State University	7/11/2014	
10.500	Healthy Homes Partnership	National Institute of Food and Agriculture	USDA-NIFA-EXCA-004538	Land-Grant Institutions	7/7/2014	
10.912	FY 2014 Conservation Innovation Grant - MA	Massachusetts	USDA-NRCS-MA-14-01	State and local governments, IHEs	7/31/2014	X
10.500	Renewable Resource Extension Act - National Focus Fund Projects	National Institute of Food and Agriculture	USDA-NIFA-OP-004541	1862 and 1890 land-grant institutions	7/16/2014	
12.300	Fiscal Year 2015 Non-Lethal Weapons Technologies	Department of Defense-Office of Naval Research	ONRBAA14-008	Unrestricted	9/26/2014	
12.420	DoD Spinal Cord Injury Clinical Trial Award	Dept. of the Army -- USAMRAA	W81XWH-14-SCIRP-CTA	Unrestricted	10/30/2014	
12.420	DoD Spinal Cord Injury Investigator-Initiated Research Award	Dept. of the Army -- USAMRAA	W81XWH-14-SCIRP-IIRA	Unrestricted	10/30/2014	
12.420	DoD Spinal Cord Injury Qualitative Research Award	Dept. of the Army -- USAMRAA	W81XWH-14-SCIRP-QRA	Unrestricted	10/30/2014	
12.420	DoD Spinal Cord Injury Translational Research Award	Dept. of the Army -- USAMRAA	W81XWH-14-SCIRP-TRA	Unrestricted	10/30/2014	
N/A	Natural Resource Management Education and Training for High School	Dept. of the Army --	NWP-14-0012	Independent school	6/24/2014	

	Students near Fern Ridge Lake	Corps of Engineers		districts		
14.259	HUD Community Compass Technical Assistance and Capacity Building	Department of Housing and Urban Development	FR-5800-N-12	State and local governments, IHEs	7/23/2014	
14.902 +	Healthy Homes and Lead Technical Studies Programs Pre-Application	Department of Housing and Urban Development	FR-5800-N-06	State and local governments, IHEs	7/8/2014	
15.224	Youth Employment - Archaeology	Department of the Interior-Bureau of Land Management	L14AS00123	Unrestricted	7/1/2014	
15.224	BLM UT GSENM Kaiparowits Critical Fossil Inventory and Protection Project	Bureau of Land Management	L14AS00130	Unrestricted	6/24/2014	
15.224	Data Sharing with State Historic Preservation Office in Montana	Bureau of Land Management	L14AS00132	State governments	7/21/2014	
15.224	BLM WY Rock Art Identification Special Management Area	Bureau of Land Management	L14AS00133	IHEs	6/23/2014	
15.225	BLM OR-WA Recreation and Field Site Improvements, Roseburg District	Bureau of Land Management	L14AS00125	Unrestricted	6/25/2014	
15.231	BLM WY Grizzly Wildlife Habitat Management Area Improvement	Bureau of Land Management	L14AS00127	State governments	6/23/2014	
15.231	BLM CA Bi-State Distinct Population of Greater Sage-Grouse Strategic Action Plan DPS	Bureau of Land Management	L14AS00134	Local governments	7/7/2014	
15.231	BLM-CO Wildlife Studies	Bureau of Land Management	L14AS00139	Unrestricted	6/19/2014	
15.234	Row River Trail (RRT) Mechanical Maintenance	Bureau of Land Management	L14AS00126	Local governments	6/17/2014	
15.236	BLM OR-WA CESU Climate Data - Identifying Tools Based on What Users Do	Bureau of Land Management	L14AS00124	IHEs	7/16/2014	
15.517	Upper Missouri River Pallid Sturgeon Tagging and Telemetry Study	Bureau of Reclamation	R14AS00055	State and local governments	6/23/2014	
15.517	Hualapai Tribe Zebra Tailed Lizard Translocation	Bureau of Reclamation	R14SS00010	State and local governments, IHEs	6/15/2014	
15.560	AgriMet Irrigation Scheduling Study	Bureau of Reclamation	R14AS00056	IHEs	6/23/2014	
15.658	Upper Delaware River Wetland Restoration	Fish and Wildlife Service	F14AS00220	Unrestricted	9/1/2014	
15.677	DOI Project #NJ077; Hurricane Sandy; Protect Gandy's Beach; Downe Township; NJ	Fish and Wildlife Service	F14AS00215	Unrestricted	7/4/2014	
15.808	Cooperative Ecosystem Studies Unit, Chesapeake Watershed CESU	Geological Survey	G14AS00075	Participating partners of	6/17/2014	

