

**FOR IMMEDIATE RELEASE**  
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## **NACo survey shows budget stress on large counties**

**WASHINGTON, D.C.** – The recent downturn in the national economy is resulting in revenue shortfalls, increased expenses and greater difficulty in routine borrowing in many of the nation's largest counties, according to a new survey by the National Association of Counties (NACo). Further, the responding counties anticipate greater budget shortfalls next fiscal year which will lead to more severe budget cutting measures, such as furloughs and layoffs. **(See full survey below)**

All but one of the responding counties indicated that the current economic climate is having a negative effect on its budget – a shortfall in revenues, increased expenses, or both. Of the responding counties, 87 percent said they anticipate a revenue shortfall and 27 percent said they expect increased expenses.

Forty-seven percent of the counties said that they are experiencing a revenue shortfall in the current budget, while 59 percent said that they anticipate a shortfall in the next year's budget.

Seventeen counties with populations of more than 500,000 residents from 12 states in all regions of the country were surveyed Oct. 8-17 by NACo.

Of the counties that are addressing a current budget year anticipated shortfall, eight counties (80 percent) cited employment freezes, six (60 percent) cited budget cuts, and six (60 percent) cited services delivery cutbacks. To address next year's anticipated budget shortfall, 10 counties (91 percent) cited employment freezes, 10 counties (91 percent) cited budget cuts, and eight counties (73 percent) cited services delivery cutbacks.

But more telling: While only three counties (30 percent) cited layoffs and two counties (20 percent) cited furloughs as possible steps to take to address the current year shortfall, seven counties (64 percent) cited layoffs, three counties (27 percent) cited furloughs and three counties (27 percent) cited labor contract renegotiations as possible steps to take to address next year's anticipated shortfall.

“The survey results suggest that this is only the beginning of a looming financial crisis for counties,” said NACo Executive Director Larry E. Naake. “It's clear that the challenge for counties to continue to deliver the services residents have come to expect is fast becoming more difficult as a

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## NACo Page 2

result of the housing/foreclosure crisis, declining taxes and revenues and increased borrowing costs.”

Ten counties (71 percent) said that high interest rates are the biggest difficulty in issuance of long term and short term bonds to raise necessary operating cash, while five counties (36 percent) said they have experienced failures to purchase bonds when issued. As a result of these recent difficulties, seven counties (58 percent) said they will delay issuance of the debt.

“The delay in issuing debt service results in the delay of maintenance and repair of essential infrastructure, such as roads, bridges and water systems,” Naake said. “It’s one more hurdle for budget-strapped counties to clear to provide essential services and programs to communities.”

### What Counties are Saying

#### California

##### **Scott Haggerty, President of the Alameda County Board of Supervisors.**

“We have a debt that goes out to auction I think about every 30 days, and the last time it went out to auction we were not able to sell it. What that means is millions of dollars extra in interest rates associated with not being able to do that.”

He said that the Alameda’s county hospital sits on an active earthquake fault and must be rebuilt.

“We have to rebuild our county hospital by state law. The estimate is somewhere around \$700 million. We now have to look at that and ask, ‘Are we going to be able to get to money to be able to build this hospital?’”

#### Georgia

##### **Nancy Boxill, Fulton County Commissioner**

“Fulton County is in a better position than some because the board maintains an 8.33 percent contingency fund. So that gives us a small amount to plug any holes in ’08. For ’09, I think the question is, ‘How we are going to maintain the current level of service with reduced resources?’”

#### Florida

##### **Sally Heyman, Miami-Dade County Commissioner**

“The most recent economic downturn and financial situation have just compounded what has been a problematic budgeting process that has trickled down from the federal to the state, state to the large counties and even the large cities — all levels of government.”

The survey is available at [www.naco.org](http://www.naco.org).

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*The National Association of Counties (NACo) is the only national organization that represents county governments in the United States. Founded in 1935, NACo provides essential services to the nation’s 3,068 counties. NACo advances issues with a unified voice before the federal government, improves the public’s understanding of county government, assists counties in finding and sharing innovative solutions through education and research, and provides value-added services to save counties and taxpayers money. For more information about NACo, visit [www.naco.org](http://www.naco.org)*

## National Association of Counties

### State of the County Economy Survey October 2008

#### 1. Is the current economic climate having an effect on your county government budget?

#	Answer		Response	%
1	Yes, anticipating revenue shortfall		13	87%
2	Yes, anticipating increased expenses		4	27%
3	No		1	7%

Statistic	Value
Total Responses	15

#### 2. Do you have any additional comments?

##### Text Response

The Federal Reserve Bank has lowered key interest rates at least twice since our budget was compiled. This will a revenue shortfall in investment earnings only. It should not affect fee revenues or tax revenues.

Since we have TABOR in Colorado and we give our constituent a temporary tax credit each year, we do not expect a revenue shortfall because the temporary tax credit will just be reduced. As economy sours, we do expect increased expenses in human services and community programs to support the needs of our county.

Greatest concern is impact on revenues at a time when we are already projecting massive deficits.

Not yet but we are anticipating issues in 2010.

Revenues associated with development are significantly affected.

Both local revenue shortfalls mainly in property tax revenue, and significant revenue shortfalls due to State reductions.

Revenues from reality transfer taxes are down for the second year in a row, this will impact the amount that can be anticipated in 2009.

