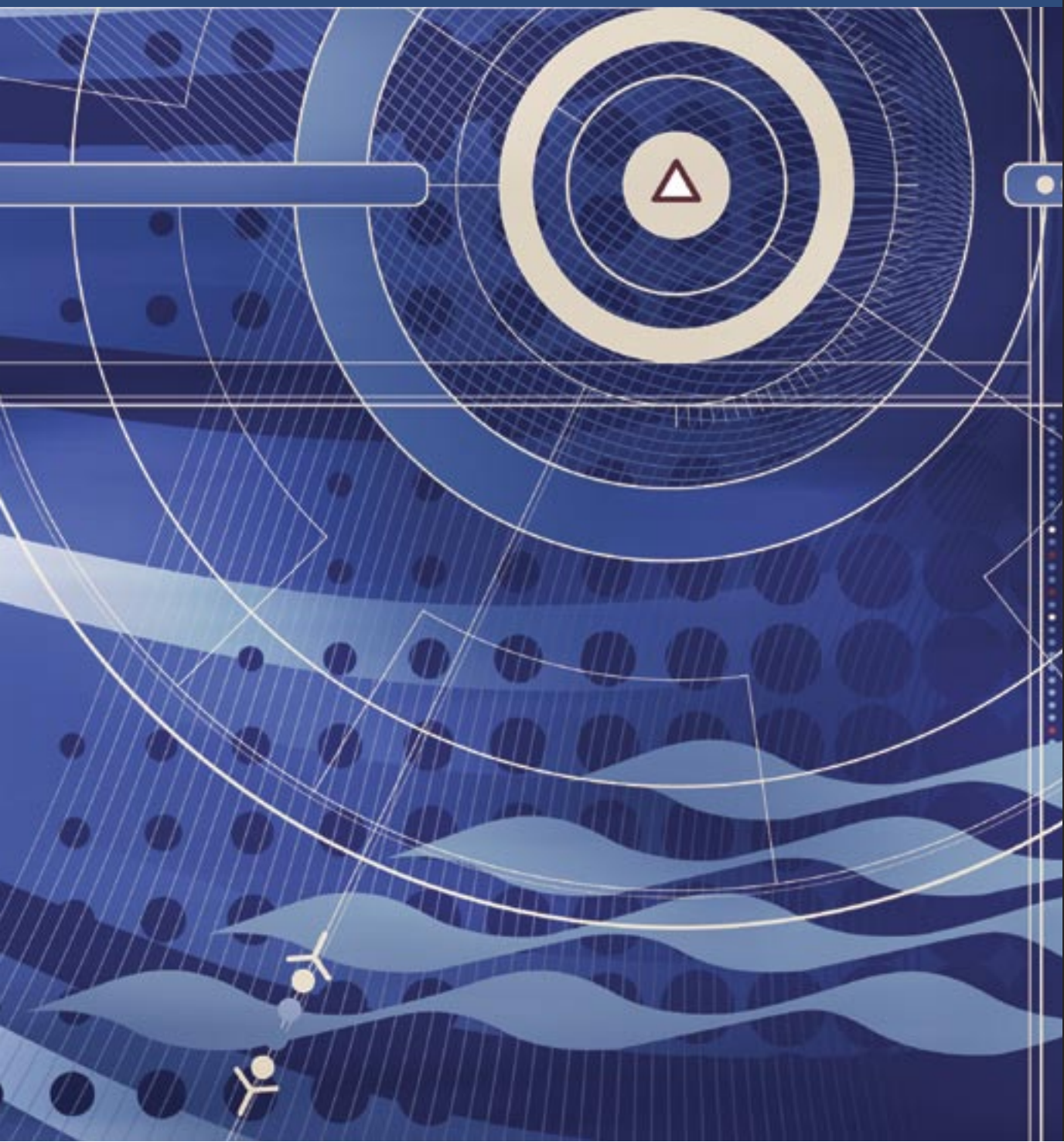


National Association of Counties

2005-2006



Annual Report

NACo Executive Committee



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President's Message

Amazing Progress Made Fighting Meth Abuse

Dear Fellow County Official,

Serving as President of NACo has been an amazing experience for a number of reasons. I've had the opportunity to travel across America to discuss and learn about issues from county officials representing all types of counties – rural, urban and suburban. I've had the chance to meet with Administration representatives and members of Congress to advocate for issues that affect counties and their citizens.

