

◇ INSTITUTE ON EDUCATION LAW AND POLICY ◇

Municipal Takeovers Bibliography

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Annotated Bibliography: Municipal Takeovers

BOOKS

Bailey, Robert W. (1984). *The crisis regime: The MAC, the EFCB, and the political impact of the New York City financial crisis*. Albany: State University of New York Press

The crisis regime presents a case study providing an analysis of the New York City financial crisis of 1975 and insight into the changing politics and mode of governance in big cities. Bailey contends that New York's financial emergency was not only a period of extraordinary legal powers and unusual politics, but it has also led to the emergence of a new form of governance. Overall, the study yields lessons for citizens and those who are responsible for managing government. Of broader significance, the study presents an interest to academicians for future studies of politics and management of big cities.

Holzer, Marc and Kathe Callahan (1998). *Government at work*. Thousand Oaks, CA: Sage Publications.

Government at work presents evidence of government program creativity, competency and productivity in the task of addressing seemingly intractable public policy problems. Holzer and Callahan thus provide a vivid testimony to exemplary government and powerful defense of the public sector against negative and distorted stereotypes embedded in the public consciousness.

Kettl, Donald F., Patricia W. Ingraham, Ronald. P. Sanders, and Constance Horner (1996). "Civil Service Reform: Building government that works". Washington, DC: Brookings Institution Press.

Kettl and his associates argue for the need to reform the federal civil service and outline how such service can respond to the changing demands upon the government particularly in the era of government reinvention, downsizing, and restructuring. They contend that such service today is neither uniform, merit-based, nor a system. Furthermore, the current system not only poorly develops federal workers capable of managing new partnerships, but it also does not allow flexibility and incentives for excellence that is needed to build a government that works.

JOURNALS

Berman, David R. (1995). "Takeovers of local governments: An overview and evaluation of state policies" *Publius* 25:3 (Summer), 55-70.

Berman's article provides an overview and evaluation of state intervention strategies into the affairs of fiscally distressed municipalities and bankrupt school districts. The article

analyzes the manner in which states intervene, the resistance they encounter, the nature of changes made and the outcomes of such intervention. Such information is useful in evaluating how different approaches to intervention and assumptions concerning the nature of the problems to remedy help determine the tone of the takeovers and their potential effectiveness.

Cox, William (1993). "Lessons of receivership: The legacy of Chelsea", *Government Finance Review* (August), 21-22, 24.

This article considers how the City of Chelsea and the state appointed receiver have confronted obstacles to achieve a more viable economic future for the City. The receiver, advised by a broad spectrum of public and private leaders, was given broad powers and responsibilities, with the goal of providing a framework for sound operating and capital budgets and, ultimately, recommending a new form of government. He gained control over the school budget and was able to ensure the continuation of an experimental program in which Boston University managed Chelsea's schools. He streamlined the bureaucracy and achieved a balanced budget for fiscal year 1993. Efforts undertaken to achieve long-term balance also included user fees, privatization, and technology. The success of efforts undertaken in reforming the local government is credited in part to lack of political recriminations and increased management options. The City's reform effort not only touched the lives of the citizens of Chelsea but also provides government leaders in Massachusetts important lessons in government reinvention that can be emulated elsewhere in the country.

Cahill, Anthony G., Joseph A. James, Jean E. Lavigne, and Ann Stacey (1994). "State government responses to municipal fiscal distress: A brave new world for state-local intergovernmental relations", *Public Productivity & Management Review* (Spring), 253-264.

This article examines the relationship between the state and local governments, in particular how the state responds to municipal fiscal distress. Such distress significantly impact upon state-local government relations and it is important for state to address the cause of fiscal distress. Increasing numbers of municipalities in fiscal distress are adversely affected and cease to perform functions associated with local government. However, attempts at measuring the health of a municipality before decline sets in have been few and the state monitoring mechanisms have been irregular and uncertain. Regardless of the actions states contemplate, the fiscal and political environment always proves to be hostile. State governments have shown resistance to transfer financial resources at the local level while they scramble to grapple with the transfer of a range of responsibilities from the federal government. It is possible for states to contemplate a scenario in which they assume a welfare mentality toward some municipalities which merit long-term attention and fiscal aid by the state. It is doubtful that technical assistance alone will solve the problem of many distressed municipalities.

Cyr, Ed (1993). “Thoughts on the Chelsea receivership”, *Government Finance Review* (August), 23-24.

This article highlights the need of a thorough reexamination of the rules that govern governmental practice when restructuring government. To respond to the needs of communities facing problems that brought the city of Chelsea, Massachusetts, to receivership, it is important to recognize the nature of those problems and develop the tools to implement reform. A businesslike approach does not seem applicable at the municipal government level due to the definition of municipal governments' mission, budgeting practices, hiring policies, contracts, and procurement practices. Politicians and managers are caught up in a difficult web of competing interests, laws, and traditions that have created a dangerous political stalemate. Members of the Chelsea receivership team have concluded that, without a thorough reexamination of the rules that govern governmental practice, sustainable progress cannot be accomplished when applying the reinventing or entrepreneurial government principles.

Harvard Law Review (1997). Notes: Missed opportunity: Urban fiscal crises and financial control boards. 110, 733-750.

