NACo survey: Recession may be over, but not for county governments

WASHINGTON, D.C. – Even as economists proclaim that the national recession is over, local governments continued to feel the effects of the economic slowdown.

A new survey released today the National Association of Counties (NACo) demonstrates the continuing impact of the economic downturn on county budgets and details the actions counties are taking to address lower revenue challenges.

Among the key findings:

- Declining revenues from the state was the number one contributor to lower revenue for counties (46 percent);
- Counties are making administrative changes, delaying other activities, using rainy day funds and adjusting personnel to help keep their budgets balanced;
- More than half of the counties surveyed have fewer county staff than they did in 2010 (53 percent).

“The Recession Continues: An Economic Status Survey of Counties” is the sixth in a series of NACo state of the economy surveys since 2007. The counties included in this survey were drawn from a sample group of more than 2,400 counties that have either elected or hired administrators. Five hundred counties from 44 states responded, making it the most comprehensive survey of the series.

The new survey shows that counties are being forced to cut services and employees in contrast to earlier surveys which suggested less painful budget adjustments were being made, such as delayed purchases, pay freezes, hiring freezes, and across the board budget cuts. As the recession deepened, the new data suggests that furloughs and layoffs have increased. In fact, 53 percent of counties are working with fewer staff today than in FY2010.

As reported in all of the previous surveys, raising taxes is still not an option for many counties. Only 15 percent of counties reported increasing property tax rates and only 2 percent have increased its local...
option sales tax rate. Instead, most counties have taken other budget adjustment actions such:

- 47% have delayed purchases and repairs
- 47% have delayed capital investments
- 45% have instituted salary and/or pay freezes
- 41% have instituted hiring freezes
- 40% have used their rainy day funds
- 37% have instituted employee travel restrictions
- 31% have delayed construction
- 24% have laid off county workers

In previous surveys, a majority of counties said they were forced to revisit budget adjustments cuts in mid year due to unanticipated revenue shortfalls. For example, in the July 2009 survey, 74 percent of responding counties faced additional, unanticipated shortfalls. The new survey shows that many counties have been successful in scaling back or deferring certain activities to help them through their current fiscal year. Only 88 counties (17 percent) experienced shortfalls after the adoption of their FY2011 budgets.

“After multiple tough budget cycles, counties appear to be settling into the ‘new normal’ of revenue and staffing levels,” said NACo President Glen Whitley. “However, the budget cuts have become increasingly more severe and are affecting more Americans. Counties are not out of the woods. Additional state aid cuts are looming, increased energy and operating costs are nearly certain, and increasing demands for public services remain.”

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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.