				the Chesapeake Watershed Cooperative Ecosystem Studies Unit (CESU) Program		
15.808	Cooperative Ecosystem Studies Unit, Great Basin	Geological Survey	G14AS00076	Participating partners of the Great Basin CESU Program	6/13/2014	
15.808	Cooperative Ecosystem Studies Unit, Californian CESU	Geological Survey	G14AS00077	Participating partners of the Californian CESU Program	6/17/2014	
15.808	Cooperative Ecosystem Studies Unit, North Atlantic Coast	Geological Survey	G14AS00079	Participating partners of the North Atlantic Coast CESU Program	6/17/2014	
15.808	Cooperative Ecosystem Studies Unit, Great Plains CESU	Geological Survey	G14AS00080	Participating partners of the Great Plains CESU Program	6/17/2014	
15.808	Cooperative Ecosystem Studies Unit, Rocky Mountain CESU	Geological Survey	G14AS00082	Participating partners of the Rocky Mountains CESU Program	6/17/2014	
15.808	Cooperative Ecosystem Studies Unit, Rocky Mountain CESU	Geological Survey	G14AS00083	Participating partners of the Rocky Mountains CESU Program	6/17/2014	
15.808	Cooperative Ecosystem Studies Unit, Colorado	Geological Survey	G14AS00085	Participating partners of the Rocky Mountains CESU Program	6/17/2014	
15.808	Cooperative Ecosystem Studies Unit, Southern Appalachian Mountains CESU	Geological Survey	G14AS00087	Participating partners of the Southern Appalachian Mountains CESU Program	6/17/2014	
15.811	Cooperative Ecosystem Studies Unit, Great Basin CESU	Geological Survey	G14AS00078	Participating partners of the Great Basin CESU Program	6/17/2014	

15.944	Lidar Elevation Data Acquisition NOI not a request for Proposals	National Park Service	P14AC00827	State governments	6/13/2014	
15.945	NOI Create Virtual Missouri National Recreational River Water Trail E-Float	National Park Service	P14AC00804	IHEs	6/10/2014	
15.945	Cooperative Watershed Studies Program (SWAS/VTSSS)	National Park Service	P14AS00117	IHEs	6/14/2014	
15.945	Shorebirds Study, Western Arctic Parklands	National Park Service	P14AS00118	IHEs		
15.945	Coastal Landform Change in the NPS Arctic Inventory and Monitoring Network	National Park Service	P14AS00119	IHEs		
15.945	MONITORING SURVEYS TO SUPPORT LONG-TERM MONITORING OF BIRD COMMUNITIES IN NPS UNITS (GRCA, WUPA) OF THE SOUTHERN COLORADO PLATEAU NETWORK: PHASE 2	National Park Service	P14AS00120	IHEs		
15.954	CIRO FY14 Funding of Operations	National Park Service	P02AC0000150	State governments	6/13/2014	
16.601	Leadership Development for Corrections Supervisors	Department of Justice-National Institute of Corrections	14AC07	Public agencies, IHEs	6/30/2014	
16.601	Victims and Reentry: A handbook for Probation and Parole Officers	National Institute of Corrections	14CS11	Public agencies, IHEs	6/30/2014	
16.602	A Best Practices White Paper Specific to Lesbian, Gay, Bisexual, Transgender and Intersex Juvenile Offenders in Corrections	National Institute of Corrections	14CS10	Public agencies, IHEs	6/30/2014	
19.017	Lower Mekong Initiative (LMI) Environment and Water Pillar Training Program (PTP)	Department of State-Ocean and International Environmental Scientific	OES-OER-14-002	IHEs	6/30/2014	
19.345	Bureau of Democracy, Human Rights and Labor (DRL) Internet Freedom Annual Program Statement	Bureau of Democracy	DRLA-DRLAQM-13-099	IHEs	12/5/2014	
19.522	FY 2014 Funding Opportunity Announcement for Global Innovation Programs to Help the Humanitarian Community Better Respond to Refugees Outside of Camps	Bureau of Population	PRM-PRMOAPGL-15-001	IHEs	7/2/2014	
19.705	South Africa Wildlife Transnational Crime Investigations-Communication Intervention	International Narcotics and Law Enforcement Affairs	INL-14-CA-0020-INLAME-060214	IHEs	7/4/2014	
19.705	South Africa Wildlife Crime Investigation Interventions	International Narcotics and Law Enforcement Affairs	INL-14-CA-0021-INLAME-060214	IHEs	7/4/2014	
19.750	ASGM Community-Driven Remediation Planning Competition	Bureau of Western Hemisphere Affairs	WHAP-WHAAQPPC-14-002	IHEs	7/7/2014	
19.703	Justice and Youth Programs	International	INL-14-GR-0022-	IHEs	7/11/2014	

