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Gingrich Wants Bankruptcy Rights for States

Newt Gingrich, the Former House Speaker and possible GOP Presidential Contender wants the federal government to pass laws allowing states in financial difficulties to file for bankruptcy and avoid paying state workers pensions and other financial benefits. Other supporters of this same move include Americans for Tax Reform, a Washington-based lobby group that fights tax increase. It says such a move would preclude the federal government having to dish out massive bailouts to financially ailing states because it allows these states to reduce their costs before it's too late.

Gingrich brought up his proposal at a speech at the Institute for Policy Innovation on November 11 last year. A transcript of a part of his speech goes, "I ... hope the House Republicans are going to move a bill in the first month or so of their tenure to create a venue for state bankruptcy, so that states like California and New York and Illinois that think they're going to come to Washington for money can be told, you know, you need to sit down with all your government employee unions and look at their health plans and their pension plans and, frankly, if they don't want to

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change, our recommendation is you go into bankruptcy court and let the bankruptcy judge change it, and I would make the federal bankruptcy law prohibit tax increases as part of the solution, so no bankruptcy judge could impose a tax increase on the people of the states.”

According to the National Association of State Retirement Administrators (NASRA) in Baton Rouge, the aggregate public pension plan funding level has dropped from 85% to 80% for the fiscal year ended June 30, 2009, the latest figures available, sparking grave concern.

Among the states with the lowest public pension funding levels as at June 30, 2009 were Illinois (51%), Kansas, New Hampshire and Oklahoma (59% each), according to an analysis of state pension fund annual report data by investment bank Loop Capital Markets LLC, Chicago.

But state and union officials are against such a proposal as put forth by Gingrich. They claim that exaggerated figures of public pension plan funding have been used as scare tactics by certain groups to get the federal government to do what they want. State and union representatives fear that this kind of action would undermine state autonomy and deprive state government employees of their rightful benefits.

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