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When States Take Over Financially Troubled Local Governments.

A recent bankruptcy filing by Chester, Pennsylvania, highlights the limits and difficulties with state programs in dealing with fiscal stress at the municipal level.

Welcome back to Route Fifty's Public Finance Update! I'm Liz Farmer and this week is the third and final installment of my series on Chester, Pennsylvania's bankruptcy. You can find the first two parts here. This week, I'm taking a look at state oversight of distressed municipalities.

A number of states have programs in which they actively monitor municipal finances and roughly 20 have emergency manager laws allowing for direct intervention. People have long debated how effective these oversight programs are at generating a real recovery and what the right level of intervention even is. Duly elected city officials don't like being told what to do by state overseers. States on the other hand, typically want troubled cities to just buckle down and take their advice—even if it's tough medicine.

So while the whole point of these programs is to avoid or mitigate extreme distress, they can also create or exacerbate tension between cities and states along the way.

Continue reading.

Foute Fifty

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