



CHEN JIA / CHINA DAILY  
Chinese-Americans play mahjong in a senior citizen's center in the northern California city of Stockton.

## Senior citizens feel the pinch as budgets tighten

By CHEN JIA in Stockton, California  
chenjia@chinadailyusa.com

Early every morning, Chinese-American Ma Shunchang goes to Jene Wah, the biggest senior citizen's center for Chinese residents in the northern California city of Stockton. He reads a Chinese newspaper and plays poker or mahjong with other seniors before lunch.

But on this particular day, he is not in the mood to enjoy afternoon activities and hurries home early.

The 75-year-old senses the anger on the streets of Stockton, where crime, unemployment and suicide rates continue to climb in what is now the largest US city ever to file for bankruptcy protection.

In the past three years, the city has dealt with a total of \$90 million in deficits partly by making drastic cuts in the police and fire departments, even as residents say they must deal with frequent break-ins and robberies, a climbing murder rate, homelessness and plummeting property values.

"In recent months, some robberies even took place during the daytime. Some of my Chinese friends were robbed of their gold necklaces on the street," said Esther Tse, executive director of the senior center, who moved to Stockton with her husband and daughter from Hong Kong about six years ago.

The government used to help pay for the lunches of about 1,500 people who came to the senior center every month, and every senior needed to pay just \$1.75, she said.

Now the number of seniors coming has decreased to about 600, and the government has reduced the center's budget, she said.

While bankruptcy may embarrass a city and make it less attractive to businesses and investors, Stockton officials believe it might be a quick way to a return to better fiscal health, and force bondholders, creditors and unions to sit down and negotiate changes.

"We can't reduce our services anymore, and we cannot reduce police and firefighters and services like that, so we were forced to file for bankruptcy" on June 28, Connie Cochran, the city's public information officer, told China Daily at Stockton City Hall.

"We have been working with our largest creditors and our bond com-

panies. We will be working with (the US) Bankruptcy Court to negotiate the debt we have and to recover from this," she said. "It might take a few years."

She said the budget crisis is related to the city's general fund, whose expenses include police, fire protection and administrative functions. The general fund gets its money in part from local and sales taxes.

While residents can see the increase in violent crime, discontinued recreation programs and reduced library hours, Stockton still offers services such as water and road construction. Those funds are not part of the city's financial woes because government cannot use that money to solve its general fund problems, Cochran said.

"When we have fewer services, it is difficult for our citizens. Government bankruptcy can protect the services we provide and not have to reduce the money further," Cochran said.

She said the city still offers businesses a good location, with its freeways, waterways and ports. "The challenge we are facing right now is when people and business come, they want a quality of life for their employees," Cochran said.

John Reynolds, executive director of Stockton Shelter for the Homeless, said that of the 1,123 people who have sought help in the shelter this year, only 28 were Asian-Americans.

According to registration data, 38 percent of the homeless in the shelter are Hispanic and 30 percent are black. "Asians account for only 1 percent, and most of them are Cambodians or Vietnamese," Reynolds said. "Chinese are not in our shelter."

The government bankruptcy filing hasn't affected Chinese-Americans' lives in the short term because they don't overspend on their credit cards, they save money and offset their small salary by living economically. But keeping a job has been the biggest concern for Chinese-Americans in Stockton.

Esther's husband used to have a job in the prison department in Sacramento, California's capital, but he was laid off two years ago. "Many government hourly jobs are lost as a way to keep more people employed, but everyone has lower pay because of the reduced hours," she said.

Zhang Qidong contributed to this story

# Growing number of cities in US declare bankruptcy

### A spate of defaults has occurred in municipalities all over the country

By AGENCIES  
in San Bernardino, California

The city of San Bernardino, California, declared bankruptcy on July 10, following similar moves in the past month by Mammoth Lakes and Stockton, also in California.

A fourth city, Compton, on the outskirts of Los Angeles, could be the next city to turn to bankruptcy protection.

City officials announced earlier this month that Compton could run out of money by summer's end, with \$3 million in the bank and more than \$5 million in bills due, reported the Los Angeles Times.

