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Back in the Black, Without the Feds to Thank.

Cities that faced bankruptcy not long ago have made remarkable recoveries — all on their own.

When the Great Recession created a wave of bankruptcies, the federal government responded by bailing out large for-profits and quasi-federal corporations, such as Fannie Mae. But there was no such help for insolvent cities or counties. Nevertheless, from the nation's smallest troubled cities, such as Central Falls, R.I., to large, iconic ones, such as Detroit, there have been remarkable fiscal recoveries. Today, for the first time in a generation, no U.S. city or county is in bankruptcy. This is a testament to the tenacity of state and local leadership.

Look at what's happening in Detroit. Four years ago, it was the nation's largest-ever Chapter 9 municipal bankruptcy. Now Jamie Dimon, J.P. Morgan chairman and chief executive, says the giant financial institution will expand its initial investment in the city to a total of $150 million by 2019 — some two years ahead of schedule. Dimon credited the bank's decision — and the city's economic progress — to strong collaboration between civic, business and nonprofit leadership.

What Dimon is talking about is that city leaders, the governor and state legislators had worked with foundations and the private sector to cobble together a "grand bargain" to stabilize the city pension plans, to negotiate repayment plans with city creditors and to work with three counties to set up a new regional water and sewer authority. The state also provided continuing fiscal advice and oversight via a financial review commission.

In New Jersey, Atlantic City has experienced a reprieve. It had teetered on the edge of bankruptcy after a 50 percent drop in the city's casino revenues. In 2014, nearly half of the casinos closed, with a loss of 10,000 jobs, which in turn triggered a massive spike in home foreclosures that imperiled the city's fiscal outlook.

But the state came to the city's aid. Working together, city and state officials took steps to "make the changes which have long been discussed: reducing costs and modifying service levels and workforce size in order to meet the city's needs today given its new and evolving economy," says Marc Pfeiffer, the assistant director of the Bloustein Local Government Research Center in New Jersey. While solutions to many long-term problems are still a challenge, the city has started to recover: Casinos are turning profits; the city's credit rating has been upgraded; and plans have been announced to renovate and reopen defunct properties, such as the Trump Taj Mahal hotel and casino. In addition, Stockton University broke ground on a satellite campus, and a luxury apartment complex, the first to be constructed in Atlantic City in decades, is underway.

From a governance perspective, Pfeiffer notes, the steps toward recovery were effective in part because the state managed to keep negotiations far from the public spotlight — perhaps depriving the public of critical information, but ultimately facilitating fiscal progress by avoiding what was once deemed certain municipal bankruptcy.

From Central Falls to California's San Bernardino to Alabama's Jefferson County, troubled localities are back in the black. This emergence is doubly remarkable in that these cities and counties had to recover without the help of a federal governance scheme — namely general revenue sharing and oversight by an advisory commission of federal and state leaders that was initiated by President Richard Nixon and passed by Congress in 1972. Congress has long since disposed of those initiatives — they petered out in 1987. Today local governments are left to sink or swim on their own. The whole idea of federalism no longer appears to be a topic of interest in Washington. The task of recovery from fiscal catastrophe has fallen on those who serve at the local level. They have taken responsibility and moved their cities or counties forward.

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