+		Narcotics and Law Enforcement Affair	INLCOSTARICA-060514			
19.800	14.PMWRA.Cambodia. RFA	PM Weapons Removal and Abatement	PM-PMWRA-14-017	Unrestricted	7/18/2014	
19.800	14.PMWRA.Laos.SavannakhetClearance. RFA	PM Weapons Removal and Abatement	PM-PMWRA-14-018	Unrestricted	7/18/2014	
19.800	14.PMWRA.Laos.XiengKhouangClearance. RFA	PM Weapons Removal and Abatement	PM-PMWRA-14-019	Unrestricted	7/18/2014	
20.200	Regional Surface Transportation Workforce Centers	Department of Transportation-Federal Highway Administration	DTFH6114RA00011	IHEs	7/10/2014	X
20.500	Section 5309 Bus and Bus Facilities, Ladders of Opportunity Program	DOT/Federal Transit Administration	FTA-2014-004-TPM	State and local governments, IHEs	8/4/2014	X
47.075	Methodology, Measurement, and Statistics	National Science Foundation	14-574	IHEs	9/2/2014	
47.041	ADVANCE: Increasing the Participation and Advancement of Women in Academic Science and Engineering Careers	National Science Foundation	14-573	IHEs	9/22/2014	
81.087	Fuel Cell Technologies Incubator - Innovations in Fuel Cell and Hydrogen Fuel Technologies	Department of Energy-Golden Field Office	DE-FOA-0000966	State and local governments, IHEs	9/3/2014	X
84.133	OSERS/NIDRR: Disability and Rehabilitation Research Projects and Centers Program: Rehabilitation Engineering Research Centers (RERCs): Technologies to Enhance Independence in Daily Living for Adults with Cognitive Impairments	Department of Education	ED-GRANTS-060514-001	State and local governments, IHEs	8/4/2014	
84.220	Office of Postsecondary Education (OPE): Center for International Business Education Program	Department of Education	ED-GRANTS-060314-001	IHEs	7/3/2014	X
84.229	Office of Postsecondary Education (OPE): Language Resource Centers Program	Department of Education	ED-GRANTS-060614-001	IHEs	7/9/2014	
84.334	Office of Postsecondary Education (OPE): Gaining Early Awareness and Readiness for Undergraduate Programs (State Grants)	Department of Education	ED-GRANTS-060314-002	State governments	7/7/2014	X
84.334	Office of Postsecondary Education (OPE): Gaining Early Awareness and Readiness for Undergraduate Programs (Partnership Grants)	Department of Education	ED-GRANTS-060414-001	IHEs	7/7/2014	X
93.048	Model Approaches Phase II Systems Expansion Grants	Department of Health and Human Services-Administration	HHS-2014-ACL-060414-001	State governments	7/7/2014	