Before them it was Harrisburg, Pennsylvania, Jefferson County, Alabama, and Central Falls, Rhode Island — the list continues.

San Bernardino has burned through its reserves and is out of other ways to pay for its longstanding deficit spending. It faces a deficit of nearly \$46 million.

"This problem has been coming for a long, long time," said council member Fred Shorett. "It's here now."

In past decades, many US municipalities declared bankruptcy. Since 1981, 42 cases were filed.

In December 2010, financial analyst Meredith Whitney told the TV program *60 Minutes* that more than 100 US cities could go

bust in the next year.

"There's not a doubt on my mind that you will see a spate in municipal bond defaults. You can see 50 to 100 sizeable defaults — more. This will amount to hundreds of billions of dollars' worth of defaults," she said.

According to Stephen Lendman, writer of *How Wall Street Fleeces America: Privatized Banking, Government Collusion and Class War*, until the 1930s, it was legally impossible for US cities to declare bankruptcy. The 1934 Bankruptcy Act changed things. Cities and municipalities were included.

Earlier rules became today's US Bankruptcy Code Chapter 9. It's available exclusively to cities and towns, he wrote in a recent article published on the website of The Centre for Research on Globalisation, an independent research and media organization based in Montreal.

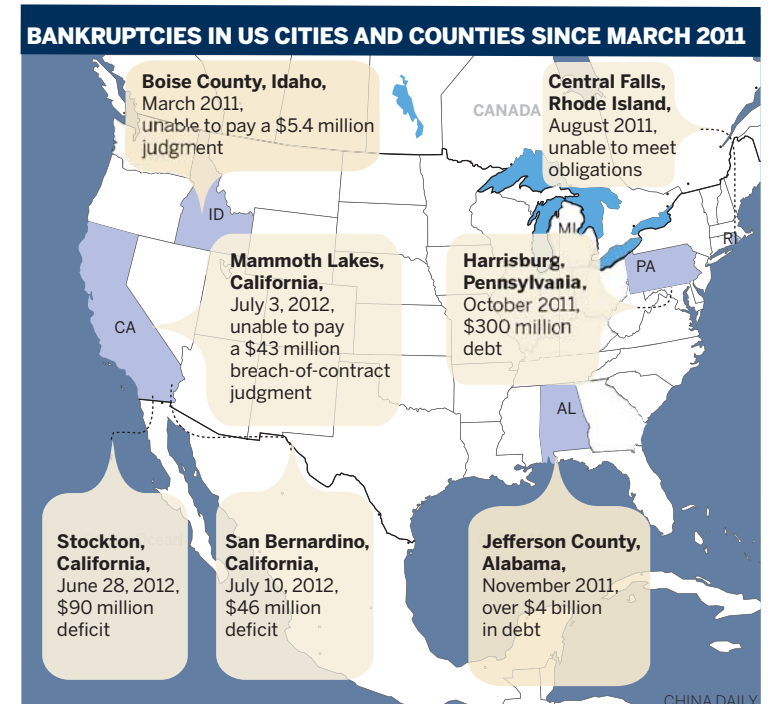
In October 2011, Jefferson County declared Chapter 9 bankruptcy. Its debt exceeded \$4 billion, which was the largest municipal filing in US history.

Along with many small towns, transportation and school systems, Pennsylvania's capital, Harrisburg, filed later.

In May 2008, Vallejo, California, declared it. Up to then, a California city that large never took this route. At the time, City Manager Joseph Tanner said: "This has been a long, frustrating process for everyone. There are no winners here tonight."

Vallejo's city council voted unanimously to approve Chapter 9 bankruptcy protection. Its finances were in shambles.

According to Lendman, Detroit hasn't gone bust but it's dying. Half of



more working-age residents have no jobs. Those with jobs have low-paid, part-time or temporary ones.

For more than a century, Detroit was US industrial heartland. It drew workers from around the country for high-paying jobs with good benefits. However, in the last decade, half the population left.

Lendman noted that large and smaller US cities are troubled, short of bankruptcy. They include New York, San Diego, San Jose, San Francisco, Los Angeles, Detroit, Pontiac, Cincinnati, Honolulu, Washington, Newark, Camden, Paterson, Harrison and Salem, New Jersey, and Gary, Indiana.