States' responses to local urban fiscal distresses, while diverse as the state themselves, have invariably led to the creation of financial control boards with plenary powers that far exceed those available to local elected officials. These boards, generally exempted from political considerations and cumbersome processes, have been successful in resolving the immediate financial distress. However, these notes deplore the exclusion of citizen participation in decision-making process at a critical time when political values and social discourse are clearly relevant to citizens' daily lives. Unmistakably, by passing the opportunity to involve citizens in decision-making, these boards send a message that democratic control is ineffective and that citizens cannot make sound and difficult decisions during crises. Furthermore, these boards implement policies that not only injure those citizens, but also impede the long-term financial interests of the city. Hence, these notes examine how these boards can be restructured in such a way they resolve urban crises and, at the same time, incorporate direct citizen participation to reaffirm self-government as a democratic ideal.

Larkin, Richard P. (2001). “Impact of management practices on municipal credit”, *Government Finance Review* (February), 23-26.

This article evaluates how rating agencies have granted consideration to financial management practices in assigning bond ratings. While the rating agencies' guidelines remain vague on the value of policies that call for contingency operating reserve funds, pay-as-you-go capital spending, and multiyear budgeting, such policies have nonetheless been encouraged. The analysis of actual financial crises over the past 25 years shows that management has had a significant impact on resolving including exacerbating situations. Management practices and policies can add stability to weak credits, thus maximizing their credit ratings potential. On the other hand, weak financial management can negatively affect even the strongest economies and local government structures.

Smith, Christopher (1998). “Provisions for access to chapter 9 bankruptcy: Their flaws and the inadequacy of past reforms.” *Bankruptcy Development Journal*, 14:2 (Spring), 497-532.

Municipalities, like consumers and corporations, can face fiscal crisis and may theoretically seek, with discretion, federal bankruptcy protection. While Congress’s enactment of the federal Bankruptcy Code was constitutional, Smith contends that constitutional conflicts have historically made it difficult for local government units to file for protection from creditors under chapter 9. Tenth Amendment constitutional considerations limit Congress’s ability to interfere with the affairs of municipalities and have been the subject of contention whenever chapter 9 was applied. Despite Congress’ amendments to the Bankruptcy Code, the shortcomings have not been resolved. Smith thus argues for the need for further reform. Smith first provides arguments highlighting the constitutional concerns pertaining to local government bankruptcy. Then, he provides a brief history of local government bankruptcy and examines the status and relevance of chapter 9 bankruptcy from both state and federal perspectives. Finally, he outlines the areas in the law which need further reform, presents proposals for changes to the Bankruptcy Code and makes recommendations for legislative amendments based on these options.

POLICY BRIEFS

Jennifer O’Day, Margaret E. Goertz, and Robert E. Floden (1995). “Building capacity for education reform.” CPRE Policy Brief RB-18. Philadelphia: University of Pennsylvania, Consortium for Policy Research in Education.

Reformers of the education system are demanding that students meet new challenging expectations for learning and that teachers, schools, as well as districts innovate the ways they do their work. However, the question arises as to whether the education system has what it takes to meet these new demands. The search for an answer to this crucial question has led to debates among reformers across the country. These debates have focused among other things on professional development for teachers and resources, such as money and adequate staffing levels. But, critics point out that these debates often fail to account for all the factors that interact to determine educational capacity. This CPRE policy brief contends that discussions of capacity should expand to encompass factors such as the relationships between individual, or teacher, capacity and the abilities of schools, and districts to carry through standards-based, or systemic, reform. This brief provides a framework for addressing capacity issues and proposes ways that systemic reform strategies could help enhance capacity. The brief also describes how professional development and state assessment strategies have been used to increase educational capacity in states studied by CPRE. The brief includes findings of a three-year study of systemic reform conducted by CPRE researchers in school districts in California, Michigan, and Vermont. These states are known of taking different approaches to reform. Finally, the brief draws from other research on teacher and organizational capacity.

REPORTS

Cahill, Anthony G. and Joseph A. James (1991). *Coping with fiscal distress in Pennsylvania's local governments: A program evaluation of Act 47*. Harrisburg: Pennsylvania State University, Department of Public Administration (April).

Cahill and James conducted an evaluation of Act 47 with a view of determining the extent to which such Act adequately addressed problems facing Pennsylvania's distressed municipalities. If the Act was not achieving its intended purpose, then changes should be suggested that would improve the Commonwealth's ability to help localities correct fiscal distress or insolvency. The report submitted in 1991 to the Local Government Commission of the General Assembly of Pennsylvania provided appendices with detailed summaries of 8 state's legislation regarding distressed municipalities including New Jersey, New York and Michigan. The report also includes summaries of the recovery plans for 9 Pennsylvania communities and provides updates for 6 Pennsylvania communities toward their progress. Finally, the report makes six recommendations for how the Act and its implementation could be improved. Such recommendations were based upon the findings that there existed a considerable mismatch between the causes of fiscal distress or insolvency in the municipalities examined and the remedies outlined in the Act.

Chelsea Transition Office, Executive Office for Administration and Finance, Commonwealth of Massachusetts (1996). *The Chelsea receivership, City of Chelsea Massachusetts: Governmental and Operational Reform 1991-1995, Financial Position 1990-2001* (August).

This article provides an overview of the City's governmental and operational reform from 1991 to 1995 in terms of financial management enhancements, general management improvements, governance reform, and enhanced service delivery. The article also includes accounting information from 1990 to 1995, employment profile from 1992 to 1996, six-year projections of revenues, expenditures as well as transfers including other financial planning.