		for Community Living				
93.067	Public Health Systems Capacity Building in India	Centers for Disease Control and Prevention	CDC-RFA-GH14-1416	State and local governments, IHEs	7/17/2014	
93.103	The Use of Polyethylene Glycol in the Pediatric Population (R01)	Food & Drug Administration	RFA-FD-14-088	State and local governments, IHEs	7/15/2014	
93.110	State Systems Development Initiative Grant Program	Health Resources & Services Administration	HRSA-15-002	State governments	9/2/2014	
93.243	Statewide Peer Network Development Program for Recovery and Resiliency Grants	Substance Abuse & Mental Health Services Adminis.	SM-14-023	SAMHSA Network grantees in the nine states where there is a RCSP-SN award and either one or both a Statewide Consumer Network and Statewide Family Network	8/7/2014	
93.262	NIOSH Support for Conferences and Scientific Meetings (U13)	Centers for Disease Control and Prevention	PAR-14-229	State and local governments, IHEs	12/13/2016	
93.268	Increasing IIS Sentinel Site Capacity for Enhanced Program Support	Centers for Disease Control and Prevention	CDC-RFA-IP14-1407	State and local governments	7/21/2014	
93.273	Specialized Alcohol Research Centers (P50)	National Institutes of Health	RFA-AA-15-001	State and local governments, IHEs	12/3/2014	
93.273	Comprehensive Alcohol Research Centers (P60)	National Institutes of Health	RFA-AA-15-002	State and local governments, IHEs	12/3/2014	
93.319	Programs to Reduce Obesity in High Obesity Areas	Centers for Disease Control and Prevention	CDC-RFA-DP14-1416	Land Grant Colleges and Universities that have counties in their state with an obesity prevalence over 40%	7/23/2014	
93.351	Developing and Improving Institutional Animal Resources (G20)	National Institutes of Health	PAR-14-251	IHEs	8/1/2014	

93.394	Limited Competition: Biospecimen Banks to Support NCI-Clinical Trials Network (NCTN) (U24)	National Institutes of Health	RFA-CA-14-501	See announcement	8/15/2014	
93.564	Behavioral Interventions for Child Support Services	Administration for Children and Families - OCSE	HHS-2014-ACF-OCSE-FD-0818	State governments	8/5/2014	
93.564	Evaluation of Behavioral Interventions for Child Support Services Grants	Administration for Children and Families - OCSE	HHS-2014-ACF-OCSE-FD-0822	State governments	8/5/2014	
93.600	Early Head Start Expansion and EHS-Child Care Partnership Grants	Administration for Children and Families	HHS-2015-ACF-OHS-HP-0814	State and local governments, IHEs	8/20/2014	X
93.676	Residential Services for Unaccompanied Alien Children	Administration for Children and Families - ORR	HHS-2015-ACF-ORR-ZU-0833	Unrestricted	8/5/2014	
93.764	2014 PPHF-2014 Cooperative Agreements to Implement the National Strategy for Suicide Prevention	Substance Abuse & Mental Health Services Adminis.	SM-14-016	State Mental Health Authorities	7/16/2014	
93.859	Limited Competition: Large-Scale Collaborative Project Award Renewals (U54)	National Institutes of Health	RFA-GM-15-003	Applicants must have an active NIGMS-supported large-scale collaborative project award submitted in response to PAR-07-412	9/24/2014	
93.866	Clinical Trial on the Effects of Interventions Aiming to Reduce Chronic Inflammation in Older Adults: Pilot Phase (U01)	National Institutes of Health	RFA-AG-15-006	State and local governments, IHEs	10/8/2014	
94.002	2015 RSVP Competition	Corporation for National and Community Service	CNCS-06-05-2014	State and local governments	9/9/2014	X
98.001	Microbicide Research, Development, and Introduction, Round 3	Agency for International Development	APS-OAA-14-000076	Private organizations associated with IHEs	7/9/2014	
98.001	Family Planning, Maternal, Newborn and Child Health (FP/MNCH) Interventions					

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