In August 2011, Central Falls declared bankruptcy. Located north

of Providence, it's Rhode Island's poorest municipality. In 2010, it entered receivership.

In March 2011, Boise County, Idaho, filed for protection. It did so to buy time to figure out how to pay creditors.

In October 2009, Prichard, Alabama, declared bankruptcy for the second time. Mayor Ron Davis just finished paying creditors from its 1999 filing. He released a statement saying other options weren't viable.

In 1994, Orange County, California, went bust. It's home to some of the country's most affluent communities. Bad speculative investments caused the bankruptcy.

CHINA DAILY—REUTERS



## UP TO HIS NECK IN DIFFICULTY

PHOTO BY ERIK DE CASTRO / REUTERS

A man wades neck-deep in murky waters to salvage materials from shanties in Tondo, Manila, the Philippines, destroyed by a barge in Manila bay on Monday. The barge slammed into dozens of shanties at the height of Typhoon Gener, which left hundreds homeless in Tondo, local media reports said.

WORLD REPORT | CHEN WEIHUA

## Foreclosures, declining property taxes take economic toll

When the town of San Bernardino, California, was hit by declining property taxes caused by massive foreclosures and lower housing prices, the city closed most of its offices on Fridays, and over a 3-year period cut employees' salary by 10 percent and reduced its workforce by 20 percent.

On Wednesday, the City Council voted 5-2 to declare a fiscal emergency and file for Chapter 9 bankruptcy protection because the city was facing insolvency. San Bernardino's deficit is expected to hit \$45 million in the coming year. With only \$150,000 in the bank, it cannot even honor the Aug 15 payroll.



ton and Mammoth Lakes.

Compton, situated to the southeast of downtown Los Angeles, may soon follow suit as it will run out of funds by Sept 1.

Across the US, states, cities and towns are facing similar financial strain as declining revenues during bad economic years can no longer support redevelopment projects and

San Bernardino, with a population of 210,000, is the third California city to file for bankruptcy in recent weeks, joining Stock-

exploding pension costs.

In April, Los Angeles top budget official Miguel Santana warned the city could go bankrupt if it does not introduce new taxes, privatize some city services and reduce its staff.

A poor financial situation has already forced the city of Hemet, California, to outsource its trash collection and consider substituting its police force through a contract with the Riverside County Sheriff's Department.

Just last month, San Diego and San Jose, two large cities in California, voted to cut pension benefits to city workers in order to have enough money to provide basic services to their residents.

Two weeks ago, Scranton, Pennsylvania, had to reduce all city workers' pay, including to the city mayor, to the minimum wage of \$7.25 an hour after they were hit by mounting debt and plummeting revenue.

While bankruptcy is still regarded as a rare phenomenon, about 640 US cities have filed for bankruptcy since Chapter 9 for municipal bankruptcy was introduced in the 1930s. Of that number, 13 were in 2011.

While bankruptcy may be embarrassing for a city and affect its appeal to businesses and investors, some believe it can be a shortcut to better fiscal health for cities with high debts because it forces bondholders, creditors and unions to sit

down and negotiate changes.

As news of US municipal bankruptcy hits China, many Chinese may try to comprehend what it means for their cities.

Statistics from the National Audit Office showed local government debts in China had reached a record 10.72 trillion yuan (\$1.7 trillion) by the end of 2010.

Many provinces are facing huge costs from massive development projects and declining tax from the property market, which are identical problems to those experienced in US cities.

Many local governments believe they can keep themselves solvent by selling land or borrowing from banks.

Local banks are often ready to come to their rescue. Statistics from the National Audit Office showed about 79.01 percent of local government debts are outstanding bank loans, with about a quarter of local government debt paid by land sales.

No one seems to know how long that source of funding could last while the central government continues to tighten up the property market.

In a bid to hold local governments responsible for their own debts, the State Council, for the first time last November, granted Shanghai, Zhejiang, Guangzhou and Shenzhen the right to issue local treasury bonds.

Chen Weihua reports in New York.