City of Camden Multi-Year Recovery Plan Fiscal Years 2001-2003: Executive Summary.

Camden is New Jersey's most distressed city. The City needs corrective action to not only overcome its structural budget deficit and severe challenges in its basic infrastructure investment, but also an acute deficit in meaningful economic opportunity for its residents and businesses. Hence, the City of Camden Multi-Year Recovery Plan, which envisions fiscal stability as the bedrock for recovery, provides for working and flexible framework for considering and implementing initiatives to end five decades of di-investment and achieve self-sufficiency. The Recovery Plan comprises four components that include the budget, operations, capital, and economic development plans.

**Hren, Henry E., Michael J. Morelli, Lois M. Briggs, and Lillian DiCarlo (1998).
New York State Emergency Financial Control Board for the City of Yonkers, May
1984 to July 1998: Financial emergency period termination report (December).**

Following the City of Yonkers' fiscal crisis in 1984, the New York State Legislature enacted the Control Board Act providing the City with a loan and instituting a State Financial Control Board to supervise and control the City's fiscal matters. The financial emergency period was to continue until such time the City meets its termination criteria. This report thus provides a summary of the history of the (second) Emergency Financial Control Board for the City of Yonkers. It outlines the provisions of Chapter 103 of the Laws of 1984 and details the exercise of plenary powers vested by State during the Control Board's tenure. The report also provides for an analysis of changes into the City's fiscal situation during the Control Board's tenure including that of factors leading to the termination of the emergency period. The report concludes with the Control Board's finding that the City, upon the submission of a proposal of a four-year financial plan in 1998, has satisfied the emergency period termination requirement culminating in the termination of the emergency period.

**Instructions for completing a corrective action plan (for use in New York City only,
March 3, 2000).**

The New York City's Board of Education, is required by the Commissioner's Regulations, in collaborative effort with Superintendents of [community and high] school districts and other school stakeholders, to formulate and implemented a Corrective Action Plan for under-performing schools under registration review. The Corrective Action Plan helps to review past as well as existing school improvement efforts and design new strategies that address barriers to school performance in view of fostering changes that ensure improved student results. The Corrective Action Plan must include the plan for the district support and intervention for the current school year. If the Corrective Action Plan shall result in the closing and redesign of a school, a framework for school redesign must then be submitted, according to timelines for submission, along with the Corrective Action Plan.

**McCall, H. C. (2000). "State of New York: Comprehensive Annual Financial
Report for fiscal year ended March 31, 2000". Sate of New York, Office of the State
Comptroller.**

This report, prepared in accordance with generally accepted accounting principles for governments as promulgated by the Governmental Accounting Standards Board, fairly presents the State's financial information. Briefly, the report shows the State's unemployment rate at about 5% and an operating surplus as well as an accumulated surplus in the General Fund of little over \$1 billion. But, the State had a long-term debt obligations of over \$30 billions. While the overall financial condition is very strong, the Office of State Comptroller deplores the lack of planning for the future due to chronic

inability to meet the budget deadline. However, the short-term economic outlook is highly dependent on the course of national economy and Wall Street. This report comprises three sections that include introductory, financial and statistical sections. The introductory section contains the Comptroller's transmittal letter, the financial overview, the State's organization chart, and a list of principal officials. The financial section has the general purpose financial statements and the combining statements and schedules, including the auditor's report on the financial statements and schedules. Finally, the statistical section contains the State's fiscal, social, and demographic information.

Mackey, Scott R. (1993). State program to assist distressed local governments, Legislative Finance Paper #86. Denver, Colorado: National Conference of State Legislatures (March).

The NCSL's State-Local Relations Committee generally monitors and reports on local fiscal conditions and assesses their implications for state-local relations. Mackey's report examines state programs to help municipalities confront potential fiscal crises. Hence, it provides for a comparison of key policies in the states with and without statutes to assist distressed local communities. It also discusses major causal factors of local fiscal crises across the country and the shortcomings of fiscal distress statutes in addressing these factors. Moreover, the report discusses state monitoring of local fiscal conjuncture and provides in an appendix the result of a survey of 41 states' response to local fiscal distress including a bibliography of studies of local fiscal conditions in the states. The report findings indicate that many factors affect municipal fiscal health and that states are called upon to assist fiscally distressed local communities. The report also finds similarities and differences in states' approaches to local fiscal crisis and that the governor or other executive official makes the declaration of distress based upon legislative guidelines. But, state statutes have failed to address the root causes of local fiscal distress and there is a need for states to adopt comprehensive strategies when addressing local fiscal distress.

McCarthy, Patricia Lamb. (n. d). "Guide for Selected Financial Indicators: Analysis of Financial Conditions for Local Governments". State of New York, Office of the State Comptroller.

The guide for selected financial indicators, developed by the Office of State Comptroller, is a system established to review the financial conditions for New York State's municipalities. The system allows an early identification of municipalities susceptible to fiscal stress and provides assistance to fiscally distressed local governments before their problems become acute. The Fiscal Awareness Strategy Team (FAST) is a program in the Division of Municipal Affairs, which identifies and assists municipalities with fiscal issues. The indicators used are ratios that facilitate comparisons with other local governments and provide a picture of financial condition over a number of years. It is important to indicate that no one indicator alone should provide an acceptable indication of any trend, whether positive or negative.