What has been most amazing and gratifying, however, is the progress that we have made on specific programs and projects. The Prescription Drug Discount Card program is slightly more than one year old and is already producing savings of \$9.5 million for uninsured and underinsured Americans.

Bolstered by the drug discount card program and the enthusiastic efforts of county officials, state association executive directors and staff, NACo membership continues to grow. The cooperative purchasing and other enterprise programs are thriving and providing savings to counties, as well as essential revenue to NACo. Our efforts to represent counties in the nation's capital continue to be strong.

But foremost among our accomplishments is the work that we have done to stop methamphetamine abuse in our country. NACo seized the leadership on this important issue, raised its visibility through unprecedented media coverage and pushed for action by the top elected

officials in Washington. This initiative began with the small step of releasing two research surveys in July last year, which showed the magnitude of the problem.

Since that time, I participated in a town hall meeting on Capitol Hill with Administration officials, NACo staff briefed congressional aides on the issue and I formed the Meth Action Group to guide the initiative. Two more surveys were released in January this year further illustrating the complexity of the problem which has legal, medical, environmental and social service consequences for counties and their residents.

A fifth survey was released this July showing that meth is still the number one drug problem facing counties.

We worked hard with members of Congress and an initial goal was achieved when legislation was adopted and signed into law limiting and controlling the sale of ingredients used to make the drug.

For one year, this progress has been phenomenal. But there is more to be achieved. We will continue to work to secure funding to limit the sale of the drug, to prevent people from becoming addicted to it and to treat those who do. It is our commitment to comprehensively fight meth abuse.

On another initiative, I am pleased that I have had the opportunity to raise the visibility of the Court Appointed Special Advocates (CASA) program and encourage its growth in counties. CASA is a volunteer program that helps abused and neglected children in the juvenile justice system and gives children an advocate when they need it most.

I am very proud of the many ways that counties across America helped the parishes, counties and people in Louisiana, Mississippi and Alabama that were devastated by Hurricane Katrina. There were some amazing acts of kindness and goodwill that truly helped.

NACo did its part as well. Our effort involved raising funds for the counties and parishes and their employees – a "County to County" and "County to Parish" effort. NACo raised money through a fund we created called the "Parish and County Family Fund" and distributed it to the state associations for Louisiana, Mississippi and Alabama. The state associations distributed the money to the parishes and counties and their employees that needed it the most.

From counties, county officials, state associations and NACo staff, \$224,500 was raised for county and parish employees. This was a remarkable, worthwhile effort, and I thank everyone who contributed to the fund.

These programs are just a few examples of what made my year so special. I am pleased to have had this chance to serve you as President of NACo. Thank you for this opportunity. From the beach on Waikiki to downtown Cook County, it has been an amazing experience.



Bill Hansell
NACo President
Commissioner, Umatilla County, Oregon
August 2006





Executive Director's Message

NACo Is Only Changing Its Address, not Its Service and Representation

Dear County Official,

Change is coming to NACo. It is not a dramatic change, and it will not affect the services or representation NACo provides to America's counties. NACo will continue to provide excellent service and representation.

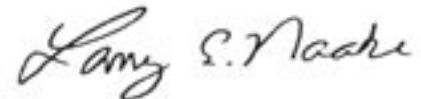
But after 24 years at 440 First Street, NACo is moving. In January, 2007, NACo's new address will be 25 Massachusetts Avenue, NW. The new office is in a great location and a beautiful building, not far from our current location on Capitol Hill.

The move is a milestone because NACo has only had three other permanent homes in its 71-year history. While the move is a milestone, it does not change the association. NACo is not a building. It is your organization. The heart and soul of the association are county officials from across the country.

I am proud of the success we – county officials and staff working together – have accomplished over the past 12 months. We have achieved a number of legislative victories. NACo is financially sound. Our enterprise programs are succeeding and saving counties money. Our membership is growing, due to the great programs and services we provide, like the Prescription Drug Discount Card. Our work to stop methamphetamine

abuse has placed NACo in a leadership role on this important issue – and we will continue to lead it.

This report outlines the many accomplishments we have achieved during the past 12 months and shows that your association is strong and successful. We will make it even stronger and more successful. We will just do it from a new location.



