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supervision to help them avoid a fate similar to what befell Detroit last week when it became the largest U.S. city in history to declare bankruptcy.

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Twenty-four governments and six school districts across Ohio are under state supervision to help them avoid a fate similar to what befell Detroit last week when it became the largest U.S. city in history to declare bankruptcy.

These governments are under "fiscal emergency," courtesy of an Ohio law created in 1978 when Cleveland defaulted on \$15.5 million in loans and became the first city since the Great Depression to fail to meet its financial obligations.

Two villages in northern Ohio have defaulted on a combined \$500,000 in debt. Others, including Waynesville in Warren County and the Monroe school district in Butler County, are crawling out of large deficits.

Other governments not in fiscal emergency are still getting a skeptical eye from bond investors. Moody's has recently downgraded the bond rating for Cincinnati and Middletown for reasons including concerns about the state's pension systems.

They all pale in scale to the Motor City's fiscal meltdown, but many share similar challenges: complaints of mismanagement, a declining tax base and increasing costs.

"Fundamentally, you don't spend what you don't have," said Stanley Earley, deputy city manager for the city of Dayton, which he said is on solid financial footing. "I feel like we are managing well."

'Tough decisions'

The largest Ohio city in fiscal emergency is Mansfield. The city of 39,346 blew

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Under fiscal emergency, a state-appointed commission forced the city to come up with a plan to right its finances. This involved laying off workers across city government and cutting many to four hours a week and raising fees for city services.

Messer said Mansfield is saving money again and is on track to be taken off fiscal emergency.

“I don’t know the details of Detroit, but they obviously didn’t take decisive action soon enough to prevent the dive,” Messer said. “Those are tough decisions to make, but they have to be made quickly and some people can do that and other people, especially when you’re in a political environment, struggle to get things done in enough time to prevent actions like that from occurring.”

## Waynesville

Many of Ohio’s struggling communities are small villages, including Waynseville, where lax oversight and bad bookkeeping resulted in overspending by \$2 million in 2005 and 2006. In 2007, Waynesville’s finance director resigned after pornographic movies and gambling information, rather than the village financial records, were found on his work laptop.

The village was placed in fiscal emergency in 2008, meaning it has been under the oversight of a commission of state and local officials. Earlier this month, the village submitted its 17th recovery plan to the Auditor of State’s Office and signed up with the auditor’s office for its recommended software package.

“We think the time is now,” Mayor Dave Stubbs said Monday when asked when they will emerge from fiscal emergency. The village has had that designation since April 2008.

Unice Smith, who oversees the fiscal emergency program as chief of local

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## Monroe schools

Monroe Local Schools Superintendent Phil Cagwin said his district went on fiscal emergency when its new treasurer realized they had been using money earmarked to repay a bond for operating costs and hide an operating shortfall.

To balance its budget, the school had to borrow \$3 million from the state — which it has 6 years to pay back — to catch up on bond payment, pass a 7 mill emergency property tax levy to make payroll and cut 19 teachers, administrators and support staff.

“Now we’re on the right track,” said Cagwin, who recently took over the post. “In hindsight, they should’ve passed an operating levy earlier.”

## A wake-up call

Smith said there is no over-arching theme for the 24 governments on fiscal emergency. Many are small villages with treasurers who may not have adequate training. The village of Manchester has been in fiscal emergency for 15 years.

There have been 40 local governments and 33 school districts that have passed through the fire of fiscal emergency. Locally, this includes Monroe in Butler County and West Elkton in Preble. School districts that have survived fiscal emergency number 33, including Jefferson Twp. local schools in Montgomery County and Springfield City Schools.

Several school districts, including Fairborn and Tecumseh Local School District in Clark County, have threatened that they may be headed to state oversight if upcoming levy requests fail.

Ultimately, government defaults and especially bankruptcies are exceedingly rare,

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focus limited resources on investing in parks, streets and other infrastructure versus continuing down a road like Detroit, where it promised retirees pension and health benefits and simply can't afford to pay them.”

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