Residents are not spending as much money on recreational activities, so the County is experiencing a shortfall in revenues. Because of the housing market, the County Clerk's office is experiencing a decrease in filings, hence a decrease in realty transfer fees. Finally, the County is experiecing a decrease in investment interest and the County is unable to do debt refinancing

Statistic	Value
Total Responses	8

### 3. Is your county anticipating a budget shortfall for the current fiscal year?

#	Answer	Response	%
3	Yes in the amount of:	7	47%
4	No	8	53%
	Total	15	100%

Yes in the amount of:
\$69 million
approx. \$10 million
10,000,000
\$70 million
9 million

Statistic	Value
Mean	3.53
Variance	0.27
Standard Deviation	0.52
Total Responses	15

### 4. Do you have any additional comments?

Text Response
This is not a current year deficit, but a combination of a decline in revenue and unanticipated expenditure increases. Our reserves are adequate to address this shortfall in the current year.
We have a structurally balanced budget and intend to make necessary annual adjustments to spending to keep it that way.
We budget conservatively enough and have a significant contingency reserve that can cover these kind of shortfalls
Projections are very preliminary, but shortfalls should be in excess of \$2 million
Revenues will be short as mentioned above but overall we hope to finish the year with out a deficit. Generation of additional surplus will be impacted

Statistic	Value
Total Responses	5

## 5. If yes, which of the following steps does your county plan to take to address the shortfall?

#	Answer	Response	%
1	Service delivery cutbacks	6	60%
2	Budget cuts	6	60%
3	Employment freezes	8	80%
4	Salary freeze	1	10%
5	Labor contract renegotiations	0	0%
6	Furloughs	2	20%
7	Layoffs	3	30%
8	Other (Please Explain Below)	2	20%

Statistic	Value
Total Responses	10

## 6. Do you have any additional comments?

### Text Response

We do not expect a shortfall. If we did, we would utilize all of the above if necessary.

We make take some steps to create savings for the next year including a hiring freeze or freezing capital projects


Freeze capital expenditures.

We implemented a hiring freeze in Jan. and have taken a firm line on contract negotiations insisting on co-payments towards health benefit expenses

Statistic	Value
Total Responses	4

## 7. Is your county anticipating a budget shortfall for its next fiscal year?

#	Answer	Response	%
3	Yes in the amount of:	10	59%

4	No		7	41%
	Total		17	100%

Yes in the amount of:
\$31,000,000
\$250 million
\$320 million
\$70 million
minumum of 5 million
\$15 million
43 million

Statistic	Value
Mean	3.41
Variance	0.26
Standard Deviation	0.51
Total Responses	17

## 8. Do you have any additional comments?

Text Response
Ouch!
We use biennial budget. Adjustment made to current fiscal year would carry over to avoid shortfall in next fiscal year.
Again, not for 2009, but we are concerned about 2010
Our fiscal year has just started. We will take necessary steps to adjust to the environment.
very preliminary again due to not enough data on the property tax collection information at this time. Shortfall will be significant exceeding \$10 million.
Budget development is underway no exact amount is available at this time
Still primilinary being worked on.

Statistic	Value
Total Responses	7

## 9. If yes, which of the following steps does your county plan to take to address the shortfall?

#	Answer	Response	%
1	Service delivery cutbacks	8	73%
2	Budget cuts	10	91%
3	Employment freezes	10	91%
4	Salary freeze	4	36%
5	Labor contract renegotiations	3	27%
6	Furloughs	3	27%
7	Layoffs	7	64%
8	Other (Please Explain Below)	2	18%

Statistic	Value
Total Responses	11

## 10. Do you have any additional comments?

### Text Response

We plan on using a "budgeting for outcomes" process with involves citizens to assist us in prioritizing services so we can purchase the programs that offer the most results. We have used it the past two budget cycles and our board and citizens have liked the process. It involves citizens and provides for budget transparency. This does not preclude us from also looking at vacancy freezes, etc. to assist us as well.


In the event of a budget shortfall, most of the above will be considered. Layoffs are a last resort. The county will investigate other revenue sources.

We will be aksing the citizens for a tax increase

Statistic	Value
Total Responses	3

## 11. If your county plans to issue long term or short term debt (bonds) in the next six months, which of the following difficulties do you foresee with this issuance?

#	Answer	Response	%
1	Failure to purchase	5	36%
2	Interest rate too high	10	71%
3	Bond rating lowered	0	0%
5	Not planning to issue debt	2	14%

6	Other (Please Explain Below)		1	7%
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Statistic	Value
Total Responses	14

## 12. Do you have any additional comments?

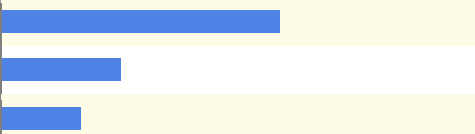
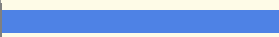


### Text Response

We do not anticipate difficulty issuing our debt. Rates may be higher, but that is too speculative to determine at this point.

We do not plan either at this time although we have a GO bond on the ballot in November.

Statistic	Value
Total Responses	2

## 13. Would your county delay issuance if these occur?

#	Answer		Response	%
1	Yes		7	58%
2	Try to place it privately		3	25%
3	No		2	17%
	Total		12	100%

Statistic	Value
Mean	1.58
Variance	0.63
Standard Deviation	0.79
Total Responses	12

## 14. Do you have any additional comments?

### Text Response

With maturing BANS delay is not an option

Statistic	Value
Total Responses	1

## 15. Please complete the following contact information.

First Name	Last Name	Title	County	State	Phone	Email
			New Castle County	Delaware		
			Denton	Texas		
			Fairfax County	Virginia		
			Montgomery County	Maryland		
			San Diego	CA		
			Arapahoe County	Colorado		
			Santa Clara	CA		
			Bernalillo	New Mexico		
			Lake	Illinois		
			Cobb	Georgia		
			San Joaquin County	California		
			Prince George's	Maryland		
			Polk County	Florida		
			Essex	NJ		
			Union County	New Jersey		
			Salt Lake County	Utah		
			El Paso	Colorado		

Statistic	Value
Total Responses	17