Larry E. Naake
NACo Executive Director

Presidential Initiatives

NACo Leads the Fight to Stop Meth Abuse in America

One Presidential Initiative focused on combating methamphetamine abuse in America. The problem of meth abuse started in the West and has moved east. Counties in the West, Midwest and South are on the front lines in responding to the methamphetamine crisis. The increasingly widespread production, distribution and use of meth are now affecting urban, suburban and rural communities.

For these counties, meth abuse causes legal, medical, environmental and social problems. Investigating and closing meth labs, followed by corrections, court costs, treatment and clean-up are all direct costs to county governments.

To assist counties and their residents in dealing with this problem, NACo took a leadership role in addressing the problem and launched an aggressive research, media, lobbying and educational agenda on meth. As a result, the Administration reassessed its view of meth as a problem,

Congress took decisive action, the public better understood the dangers of meth and NACo became a leading source of information on meth abuse.

Accomplishments during 2005-2006 included:

- Release of five survey reports, in July 2005, January 2006 and July 2006, quantifying the impact of meth on county law enforcement, child welfare, public health, and substance abuse programs. The reports

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generated unprecedented media coverage and attention from policy makers at all levels of government. The survey released in July 2006 focused on the criminal effect of meth on communities.

- Enactment of the federal Combat Meth Act in March 2006, which requires the over-the-counter meth precursor drug pseudoephedrine to be placed behind the counter nationwide and sold in limited quantities. NACo's lobbying efforts were critical to passage and also ensured that the law does not preempt local law.
- Substantial rise in media coverage of NACo issues because of the release of NACo's surveys on the problems of meth abuse. NACo received coverage on the meth surveys from all national news media (ABC, CBS, NBC, Fox, CNN, MSNBC, NPR, *The New York Times*, *USA Today* and *Washington Post*) and local media as well. In addition, NACo officials were booked on several national shows to discuss the meth surveys. The surveys continued to be mentioned in articles months after their release.
- Established and held four meetings of the NACo Meth Action Group – July 2005, September 2005, March 2006 and May 2006. Various NACo affiliates and committees were engaged in the initiative through appointments to this group.
- Created the Meth Action Clearinghouse on the NACo Web site,

which contains information about research and best practices, funding opportunities, federal, state and local meth-related legislation, and links to other resources.

- Landed \$10,000 sponsorships each from Target Corp. and Netsmart to support the initiative. This is the first financial support NACo has received from Target.
- Established working relationships on meth with various new partners in the field. Examples include the Partnership for a Drug Free America, Community Anti-Drug Coalitions of America, and Montana Meth Project.
- Awarded a \$345,000 grant from the Department of Justice to augment and continue research, education, training and technical assistance activities over the next two years.

These are great accomplishments, but it is just the beginning of this battle. Meth abuse is still ruining lives, families and our environment. NACo is committed to continuing the fight against meth abuse through release of additional surveys, working on legislation with the Administration and Congress, and partnering with other groups to promote prevention and treatment.

Promoting the Work of the Court Appointed Special Advocates

The second Presidential Initiative was the Court Appointed Special Advocates (CASA) program. This is a national program in which local volunteers advocate for the needs of abused and neglected children in the juvenile justice system.

Through the CASA program, volunteers are appointed by a judge, commonly known as Friends of the Court or Guardians Ad Litem, to identify the best possible outcome for a child, with the goal of finding a safe, permanent home and a better life. The CASA program gives non-binding advice to the courts and is intended to supplement the efforts of state and county human service agencies.

There are approximately 940 CASA programs in 49 states, serving about 1,100 counties.

County governments are the fourth largest financial contributor to local CASA programs after the federal government, state governments, and the courts; counties provide \$12 million annually.

The goals of this initiative were to:

- Raise awareness among county officials about the CASA program in order to build support for the program and grow the volunteer base;
- Provide interested counties with necessary information, training and



technical assistance, through referrals to the National CASA Association;

- Obtain public recognition for local CASA programs and volunteers from county officials; and
- Advocate for national policy initiatives that are consistent with NACo's policies.

NACo worked in closely with the National CASA Association in Seattle to raise awareness and support of county officials in CASA.

Activities for the initiative included:

- President Bill Hansell spoke at National CASA Association annual conferences in April 2005 and April 2006;
- Judge Glenda Hatchett, who is a national spokesperson for CASA, gave a general session speech at NACo Annual Conference in July 2005;
- National CASA Association participated in Human Services Steering Committee meetings. NACo adopted a policy resolution in 2005 to advocate for reauthorization of the CASA program and for steady increases in annual federal funding;
- Workshop highlighting county-CASA partnerships was held at the NACo Health, Human Services and Workforce Conference in November 2005. Speakers were from Richland County CASA (South Carolina),

which won a Best in Category Achievement Award from NACo, and California CASA Association.

