



July 15, 2014

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Dear Rep. Conyers,

On behalf of the American Federation of State, County and Municipal Employees (AFSCME) I want to thank you for your leadership and offer AFSCME's strong support for the Protecting Employees and Retirees in Municipal Bankruptcy Act of 2014, which you are sponsoring.

This legislation is badly needed in order to address serious shortcomings in existing Chapter 9 municipal bankruptcy law that were brought to light in the recent Detroit bankruptcy case. Bankruptcy should be the last resort in addressing financial crisis. It should not be used to punish workers. Public workers did not cause the economic crisis brought about by the Great Recession. Workers, instead, have suffered the consequences of bankruptcy in the form of lost jobs, pay cuts, furloughs, slashed pensions, higher health care costs and lost rights.

Chapter 9 was intended to create a process to address financial emergencies, but as currently written it is vague and unclear in several key ways. Instead of stability and order it creates uncertainty and inequity. It allows retiree health benefits to be gutted unilaterally. Unlike the private sector, it does not include a federal guarantee to protect pensions. Also, Chapter 9 allows employers to reject collective bargaining agreements using easy to meet court-made standards. Chapter 9 also allows municipalities to avoid bargaining with unions and others in a bankruptcy proceeding if it is deemed impracticable to do so. This standard effectively eliminates the good faith negotiations, which should be the cornerstone of efforts to avoid bankruptcy.

The Protecting Employees and Retirees in Municipal Bankruptcy Act of 2014 would make important corrections to address these and other problems in existing law. This legislation makes it clear a debtor must engage in good faith negotiations and those negotiations should be genuine efforts to reach agreement and avoid bankruptcy. This legislation also would prohibit debtors from voiding or rejecting collective bargaining agreements and provisions through unilateral action. The legislation would also reform the federal bankruptcy code to prevent Chapter 9 from being used to sidestep, invalidate, preempt or otherwise take precedence over state constitutions and state and municipal laws protecting pensions, retiree health care and other retiree benefits and to reform the process for appealing a bankruptcy court's eligibility decision to be clear, fair and efficient.

Once again, AFSCME strongly supports your leadership and your efforts to restore fairness and balance in the bankruptcy process. We strongly support your new legislation.

Sincerely,

Charles M. Loveless  
Director of Federal Government Affairs

CML:NM:md

**American Federation of State, County and Municipal Employees, AFL-CIO**

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