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The Most Bankrupt Cities and County in the US

The worst economic recession since the Great Depression has taken its toll on a number of US cities that have filed for bankruptcy. The most prominent of which is the city of Vallejo, once the capital of the state of California, now having the infamous distinction of being the most bankrupt city in the US.

When Vallejo filed for bankruptcy in 2008, businesses and people fled the city, budget cuts forced fire brigades to be shut down, the police force was trimmed down and pimps, prostitutes and drug dealers moved in. Many construction projects were abandoned and homes foreclosed.

Other municipalities facing a similar plight include Central Falls, Rhode Island; Harrisburg, Pennsylvania; Boise County, Idaho, and Jefferson County, Alabama. These municipalities have all either filed for bankruptcy or are just emerging from it.

The precipitating reasons that contribute to the bankruptcies are varied. For Vallejo, bankruptcy became its only option after a US Naval base there closed its facility in the 1990s. In the case of Boise, the county lost a crucial legal case where the court ruled that the county was at fault in denying a developer the right to build a teen treatment center. This resulted in a \$4 million judgment which the county found difficult to pay.

For Harrisburg, the capital of Pennsylvania, its financial woes began with the renovation to a waste-to-energy incinerator that cost the city \$310 million, about five times the amount of all the money it had in its coffers. Harrisburg was declared bankrupt in

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December last year.

Other cities experienced a slower decline into eventual bankruptcy. The problems that arose from a bond refinancing of a sewer project gradually ate into Jefferson County's reserves and could result in the county filing for bankruptcy. If it does, it would amount to the country's largest municipal bankruptcy. As it stands, the county is still negotiating with its creditors to find a solution. Jefferson County cannot even afford to maintain some of its infrastructure like repair bridges. Unable to cross over, school busses have to go around them, resulting in a total of 1,722 miles in detours and an additional cost of \$2.5 million a year, according to Bloomberg.

Likewise, Central Falls' economy began its deteriorate from the 1970s when many textile makers started moving out. According to the National Council of Textile Organizations, this resulted in about 1,400 jobs lost. One offshoot of this was a spike in the crime rate and in 1986, Rolling Stones magazine even declared Central Falls the 'cocaine capital of New England'.

Central Falls has a structural budget deficit of \$5.6 million and an unfunded liability of about \$80 million for retirement benefits and pensions. It had to close down its library (only recently partially reopened), shut down a community center and laid off city staff. The New York Times has described it as 'impoverished'.