- More than 500 CASA information packets promoting county-CASA partnerships were distributed to NACo members;
- Connected state and local CASA organizations to state associations of counties to enable further collaboration;
- President Hansell had a guest column published in winter 2006 edition of the National CASA Association magazine, *The Connection*; and
- NACo Acts of Caring Awards Program was promoted to local CASA organizations. Two CASA programs won awards in 2006.

Technology Initiative Enables Committees to Share Information

The third Presidential Initiative involves NACo working in partnership with Microsoft on an online, community-based pilot program to promote increased communication, deeper information exchange, and collaboration between counties. A Web-based portal is being tested for general information sharing and to provide a place for NACo steering committees to collaborate.

The portal is hosted at NACo headquarters in Washington D.C. Member counties access it using the same unique

user ID and password that they use to logon to the members only section of the NACo Web site. The collaboration portal allows NACo steering committees to quickly locate documents and proceedings, do file sharing, retain knowledge, and enable all committee members as well as other NACo members to contribute to the deliberation process.

Because it is flexible and easy to use, it is possible to use the same portal for both ends of the governance spectrum – to enhance collaboration for determining NACo's future priorities as well as to allow people to view and comment on existing and past activities.

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Major Accomplishments

Legislative Victories Provide Help to Counties and Their Residents

Two significant laws were enacted during the past 12 months: the Combat Methamphetamine Act and SAFETEA-LU. The Combat Meth Act places new restrictions on the sale of pseudoephedrine, which is a key ingredient in the manufacture of methamphetamine. The act replicates many state laws that have been credited with drastically reducing small toxic meth labs.

SAFETEA-LU is the multi-year \$286 billion reauthorization of the federal highway, transit and safety programs. The legislation is a victory for all urban, suburban and rural counties because it will provide needed funding for highway, bridge and transit projects.

On another issue, NACo worked to save the Community Development Block Grant (CDBG) program in 2005 and were successful. The program suffered only a \$300 million cut, instead of elimination. This year NACo is working to save CDBG again and with other groups has successfully seen the inclusion of an additional \$1.2 billion for the program in the budget resolution.

On the Payment In Lieu of Taxes (PILT) program, full funding language has been included in the budget resolution. Congress provided \$236 million for PILT, the highest amount to date, with an even higher number for FY07.

NACo Membership Continues to Grow

NACo had 2,081 county members through the middle of July, enabling the association to surpass the all-time record number of 2,075. The previous record was set in 2002. Eighty-five members have joined in 2006, while only 50 counties have canceled their memberships. NACo's membership retention rate increased a full percentage point to 97 percent which matches the all-time high set back in 1999.

Prescription Drug Discount Card Program Saves Americans Millions

Through the end of May, more than 840,000 prescriptions had been filled saving county residents more than \$9.5 million savings through the NACo Prescription Drug Discount Card Program. The overall average savings continued to rise during the year and ended this period at nearly 21 percent which was the highest level ever since the inception of the program. NACo has 378 counties, parishes and boroughs signed on to the program while another 450 counties are considering the program. NACo promoted the program through a Microsoft Live Meeting on June 22 in which 150 county officials participated.

Cooperative Purchasing Program Growing at 30 percent

U.S. Communities, NACo's cooperative purchasing program for local governments, has grown at a 30 percent rate in recent years and will continue to perform at or above this rate in 2006. The total sales amount for the program in 2005 was \$715 million, with estimated savings to local governments of about \$100 million. The savings for 2006 should exceed \$125 million. More than 15,000 public agencies are now registered to use the program. The program provides substantially increased earnings for the NACo Financial Services Center and for state associations of counties that sponsor the program.

Meth Surveys Result More than 60 Percent Increase in Media Coverage

Media coverage of NACo and county issues increased more than 60 percent in the 12 past months primarily through the release of the methamphetamine surveys in July 2005 and January 2006. The number of mentions of the NACo in press increased by 816 from 1,270 in 2004-05 to 2,086 in 2005-06.

The meth surveys released in January highlighted the impact of meth abuse on county hospitals and the need for meth abuse treatment programs. The surveys have generated 85 LexisNexis search hits since release of the findings.