Municipalities Financial Recovery Program: Typical Plan Recommendations. (Bulleted list).

This is a brief summary of recommendations that have been made from various recovery plans. The state of Pennsylvania does not formulate recovery plans with distressed communities. Following the state determination that a municipality is distressed, with the help of criteria listed in the Act 47, then the state issues a scope work and contracts with consultants to develop a recovery plan and assess the municipality's progress. Generally, updates are conducted at least every three years. If the consultant recommends the removal of the "distressed" designation, the state will then formally re-examine the case and ask the consultant to formulate an exit report consistent with strategies that prevent the recurrence of the crisis.

Nassau County Summary (n.d.)

This summary provides for an overview and analysis of the Nassau County's problem and the structure and functions of the Nassau County Interim Finance Authority. The summary also outlines the role played by and various recommendations made by the Office of the State Comptroller (OSC) to the County government since 1992. The summary also contains pitfalls and obstacles on the County's path to recovery that were indicated by the OSC and the help that the Office could provide for the return of healthy County's finance.

Pennsylvania Economy League, Eastern Division (1991). Fiscal crises and remedies: A comparative study of Philadelphia and other large jurisdictions, with emphasis on fiscal supervision agencies, Report 596. Philadelphia, author (April).

The City of Philadelphia has faced budget deficit since 1988 despite requirements in its home rule charter for balanced budgets. These deficits were caused by revenue over-estimation and spending exceeding the budget. Pennsylvania Economy League explores in this study how other jurisdictions have responded to their fiscal distresses in view of recommending the most appropriate course for Philadelphia. Typically, the state intervened in most of these jurisdictions and set up agencies with some responsibility over local fiscal matters. Pennsylvania Economy League compares such agencies for New York, Cleveland, the Chicago School District in Illinois, and Bridgeport in Connecticut. The study findings indicate that inaccurate revenue estimates, runaway spending, excessive borrowing, and poor accounting were major causal factors of fiscal difficulties. The study recommends the setting up of a state-authorized agency to provide financing and oversight over Philadelphia's finance as a way to resolving the city's fiscal crisis.

Pennsylvania Economy League, Inc., Western Division (1999). Municipalities Financial Recovery Act Review. Pittsburgh: Center for Local Government Services, Department of Community and Economic Development, State of Pennsylvania (July).

The Pennsylvania Economic League conducted a review in 1999 of and recommended changes to the Act 47, also referred to as Municipalities Financial Recovery Act. The review found inadequate and suggested improvement of its provisions for addressing municipal fiscal distress. The report recommended an amendment to the Act to allow the formation of financial control boards whenever actions of local officials directly contradicted elements of the municipality's recovery plan. The report justifies such recommendation by summarizing fiscal distress legislation for school districts in selected states. These summaries look particularly at legislation that recommends the creation or authorization of fiscal boards of control or similar types of administrative agencies in the following states: Florida, Illinois, Connecticut, Massachusetts, Michigan, Ohio, and Maine. The report also recommends a new procedure for implementing the Municipalities Financial Recovery Act. Finally, the report includes the results of a survey of elected officials from 5 distressed communities regarding the Municipalities Financial Recovery Act.

Resource Development and Management, Inc. (1999). Municipalities Financial Recovery Act Evaluation Report on East Pittsburgh Borough. Harrisburg: Pennsylvania Department of Community and Economic Development, Governor's Center for Local Government Services (July 12).

This report, conducted in compliance with the Municipalities Financial Recovery Act (MFRA), evaluates the current status of recovery efforts of the Borough of East Pittsburgh to assess whether or not to rescind the Borough's designation as a distressed community. The report concludes that, after a review and analysis of the information available, the factors that originally led to a distress determination in East Pittsburgh Borough have been alleviated. Hence, the report recommends rescinding the distress determination. However, it stipulates that the Borough should continue to maintain budget discipline and pursue the policies that are critical to maintaining fiscal stability and providing adequate and quality services in the most effective manner possible.

Spence, Lewis H. (1995). Reflections on the prospects of Chelsea: Final report of the receiver to the Massachusetts Legislature (August 14).

Spence, the Receiver of Chelsea, wrote a final report as mandated by the statute establishing the receivership. Such report also offers observations about the City's past, present and future and is intended as a contribution to the dialogue within the community in regard to Chelsea's prospects.

Spigel, S., J. Lohman, and J. Rappa (2000). "State financial oversight boards". Office of Legislative Research, Connecticut General Assembly Research Report 2000-R-1120 (November 29).

This report from the Office of Legislative Research provides for a comparison of the conditions and requirements the legislature imposed on Bridgeport, Jewett City,

Waterbury, and West Haven when it allowed them to borrow money to face financial emergencies. It also explores the extent of each municipality's fiscal distress at the time the legislature took action and rescinded the review board. The findings show that these local governments, with the exception of Waterbury's government, set up a mechanism using a reserve fund raised by property tax revenues to service debt. All review bodies had similar basic functions and three of them, with the exception of Waterbury, had the authority to order municipal officials to implement their decisions. When the legislature took action, Bridgeport faced a projected deficit of \$60 million in 1988, West Haven anticipated a \$10 million deficit in FY 1990-91, Waterbury reported a \$24.8 million operating deficit in 1996 whereas Jewett City faced a cumulative deficit of \$80,000 in FY 1991-92 and had run deficits for six of the seven fiscal years between 1985-86 and 1991-92. The financial review board disbanded in 1995 for City of Bridgeport and terminated in 1993 for West Haven. The receivership for Jewett City ended in 1996.

