

OHIO AUDITOR OF STATE KEITH FABER



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September 29, 2025

Via email, USPS and Certified US Mail:

Lateek Shabazz, Mayor
City of East Cleveland
14340 Euclid Avenue
East Cleveland, Ohio 44112
mayorshabazz@eastcleveland.org

Mayor Shabazz:

This letter is to inform you of a new provision in Ohio law directly impacting the City of East Cleveland due to its prolonged fiscal emergency status.

Effective September 30, 2025, House Bill 96 enacts Section 118.29 of the Ohio Revised Code (see attached). This provision authorizes the appointment of a court-supervised receiver for municipal corporations in fiscal emergency that meet specific criteria. East Cleveland meets these criteria based on its continuous designation in fiscal emergency for more than ten years and ongoing fiscal management concerns.

Specifically, this law permits the financial supervisor or legislative authority of a local government in fiscal emergency to make a referral to the Attorney General seeking a court-appointed receiver if the following apply:

1. The municipality has been in fiscal emergency continuously for ten years or has met the cumulative threshold of five years over two separate periods in the past decade; and
2. The financial supervisor determines the municipality has demonstrated serious fiscal mismanagement, including one or more of the following:
 - Noncompliance with budgetary laws (Chapter 5705 of the Revised Code);
 - Appropriations inconsistent with the approved financial plan,
 - Assuming debt without the approval of the Commission, or
 - Legislative or administrative actions that conflict with the terms of the financial plan.

As East Cleveland's financial supervisor, the Auditor of State will formally request the Attorney General to initiate legal proceedings before the Ohio Court of Claims for the appointment of a receiver for the city, who shall implement cost reductions, enforce the financial recovery plan, and take necessary action to restore financial stability.

This change to Ohio law addresses municipalities like East Cleveland where fiscal emergency persists without meaningful progress. The receivership process is intended to enforce accountability, protect public resources, and restore essential financial order where local corrective efforts have failed.

We encourage your administration and city council to prepare for this transition and coordinate with the Financial Planning and Supervision Commission. If you have questions or require clarification on the receivership process, we are available to discuss next steps.

Sincerely,

A handwritten signature in black ink, reading "Keith Faber". The signature is written in a cursive, flowing style.

Keith Faber
Auditor of State

Attachment

cc: Christina Frass, Assistant Director, Ohio Office of Budget and Management
Barb Mattei-Smith, Ohio Office of Budget and Management
Rebecca Armstrong, Deputy Director of Public Affairs, Greater Cleveland Regional
Liaison, Ohio Treasurer of State
Timothy Austin, Vice-President of Council, City of East Cleveland
Patricia Blochowiak, City Council, City of East Cleveland
Twon Billings, City Council, City of East Cleveland
Terrie Richardson, City Council, City of East Cleveland
Rob McColley, Senate President, Ohio Senate
Matt Huffman, Speaker of the House, Ohio House of Representatives
Kent Smith, State Senator, 21st District
Juanita Brent, State Representative, 18th District

Section 118.29 | Receivership.

Ohio Revised Code / Title 1 State Government / Chapter 118 Local Fiscal Emergencies

Section 118.29 is not yet in effect. It takes effect September 30, 2025.

Effective: September 30, 2025 **Latest Legislation:** House Bill 96 - 136th General Assembly

(A) The financial supervisor, or the legislative authority of a municipal corporation, board of county commissioners, or board of township trustees of a municipal corporation, county, or township in fiscal emergency, may make a referral to the attorney general for the creation of a receivership over the municipal corporation, county, or township in fiscal emergency if both the following conditions are met:

(1) The municipal corporation, county, or township satisfies either of the following:

(a) It has been in a state of fiscal emergency for a continuous period of ten years.

(b) It has been in a state of fiscal emergency at least twice in a period of ten years, and the combined period of fiscal emergency is at least five years.

(2) The municipal corporation, county, or township has demonstrated one or more of the following, as determined by the financial supervisor:

(a) Failure to comply with the applicable budgetary and spending processes in Chapter 5705. of the Revised Code;

(b) Failure to ensure that appropriations comply with the financial plan in accordance with section [118.13](#) of the Revised Code;

(c) Assuming debt without the approval of the financial planning and supervision commission in violation of section [118.15](#) of the Revised Code;

(d) Undertaking administrative or legislative action that is not in accordance with the terms of the financial plan or, when applicable, without permission of the commission.

(B) Upon receipt of a referral, the attorney general shall promptly file a petition for a receivership with the court of claims. The judge that has served the longest on the court as of the date the petition is filed promptly shall appoint a receiver. The appointed receiver shall satisfy the requirements of section [2735.02](#) of the Revised Code and shall comply with section [2735.03](#) of the Revised Code. With the approval of the court, the receiver may request reasonable fees for work performed including, but not limited to, costs associated with retaining legal counsel, accountants, or other similar advisors that the receiver considers necessary in the performance of the receiver's duties. The fees shall be paid from funds appropriated to the office of budget and management during the period of fiscal emergency.

(C) A receiver appointed under this section has all of the following powers and duties in addition to the powers stated in section [2735.04](#) of the Revised Code:

(1) Consult with the legislative authority of the municipal corporation, board of county commissioners, or board of township trustees to make recommendations or, if necessary, to assume responsibility for implementing cost reductions and revenue increases to achieve a balanced budget and carry out the financial plan, and to make reductions in force or spending to resolve the fiscal emergency conditions;

(2) Ensure the municipal corporation, county, or township in fiscal emergency complies with all aspects of the financial plan approved by the commission in accordance with section [118.06](#) of the Revised Code, or as amended in accordance with this chapter. If no financial plan has been approved by the commission in accordance with section [118.06](#) of the Revised Code, the receiver, after consulting with the legislative authority of the municipal corporation, board of county commissioners, or board of township trustees, shall make

recommendations, or assume, if necessary, the responsibility for crafting and submitting the financial plan to the financial planning and supervision commission.

(3) Ensure the municipal corporation, county, or township in fiscal emergency complies with any other relevant aspects of this chapter;

(4) Provide monthly, written reports about the progress toward resolving the conditions of fiscal emergency to the financial planning and supervision commission, to the legislative authority of the municipal corporation, board of county commissioners, or board of township trustees, and to the mayor or city manager in the case of a municipal corporation;

(5) Appear at least quarterly to present information about progress toward resolving the conditions of fiscal emergency at an open meeting and, if allowable under section [121.22](#) of the Revised Code, in executive session, of the legislative authority of municipal corporation, board of county commissioners, or board of township trustees;

(6) Appear at least quarterly to present information about progress toward resolving the conditions of fiscal emergency at an open meeting and, if allowable under section [121.22](#) of the Revised Code, in executive session, of the financial planning and supervision commission of the municipal corporation, county, or township in fiscal emergency;

(7) At the receiver's initiative or upon invitation, attend executive sessions of the legislative authority of the municipal corporation, board of county commissioners, or board of township trustees;

(8) Exercise any other powers granted to the receiver by the court necessary to perform the duties stated in this section.

(D) The court shall terminate the receivership when the municipal corporation, county, or township has corrected and eliminated all of the fiscal emergency conditions determined

pursuant to section [118.04](#) of the Revised Code, and no new fiscal emergency conditions have occurred.

(F) Conditions in division (A) of this section may be applied retroactively in a remedial nature.

Last updated August 13, 2025 at 5:02 PM

Available Versions of this Section

September 30, 2025 – Enacted by House Bill 96 - 136th General Assembly