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Combined, the four meth surveys generated unprecedented national media coverage for NACo which included stories and interviews on major media outlets such as ABC's Good Morning America, ABC's World News Tonight, CNN, C-SPAN, *The Chicago Tribune*, the *Washington Post*, *USA Today*, and *The New York Times*. Press accounts across the country continue to cite the NACo meth surveys in their news stories.

Information Technology Improvements Produce Greater Productivity

NACo has upgraded its e-mail infrastructure to provide better security when accessing e-mail over the Web and to increase system availability. NACo also replaced the aging servers and disk storage system to better support the association's business needs. This improved system performance, removed single points of possible failure, increased storage capability and enhanced data backup solutions.

NACo Grants to Counties Provide Technical Assistance Help

In 2005, NACo awarded more than \$278,000 in direct grants to county-based programs that promote early childhood development, diversion of the mentally ill from jails, indoor air quality, environmental awareness (Five Star) and coastal restoration. The grants are a component of NACo's technical assistance programs and are designed to build capacity and to foster innovative

county practices. More than \$450,000 has been awarded since the direct grant programs were established.

Awards Program Recognizes 12 Sustainable Counties

With significant support from its private sector partners, the NACo Center for Sustainable Communities re-launched its awards program, honoring 12 of the best county-led partnership efforts to promote economic development, environmental protection and social equity. The center further honored four of the 12 with cash awards for exceptional innovation, giving \$5,000 to three Outstanding Practice recipients – New Castle County, Delaware; Morrison County, Minnesota; and Arlington County, Virginia – and \$10,000 for its inaugural Platinum Innovation winner, Maricopa County, Arizona.



News & Innovation

County News Coverage Focused on Hurricanes, Emergency Planning

In addition to its coverage of federal legislative news and interesting county programs in the past 12 months, *County News* devoted significant resources to covering Hurricanes Katrina, Rita and their aftermath.

Of special note were two special sections: one in December, "Focus on Emergency Preparedness," an eight-page guide that looked at emergency preparedness from a planning, funding, leadership and public information view; and a two-part series on the Gulf Coast's recovery six months later, written by *County News* reporters who visited the area for several days in February 2006. The lead-off story, "Gulf Coast still recovering six months after Katrina", appeared in the Feb. 27 issue of *County News*. The second eight-page special section appeared March 27.

New Service Keeps Members Informed about NACo Web Site Updates

Giving NACo members quicker and easier access to information on NACo's Web site is the reason NACo launched an eSubscription e-mail delivery service in mid-June. NACo members and other visitors to www.naco.org can sign-up to receive e-mail notices when new information is published on the Web site.

Homeland Security Grant for Public Safety Communications

In March 2006, NACo received a \$1 million grant on public safety communications and interoperability. NACo will conduct four intensive "policy academies" on those topics over the next two years, in addition to some of our standard education, training, and technical assistance activities. A project manager will be hired for this program. It will be the first time that NACo will have had a full-time staff member in the County Services Department focused and funded exclusively on homeland security and emergency preparedness issues.

Deferred Comp Assets Reach All-Time High

Assets in the NACo Deferred Compensation Program, which NACo provides in partnership with Nationwide Retirement Solutions, reached an all-time high of \$8.4 billion – serving more than 350,000 county employees.

Scholarships Awarded as Part of Anniversary Celebration

As part of the celebration of the 25th anniversary of the NACo Deferred Compensation Program, Nationwide Retirement Solutions awarded scholarships to two college bound high school seniors who are the children of participants in the program. The scholarships

were awarded based on the students "top 10 reasons to save for retirement". The winning entries are from students from Monmouth County, New Jersey and Larimer County, Colorado.

Financial Services Program Helps Counties Save Money

U.S. Communities continues to listen to local agency requests for contracts and by June 2006 will have added four new product categories:

- Homeland Security and Disaster Assistance Solutions and Products
- Maintenance, Repair and Operations through Home Depot Supply
- Automobile Parts
- Roofing

The NACo Financial Services Center (FSC), through Dallas County, Texas, solicited, awarded and launched six separate suppliers and over 30 program or service categories for Cost Containment and Cost Recovery Services. These value-added programs are already providing counties with savings in everything from debt collection to energy and telecom audits to court and probation services to jail inmate health care insurance and indigent screening services.