State of Massachusetts. An Act Establishing a Council Manager Form of Government for the City of Chelsea (Act Approved August 26, 1994). Chapter 103.

This Act, known as the City of Chelsea Charter, establishes a council manager form of government for the City of Chelsea. It delineates the divisions of powers between the city manager and the city council. It also provides for the composition, eligibility, election and term for the city council. The Act outlines criteria of qualifications and manner for the appointment of the city manager. The Charter also defines the powers of the city and how these powers should be interpreted. The Charter outlines the City's conduct of intergovernmental cooperation. It provides for general and transition provisions, mechanisms for citizen participation, nominations and elections, administrative organizations, and city's financial procedures. It also provides for the composition, eligibility, election and term, including powers and duties, of the city's school committee.

State of Massachusetts. An Act Establishing a Receivership for the City of Chelsea (Act Approved September 12, 1991). Chapter 200.

This Act establishes a Receivership for the City of Chelsea. It outlines the structure of the Receivership and grants the Receiver broad powers and responsibilities and tasks him with the goal of providing a framework for sound operating and capital budgets and, ultimately, recommending a new form of government for the City.

U.S. Department of Housing and Urban Development, Office of Policy Development and Research (1979). Summary of Productivity Improvement Projects. Washington, D.C.: Government Printing Office.

This report, which describes productivity improvement programs, summarizes 18 HUD - sponsored capacity - building and sharing projects. It provides summary descriptions of 17 programs conducted by local governments across the country including information

for obtaining reports and booklets on the projects. For instance, local governments have formulated ideas such a computerized parks maintenance management system, a systematic approach to advance planning for large street widening effort, and a cooperative public services project. Regional governments have also developed a centralized purchasing system and regional price list that can be used to enhance purchasing uniformity and decision-making ease. Municipalities in Oregon have standardized and centralized permit - application systems while those in Californian cities designed and tested a method of scheduling work shifts and off - duty hours for services personnel that extend beyond the normal business day. Other projects include a neighborhood - cleanliness project, which relies on citizen participation approaches, a public facilities location model, a total performance management system that uses a combination of industrial engineering performance measurements with behavior sciences principles, and emergency - service - deployment and land - use models.

United State House of Representatives, Subcommittee on the District of Columbia, Committee on Government Reform and Oversight (1995). “Actions taken by five cities to restore their financial health” (March 2).

After ascertaining how bad the Capital City’s fiscal crisis was, Congress explores through hearings how other States and regional governments have responded to the fiscal crises that engulfed their urban cities in the past two decades. Congress looks at actions undertaken by these governments to restore financial health for urban cities such as New York City, Yonkers, Cleveland, Philadelphia, and Chicago in view of recommending the most appropriate course of action for the Metropolitan City of Washington in the District of Columbia. Congress acts as a State legislature for the District of Columbia, which lacks the normal State or regional government to assist it with its affairs. The findings show that that the financial crisis in urban cities is rooted in a common cause and therefore can be remedied by similar solutions. Generally, structural deficits led these cities to follow unsound financial practices. Invariably, States and or regional governments’ responses to the fiscal distresses, while somewhat diverse, have led to the creation of financial control boards with plenary powers that far exceed those available to local elected officials. The state mostly, and sometimes with the city jointly, appointed the board’s members and staffing. During the board’s tenure, the city had some of its home rule powers revoked by the state. These boards, mostly exempted from political considerations and cumbersome processes, implemented policies that successfully resolved the immediate financial distress. They provided financing and oversight over the city’s finances and were disbanded once the city met the board’s termination criteria or those set by the legislature.

PRESS ARTICLES

***Buffalo News.* (1995). “There’s big trouble in Troy... and elsewhere, if that city goes bankrupt,” July 24.**

This press article analyzes the financial health of New York State municipalities and warns about looming local fiscal distress. In particular, the City of Troy could declare

bankruptcy. Troy faces a staggering deficit amounting to 41 percent of its annual budget. Whereas no New York State city has ever declared bankruptcy, Troy was granted permission by the state legislature to do so if it cannot borrow money to refinance an earlier loan. However, given the potential consequences of bankruptcy, the state government has established an advisory municipal assistance panel for the City to try to avoid bankruptcy.

Canellos, P. S (1997). Chelsea forgives, forges ahead. The Boston Globe (December 11).

McHatton, the captain of the vice squad for the Chelsea police, who was convicted in a court and sentenced for tax evasion, has won an election as a city councilor after serving a prison term. McHatton is being seen as a symbol of his city's resistance to outside interference. But his election strikes terror in those who devoted themselves to changing old habits and restoring order to one of Massachusetts' most troubled cities. They are concerned that the election of McHatton, a man clouded by corruption, could cause Chelsea to backslide.

Fitzgibbons, P. M. (1992). Chapter two unfolds in Chelsea, Mass., financial recovery story. The Bond Buyer (August 31).

This article highlights the beginning of the second phase of a three-pronged recovery program for Chelsea, under the City's new receiver, Harry Spence. The new receiver's task is to reshape the city's government and generate long-term economic growth. Mr. Spence believes this phase, perhaps the most critical one, to be off to a good start. However, he cautions to not rest on past achievements.

