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Harrisburg, PA Declares Bankruptcy - Who's Next?

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Mark Scoloro of the *Associated Press* reports:

Pennsylvania's financially distressed capital city is seeking Chapter 9 bankruptcy, citing overwhelming debt, but Harrisburg's mayor and top city lawyer said the filing signed by a City Council member was not legal.

The petition docketed by U.S. Middle District bankruptcy court Wednesday listed about \$458 million in creditors and claims, and said the city faced "imminent jeopardy" from six pending legal actions by creditors related to a debt-saddled trash incinerator.

"The city does not have the ability to pay those money judgments or any significant portion thereof and still provide health and safety services to its citizens and other essential government services," wrote attorney Mark D. Schwartz, who did not immediately return messages seeking comment...

A spokesman for Mayor Linda Thompson said Wednesday the council lacks the legal authority to seek bankruptcy.

"There are procedural matters the solicitor objects to, as far as how the resolution was handled, and the quote-unquote hiring of counsel," said Robert Philbin, Thompson's communications director. "The solicitor also says only the mayor, in conjunction with the solicitor, can file for bankruptcy on behalf of the City of Harrisburg."

Harrisburg's bankruptcy filing will likely be decided in the courts and regardless of the outcome the process itself will be revealing. As I wrote last month, Harrisburg's political leaders have been unable to reach a compromise - over the last few months the City Council rejected Mayor Thompson's fiscal rescue package twice.

Harrisburg is not the only municipality suffering fiscal woes. Recent analysis by Charles Stockdale of 24/7WallSt highlights nine municipalities, "with the worst credit ratings assigned by Moody's, not including school systems, rated Ba2 and lower." Interestingly Harrisburg was not included, but one of these municipalities may be the next to declare bankruptcy:

1. Central Falls, Rhode Island
 - o Credit Rating: Caa1
 - o 2009 Revenues: \$17,601,000
 - o 2009 Debt (\$000s): \$18,753,000
 - o Median Household Income: \$33,520
2. Pontiac, Michigan

- Credit Rating: Caa1
 - 2009 Revenues: \$46,183,000
 - 2009 Debt (\$000s): \$99,115,000
 - Median Household Income: \$32,199
3. Jefferson County, Alabama
- Credit Rating: Caa1
 - 2009 Revenues: \$309,440,000
 - 2009 Debt (\$000s): \$1,337,233,000
 - Median Household Income: \$44,718
4. Harrison, New Jersey
- Credit Rating: Ba3
 - 2009 Revenues: \$32,763,000
 - 2009 Debt (\$000s): \$92,613,000
 - Median Household Income: \$49,596
5. Detroit, Michigan
- Credit Rating: Ba3
 - 2009 Revenues: \$1,280,791,000
 - 2009 Debt (\$000s): \$2,449,480,000
 - Median Household Income: \$29,447
6. Salem, New Jersey
- Credit Rating: Ba3
 - 2009 Revenues: \$7,059,000
 - 2009 Debt (\$000s): \$10,098,000
 - Median Household Income: \$28,397
7. Riverdale, Illinois
- Credit Rating: Ba2
 - 2009 Revenues: \$8,358,000
 - 2009 Debt (\$000s): \$9,350,000
 - Median Household Income: \$40,659
8. Strafford County, New Hampshire
- Credit Rating: Ba2
 - 2009 Revenues: \$36,204,000
 - 2009 Debt (\$000s): \$23,866,000
 - Median Household Income: \$58,363
9. Camden, New Jersey
- Credit Rating: Ba2
 - 2009 Revenues: \$181,257,000
 - 2009 Debt (\$000s): \$103,284,000
 - Median Household Income: \$25,418

See Stockdale's full analysis [here](#). For more on Harrisburg's fiscal woes, see my previous post [here](#).

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