The FSC and Nationwide Retirement Solutions are working together to

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provide Post Employment Health Plans to counties with significant issues surrounding GASB 45 reporting.

Conference Offered New Learning Experience for Members

The 2005 Annual Conference offered new forms of educational offerings for attendees. Mobile workshops – “field visits” to showcase innovative local county programs – were offered for the first time and were filled to capacity. Longer-format “symposia” were also offered, allowing for more thorough discussion of key issues. In the Exhibit Hall, a “Learning Theater” allowed exhibitors the opportunity to highlight county “best practices” that utilized the exhibitors’ technology and products. These sessions provided yet another educational opportunity for attendees and provided a new revenue source for NACo.

NACo GIS Grant Workshop Program

NACo continued the successful GIS grant workshop program in partnership with ESRI. Workshops were held at state association of counties meetings in Pennsylvania and Texas with additional ones scheduled for other states in 2006. The program, which allows member counties to attend workshops and then receive software, training, data and publication grants, has been continuing a successful program run since 2001.

Leadership Training Program Expands to Reach New Audiences

Launched in 2000, NACo’s Advanced Leadership Training (ALT) pre-conference seminars have become an established and popular feature of NACo conferences. In 2006, ALT broadened its scope and visibility by partnering with state associations, university extension services, and the American Bar Association’s Section on Dispute Resolution to deliver programs locally.

The Florida Association of Counties has adopted “Advanced Leadership Training” as a designation for its new program for commissioners and other officials. In Nebraska, the state association and the UNL Extension Service are developing a new leadership training program and have adopted NACo ALT’s “Five Areas of Practice for County Officials” (communications, advocacy, catalyst, strategic governing and principled practice) as a guide. A goal for future years is to provide credit for attendance at NACo’s ALT pre-conference seminars in state credential or certification programs.

Revised “Volunteer Toolbox” produced

NACo has updated and revised the “Volunteer Toolbox,” which is a guide that promotes volunteerism and provides information on managing volunteer programs. It is available both

in hard copy and on CD. The revision was in response to concerns about county government liability when using volunteers and discusses the use of background checks before engaging volunteers.

NACo Corporate Members Add Value and Support

NACo’s Corporate Members continue to partner with NACo and counties through a variety of activities. Corporate members provide unparalleled services and solutions that help counties to operate effectively. Corporate members sponsor conference activities, programs, and projects, like the County Leadership Institute (CLI), a joint effort of NACo and New York University’s Robert F. Wagner Graduate School of Public Service. CLI supports emerging county leaders in their efforts to address the challenges they face. Support from corporate foundations affords NACo with new opportunities to provide counties with technical assistance in the areas of environment, human services, and mental health issues.



Goals for the Future

NACo Web site to be redesigned

In 2007, NACo will redesign its Web site to improve collaboration capabilities, to enhance the NACo image and brand, and to make it easier for members to use.

Legislative Priorities Focus on Funding and Fighting Preemption

NACo has identified a number of key issues that will be pursued this year and in the future. They include:

- Preserving the CDBG program
- Reauthorizing the Secure Rural Schools and Community Self-Determination Act
- Securing additional Health Care Financing and Service
- Supporting comprehensive methamphetamine legislation
- Reauthorizing Social Services and Workforce Legislation
- Supporting changes to the Telecommunication Act that protect county authority
- Reauthorizing Voting Rights Act to ensure voting without discrimination
- Opposing Unfunded Mandates and Preemption

Information Technology Efforts to Ensure NACo Runs Smoothly

NACo is moving to a new location in January 2007. To ensure that there is no interruption of service to members, the information technology staff will be relocating all computer and telephone equipment, wiring the new building, establishing data and voice networking capabilities, installing power and cooling for the data center, and implementing conference room audiovisual equipment.

The staff will increase data bandwidth to provide faster access to the NACo Web site for external and internal users and upgrade the networking infrastructure to provide faster access to network and external Internet access for NACo staff.

NACo is also developing a disaster recovery plan to provide reliable business resumption capabilities for the association in case of a major disaster.

Technical Assistance to Counties Continues to Grow

NACo continues to build resources to offer technical assistance to counties on an expanding array of topics. In 2005-2006, NACo began work on programs in coastal restoration, rural health, discharge planning, juvenile detention reform, collaborative land-use planning with military installations, interoperability in homeland security and access to

health care. These and future technical assistance efforts are in direct response to member needs.