Fitzgibbons, P. M. (1993). Chelsea, Mass., prepares to test the market after stormy, debt-tossed 10-year absence. The Bond Buyer (Oct. 12).

Chelsea's finance officials are preparing to issue a \$100 million bond, the first debt sale by the beleaguered city in more than 10 years. The pending bond sale represents an important step in the second phase of the city's recovery, in particular its economic redevelopment.

Fitzgibbons, P. M. (1993). Chelsea, Mass., tests municipal market waters with \$100 million state back derivatives sale. The Bond Buyer (Nov. 3).

The City of Chelsea took a tentative step toward testing the municipal market, for the first time since the 1970s, with a \$100 million state backed issue and derivatives sale. Capital Guaranty Insurance Company, which insured the deal and thus adding another buffer between the city and investors, based its decision on the state's general obligation and lease-backed credit ratings. But, city officials see the deal primarily as a way of

reacquainting the market with a local credit, which once was one of Massachusetts' strongest.

Fitzgibbons, P. M. (1994). Around the nation Massachusetts No. 2. The Bond Buyer (March 1).

The city of Chelsea may soon come out of receivership as its fiscal situation has improved. The receiver and city leaders are thus rewriting the city charter to install a city manager when the city is released by the state receiver.

Fitzgibbons, P. M. (1994). Around the nation Massachusetts Number Two. The Bond Buyer (March 22).

A citizens' group rewriting the city's charter has recommended a city council and manager form of government for Chelsea when the receivership ends by the summer of 1995. This is to assure the people that the highest executive has strong municipal management skills. The new charter suggestions will be discussed by the people of Chelsea before being voted in a referendum in June.

Fitzgibbons, P. M. (1994). Around the nation Massachusetts. The Bond Buyer (December 13).

This article highlights a major step taken by the city of Chelsea toward self-government by holding its first municipal elections since 1990.

Fitzgibbons, P. M. (1994). Chelsea, Mass., GO sale to fund schools shows city is close to financial health. The Bond Buyer (Aug. 29).

This article highlights how the city of Chelsea is coming back to market. In the eve of the sale of its first general obligation issue since 1982, Chelsea has no outstanding general obligation debt. The city hopes to sell the next day \$111 million of GOs to fund the renovation of the city's dilapidated school system, which suffered from many problems among other things, mismanagement, corruption, and criminal neglect. The financing will include serial bonds maturing in 1995 through 2009 and a term bond maturing in 2014. AMBAC Indemnity Corporation will insure the bonds and Government Finance Group will serve as the city's financial advisers. The new receiver, Mr. Spence, sees the deal as a major seal of approval of his work in Chelsea.

Fitzgibbons, P. M. (1995). Trends in the region: Two struggling New England cities turn it around. The Bond Buyer (Oct. 16).

The cities of Chelsea in Massachusetts and Bridgeport in Connecticut, which greatly suffered during the economic slowdown at the turn of the decade, now see signs of recovery almost five years after their brushes with bankruptcy.

Hampton, Ted. (1991). Chelsea, Mass., mayor says city may seek chapter 9 protection. The Bond Buyer (June 5).

The city of Chelsea seems to be at the forefront of municipalities in trouble and suffers a crisis of self-governance, according to Mr. Gerald B Lewis, the assistant comptroller of the Boston University. The inability of the city to collect taxes and pay its vendors, coupled with the city's shrinking property tax base and sagging state aid, has led Mayor John J. Brennan to contemplate seeking protection under the U.S. Bankruptcy Code's Chapter 9, which provides for a municipality's fiscal restructuring.

Hampton, Ted. (1991). Governor Weld comes to rescue Chelsea, Mass., by drafting legislation to set up city receiver. The Bond Buyer (September 6).

Governor William F. Weld filed for legislation to install receivership, with the receiver having broad fiscal powers and responsibilities, as a response to Chelsea's fiscal distress. This move will prevent the city of Chelsea from seeking bankruptcy protection from creditors under chapter 9.

Hampton, Ted. (1991). Governor's plan for Chelsea, Mass., is bitter medicine for fiscal healing. The Bond Buyer (Sept. 9).

Governor William F. Weld plans the abolition of the office of the mayor and installment of receivership as a response to Chelsea's fiscal distress. The receiver will be endowed with powers to run the city and even file for bankruptcy protection, with the approval of the state's director of administration and finance. Such prescription is not particularly desirable in a democracy. However, Mr. James E. Spiotto, a partner in the Chicago law firm of Chapman & Cutler, considers the receivership as preferable response because it doesn't carry the same stigma of Chapter 9, and it presents a "unified front" for the municipality when dealing with its creditors.

Hampton, Ted. (1992). Chelsea, Mass., budget is balanced for fiscal 1992, city receiver says. The Bond Buyer (Feb. 24).

The city of Chelsea, insolvent last September when Governor William F. Weld of Massachusetts placed it under receivership, has now balanced its budget. The budget balancing, seen as an important event in Chelsea's recovery, was achieved using a combination of fee increases, privatization of services, and layoffs of city employees.

Hampton, Ted. (1992). Chelsea, Mass., on the fiscal comeback tail; Receiver planning return of capital markets. The Bond Buyer (May 27).

While last fall Chelsea became the largest city in Massachusetts to be placed under receivership, its receiver announced that the city was putting together an infrastructure improvement plan. Considering that the city had created financial stability and had two balanced budgets in a row by the end of fiscal year 1993, Chelsea feels emboldened in planning a credit market comeback.

Hampton, Ted. (1992). Chelsea, Mass., receiver backed by court in breaking agreement with fire fighters. The Bond Buyer (Feb. 26).

A Massachusetts judge in Suffolk County Superior Court has ruled that Chelsea's receiver can break a collective bargaining agreement in order to cut fire-fighting costs. The receiver's decision not to abide by the agreement, which provided for a minimum of 20 fire fighters on duty at all time, intended to curtail overtime expenditures that could put the city's newly balanced budget back out of balance.

Jonhson, Kirk (1992). West Haven Bailout Plan Calls for Hartford to Take the Rudder. New York Times (April 2).

The State of Connecticut designed a plan on Apr 1, 1992 to bailout West Haven of near financial insolvency. Such plan would prevent the city from declaring bankruptcy like Bridgeport, did in 1991 included \$35 million in loan guarantees and granted the West Haven Finance Planning and Assistance Board, a state panel, effective control of the city's government.

Judson, George (1992). New Bridgeport Mayor, Same Old Quagmire. New York Times (February 2).

This press article analyzes budget problems facing new Bridgeport Connecticut Mayor Joseph P. Ganim. Once elected, the new Mayor ended the city's bankruptcy proceedings.

Kriss, Gary (1991). Bridgeport's Fiscal Watchdogs Want the Tigers Off the Payroll. New York Times (Feb 10).

The city of Bridgeport in Connecticut had its city's state-imposed Financial Review Board order the closing of the Beardsley Zoo and the transfer of the zoo's operations by Apr 1, 1991 from the municipal government to the Connecticut Zoological Society. This was warranted as part of the effort to close the city's \$7.6 million budget gap.

MacFarquahar, Neil (1995). Taking control, state ousts Newark's school officials. New York Times (July 13).

This press article reports the New Jersey State takeover of its largest school district. On Jul 12, the State education officials dismissed top school executives of Newark Board of Education's headquarters and started assuming responsibilities for the day-to-day operations.

MacFarquahar, Neil (1995). In planning takeover of Newark schools, New Jersey shifts its style. New York Times (July 5).

This article highlights an attempt of change in style by the New Jersey State Department of Education as it moves toward the takeover of Newark's failing school system. The

change in style is prompted by criticism in Jersey City and Paterson for imposing school takeovers that have failed to improve student performance.

MacFarquahar, Neil (1996). New Jersey sends team to manage Newark schools. New York Times (July 6).

The ruling by the New Jersey Board of Education on Jul 5, 1995, that the Newark school system had failed to give its students a minimum education for decades, opens the way for takeover and management supervision by the State. Beverly, a top educator from the New York City schools, was selected and announced to run the Newark schools. However, a state judge ordered the takeover halted for at least a day pending an appeal by the Newark Board of Education.

MacFarquahar, Neil (1995). Judge orders a state takeover of the Newark school district. New York Times (April 14).

State judge Stephen G. Weiss on Apr 13, 1995 ruled in favor of New Jersey taking over the long-troubled Newark school district. He claimed that that the city's school board incompetence and the failure of the education system were such that it did not warrant the standard hearing process before the state assumed control.

MacFarquahar, Neil (1995). United for once, Newark parents and officials battle takeover. New York Times (April 9).

This article discusses the takeover battle for Newark's schools. Parents and officials of the New Jersey's Newark school system have united in their battle against the state's proposal for a full takeover by the Department of Education. While eager to dismiss Superintendent Eugene C. Campbell and the Board of Education, these parents, however, fear their opinion would be less considered by state bureaucrats.

MacFarquahar, Neil (1995). School board and state clash on running Newark schools. New York Times (April 6).

This article examines the battle, in state court on Apr 5 between the New Jersey State Education Department and the Newark school board, over which of them will control the city's troubled education system. The state argued for an immediate takeover because of the deplorable condition of education in Newark warrants ending a ten-year review process as soon as possible. However, the board's lawyers want formal hearings to examine the conclusions of an investigation into the operation of the Newark school district.

McLarin, Kimberly J. (1994). Newark vs. Trenton: Fight for a city's schools. New York Times (March 14).

The press article discusses the fight by parents and administrators in Newark in New Jersey to prevent the takeover by the state Department of Education of their city's school district.

Pertman, Adam (1991). Bridgeport Mayor Files for City's Bankruptcy. Boston Globe (June 8).

The Connecticut's city of Bridgeport was thrown into turmoil by Mayor Moran's decision to seek Chapter 9 bankruptcy protection. Such move, denounced by critics as a political maneuver, was described by the Mayor as a last resort dictated by desperate economic times.

Peterson, Iver (1994). Where money is not issue but administration is seen as a problem. New York Times (July 23).

This article provides an analysis of the problems in Newark's schools that prompted the state of New Jersey to take over the system. Money was not an issue and the analysis points the root cause of the problems being squarely with the administration.

Smothers, Ronald (2000). Perception of Newark Schools Has Improved, Study Finds. New York Times (May 25).