Programs to Focus on Global Warming, Help For First Responders and Fighting Obesity

The NACo Center for Sustainable Communities is working to launch new programs during the coming year, including a partnership with The Conservation Fund to combat global warming/climate change, and collaborating with Bank of America to launch a national effort to bring 1,005 certainty of mortgage coverage to injured first responders and their families.

Also, the center and the American Association of School Administrators have formed an advisory group of county officials and school superintendents to develop collaborative approaches to curb obesity and improve children's health.

Financial Information

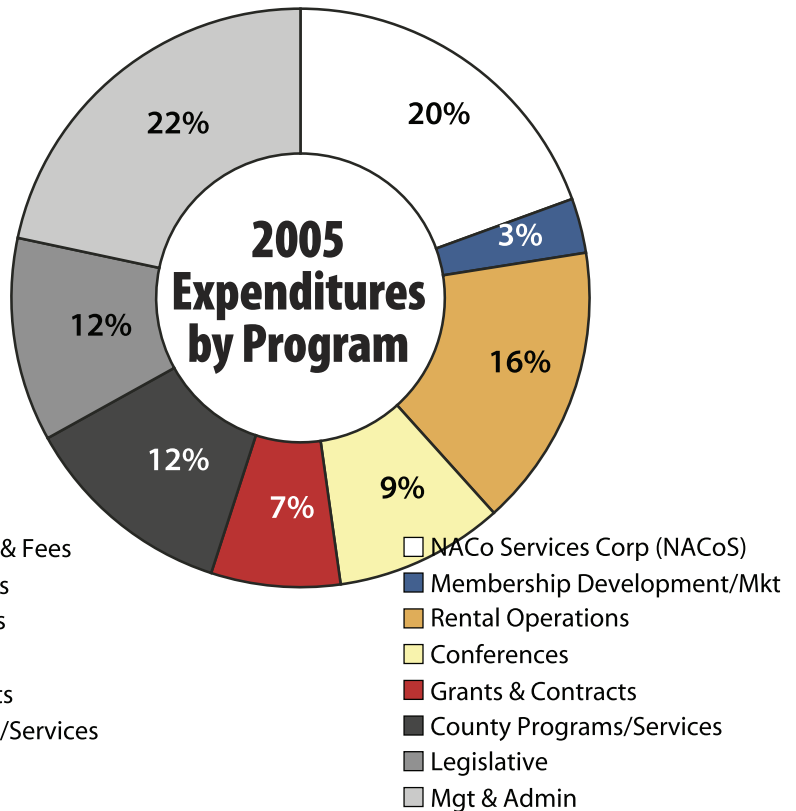
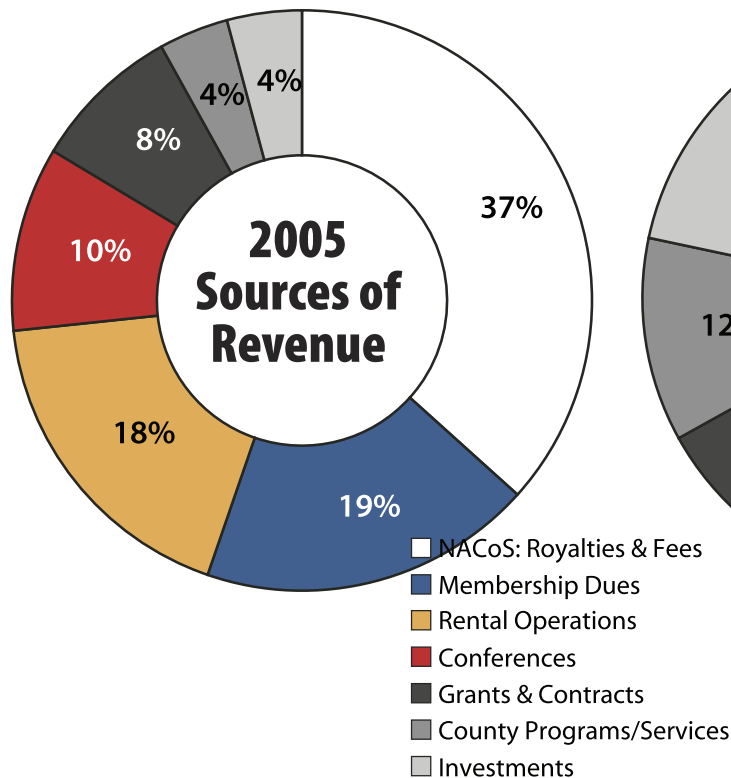
NACo Ends FY05 with \$2.9 Million Surplus