This press article reports the findings of an independent study of perceptions about Newark schools five years after state takeover. The perceptions, over operation of the district among parents, teachers and students, were markedly improved. However, the lack of data, other than those from state-administered tests, was an impediment to track real improvements in student and staff performance. However, the study, paid for by the Committee of Advocates for Newark's Children and conducted by the Community Training and Assistance Center in Boston, did not address the effect the budget deficit incurred under state management. It is important to indicate that Committee of Advocates for Newark's Children, a consortium of 30 Newark businesses, foundations and religious and community groups created in 1996, has become a defender of the politically unpopular takeover.

Strum, Charles (1993). After standing off state, Newark's school board releases its files. New York Times (December 10).

As a prelude to an imminent state takeover of Newark failing school system, New Jersey state education officials carried a raid into the offices of the Newark Board of Education at 2am on Dec 9, 1993 to take records. They found the room locked and no one could find a key including the Superintendent. After a standoff that lasted 12 hours, an agreement was reached to the effect that board records from 1991 through 1993 would be photocopied and the originals sent to Trenton.

Strum, Charles (1993). Whitman says she may back state takeover of Newark schools. New York Times (December 13).

On Dec 12, New Jersey Gov-elect Christine T. Whitman reaffirmed her intention to support the decision to be made by the education commissioner and the State Board of Education in regard to state takeover of the troubled Newark school system. She expressed her views as the state intensified its investigation of the Newark system, which has been cited for endemic and severe academic including management failures.

Strum, Charles (1993). Newark school officials remain opposed to state takeover. New York Times (May 13).

This article expresses the opposition to the New Jersey state takeover of the Newark's troubled school system. Carole Graves, the head of the Newark Teachers Union, claimed that the community and the employees of the Newark's failing school system were against a proposed state takeover to remedy mismanagement and educational failings uncovered by a report by a 45-member panel.

Strum, Charles (1993). Report assails Newark schools as mismanaged. New York Times (May 10).

A confidential state report on the Newark schools of New Jersey alludes to chronic problems including political cronyism, mismanagement, lack of teamwork and direction. The report claims that pouring more money into Newark school system will not resolve these issues.

Strum, Charles (1993). Trenton names auditor to rule Newark schools. New York Times (May 14).

On May 13, the New Jersey's education commissioner move to implement the state takeover of the Newark school system by appointing a special auditor to oversee its fiscal operations. The auditor was granted veto power over school board spending greater than \$20,000.

Strum, Charles (1993). Newark school-takeover talk called premature. New York Times (April 13).

On Apr 12, the New Jersey State Education Commissioner Mary L. Fitzgerald ruled out a complete takeover of the Newark school system. She issued this comment even as school officials held a news conference in anticipation of a state report expected to criticize the system and provide grounds for intervention.

The Bond Buyer (1992). Q and A: Chelsea receiver trims finances of a “tough town”. (May 16).

Mr. James F. Carlin, who last fall was appointed Chelsea's receiver by Governor William F. Weld of Massachusetts, is a businessman who has founded three companies that have made the magazine list of the fastest-growing companies in the United States. However, the receiver is no stranger to the public sector as he served as secretary of commerce under Governor Edward J. King. In a talk with reporter Ted Hampton, Mr. Carlin discusses Chelsea, his job as receiver, and the differences in management between private and public sectors.

Weinstein, Sheryl (1994). Newark parents seek a voice in operation of schools. New York Times (July 24).

This article probes the whereabouts and use of state aid in a Newark elementary school in New Jersey. The questions were raised by Lisa Greene, president of the newly founded PTA of the Hawthorne Avenue Elementary School in Newark, and parents in regard to the millions of dollars received from the state to improve their school. The Hawthorne PTA members can't grasp why they still face unresolved needs for better building security, basic skills and infrastructure improvement despite state funding.

Zelinsky, Edward A. (1994). Alleviating the urban property tax burden. Connecticut Law Tribune (October 31).

Connecticut's next governor and General Assembly will face mounting criticisms from urban taxpayers, who claim to be overburdened by disproportionate and oppressive levels of property taxes. The current property tax system received support in the past in the hope it would lead to significant property tax relief for urban citizens. However, such relief has been elusive at best. There is an urgent need for tax reform, which shall be simultaneously carried out with a substantial reduction of the unfunded mandates imposed by the state on municipalities and their citizens. The repeal of these mandates would reflect a self-disciplined, which state elected officials have been unable to muster thus far.

MISCELLANEOUS

Chernick, Howard and Andrew Reschovsky (2001). Lost in the balance: How state policies affect the fiscal health of cities. A discussion paper prepared for the Brookings Institution Center on Urban and Metropolitan Policy (March).

This paper explores causal factors of fiscal distress in central cities, and fiscal disparities between suburbs and cities in the states of California, New York and Wisconsin. Chernick and Reschovsky have indicated that, despite recent signs of economic and recovery, many American cities continue to struggle and a large number of public school students in central cities still perform poorly. Hence, this paper focuses on the long-term fiscal prospects of these American central cities. Recognizing that intergovernmental aid

also plays an important role in the fiscal health of these cities, data from intergovernmental aid is used to present evidence on how the state governments in California, New York and Wisconsin have responded to fiscal concerns in their cities. Such evidence shows that state fiscal policies evolve in ways favoring suburbs over cities in all these three states. The findings indicate that these policies rather exacerbate central city fiscal crisis than offsetting increases in central city fiscal distress. As a consequence, cities have found it increasingly difficult to afford basic services for their residents. Finally, based on this evidence, the paper recommends that new policy directions be undertaken at the federal, state, and local levels to improve the fiscal health of American central cities.