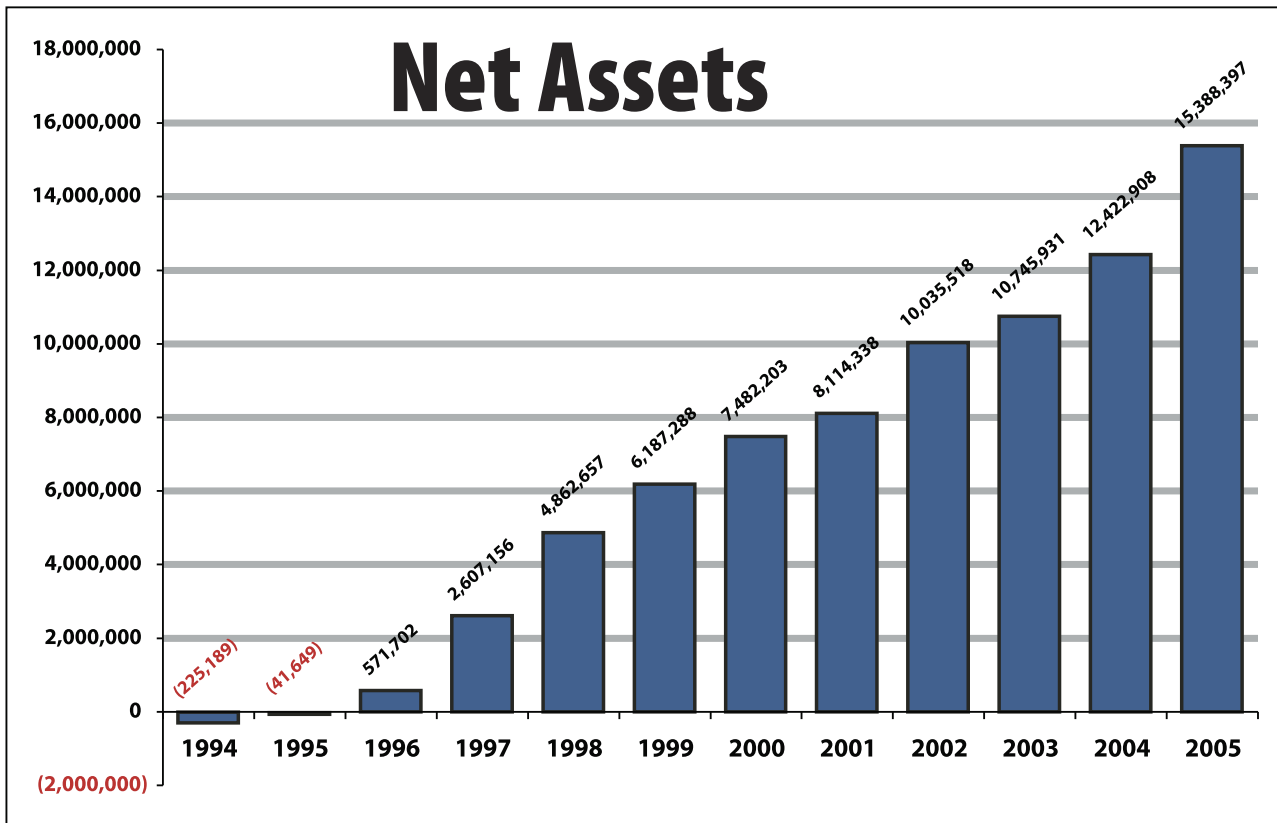
NACo's consolidated financial operations ended the 2005 fiscal year with a net surplus of \$2.9 million – 14 percent of revenue, exceeding budget by a large margin. Revenue came in nearly \$1 million above budget and expenditures were under budget by 4 percent.

Increased income from the for-profit operations helped boost the association's bottom line.

Net conference revenue dropped in 2005. Decreased attendance at the Annual Conference in Hawaii left NACo short of performance goals. Grant funded and County Services Department programs provided small grants to counties and local agencies of more than \$275,000 to support and promote innovative county programs.

Net assets increased 24 percent over 2004, reaching \$15.4 million. Reserves reached nearly \$13 million.





Counties
Care for
America