NACA

July/August 2010

THE JOURNAL OF COUNTY ADMINISTRATION

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Inside

Partnering with Local Business to Maintain and Create Local Jobs

by Bob McEvoy, Managing Editor

Carl Hum, President of the Brooklyn Chamber of Commerce, began 2010 for us in the January/February *Journal* with his striking call to partnership with local business.

Jim Ley, Sarasota County Administrator, wrote in the March/April *Journal* about the direct job creation of Sarasota County's unique "economic stimulus"—how to plan, finance and implement, and then—count the increased local business jobs.

Tony Ojeda, Miami-Dade County's International Trade Director and former ICMA Executive Board Member, wrote in the May/June *Journal* about how to create the new off shore markets that the President is talking about, for the best made products in the world—ours—and then- count the new local business jobs.

Costis Toregas, PTI President Emeritus and distinguished international author and speaker, writing for the future in the May/June *Journal,* challenges us to allow new thinkers to permeate our ranks and assume the reins of our development departments and agencies—and then- get ready to count the new local business jobs.

And now—Veronica Ferguson, Sonoma County Administrator, has partnered with local business in a very different way by asking Sonoma County vendors to help Sonoma County in an innovative voluntary leap of faith which will benefit both partners. Her wisdom is written for you below:

Innovative Cost Savings—A Private-Public Partnership Opportunity

by Veronica Ferguson, County Administrator, Sonoma County, California

Local governments across the country are facing unprecedented budget challenges. Sonoma County is no different. The duel requirements of fiscal prudence and continued high quality public service required the County of Sonoma to innovate.

This innovation found form in a new relationship with the many private businesses who work with the County. Sonoma County reached out to all of its private sector vendors (excluding new construction vendors due to public contract code restrictions) and asked them to be a partner in helping the County

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PRESIDENT'S CORNER

by Patrick Urich, County Administrator, Peoria County, Il

In July of this year, the National Association of County Administrators met in Reno/Washoe County, Nevada July 17–19 in concert with the National Association of Counties Conference. This year our General Membership Meeting and Idea Exchange were held together on July 18, and it was very well attended. A significant amount of the Idea Exchange was devoted to each County Administrator sharing how the economy has been taking a toll on their respective budgets and the efforts each Administrator has been taking to manage during this fiscal crisis.

One such novel approach to dealing with budgetary shortfalls is the effort profiled as our lead story in this issue. Veronica Ferguson outlined at the Idea Exchange, Sonoma County California's Voluntary Vendor Cost Reduction program. Facing a $62 million budget shortfall, Sonoma County developed a simple, yet powerful tool to address the shortfall. Vendors were asked to offer up to a 10% reduction in their contracts for an additional 1-year contract term. It goes to show that sometimes the simple solutions can have the biggest impact.

On Monday July 19, NACA members took a field trip hosted by Washoe County. The group toured Washoe County's Regional Animal Services Facility, Regional Public Safety Training Facility, and the Regional Emergency Operations Center. Thanks to NACA Western Region Director and Washoe County Manager Katy Simon, Deputy County Manager (and ICMA President-Elect) David Childs and their staff for presenting three state of the art facilities created with innovative municipal/county partnerships and providing NACA Members with a wonderful field trip!

The business conducted at the Conference included the election of Vice Presidents. The Vice Presidents elected to 2-year terms include: Northeast Region, Peter J. Crichton, Cumberland County, Maine; Southeast Region Lee Worsley, Catawba County, North Carolina; Midwest Region, Patrick Thompson, Hamilton County, Ohio; Mountain/Plains Region, Robert Reece, Pottawatomi County, Kansas; and Western Region Veronica Ferguson, Sonoma County, California. With the loss of block states California and Oregon, and the addition of Maine as a block state, our membership levels are currently 484, a slight increase over the start of the year. NACA's finances are currently stable, but due to the loss of membership, we have established a "Friends of NACA" program, designed to encourage corporate partnerships with companies seeking to establish a relationship with NACA members but also willing to agree to comply with our code of ethics. Currently, several companies have expressed interest in signing up as Friends of NACA.

Lastly, August is the traditional vacation month prior to the school year starting up again. One of my family's favorite vacation spots is in Maine. This year, I met with the Maine County Administrators in Kennebec County while on my trip. I am very impressed with their dedication to professional County government management and wish them all the best as they continue to improve the delivery of County services to the citizens of their great state. Thanks for all you are doing as well for the profession and County government!

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Does NACA Have Your E-mail Address?

Members are encouraged to alert NACA staff of changes to their e-mail addresses. New addresses or corrections to addresses can be e-mailed to naca@icma.org.

Visit the NACA Web Site

The NACA Web site can be accessed at http://www.countyadministrators.org.

The NACA members-only area of ICMA.org can be accessed at http://icma.org/nacamembers.

("Innovative Cost Savings" from page 1)
cross the budget divide. Private vendors currently in contract with the County were asked to reduce their contract costs by 10%.

In exchange for agreeing to this cost reduction, the contract would be extended for a one year period. This offer has been widely accepted and has, to date, yielded the County over $1.4 million in savings.

This program demonstrated two clear public benefits for the community: 1) The County has saved precious tax dollars, and 2) vendors doing business with the County have an extra year of business guaranteed in truly uncertain times.

"The project was voluntary and in the spirit of cooperation." says purchasing manager Gene Clark. For vendors who opted to not participate, the relationship with the County remains a positive and productive one. For those vendors that have joined in this innovative new relationship, they have received early acknowledgement from County leadership and will be publicly recognized during an upcoming Board of Supervisors meeting.

There were also internal benefits. County departments rallied around contacting their vendors, followed a consistent process and in the end all participants felt a sense of accomplishment and new found partnership. The success of the program, which is still in practice today, included (1) dedicating a project manager, (2) setting up an informational internal web portal (SharePoint) for all departments to view progress, (3) keeping close communications with the vendors, (4) tracking details results effectively, and (5) following up with recognition. As with all government contracting, understanding complex funding streams was also an important criterion for success.

Given the enormity of the budget challenge being faced, this program was not the cure all; however, it mobilized the County and vendor community in a unique and collaborative way. It spurred innovative thinking and created a new found sense of problem solving between the County and private sectors businesses. As the program continues and new savings are found, new relationships are built and long standing ones reinvigorated. The bottom line which dominates budget thinking in this case also

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Template letter to vendors:

June 16, 2010

«AddressBlock»

«GreetingLine»

On behalf of the County of Sonoma, I would like to personally thank you for your willingness to participate in the vendor cost reduction effort. I realize the difficulties and challenges all businesses face in today's environment. Your business is no exception. Your willingness to partner with us speaks loudly about our community and how we can all strive to make things better.

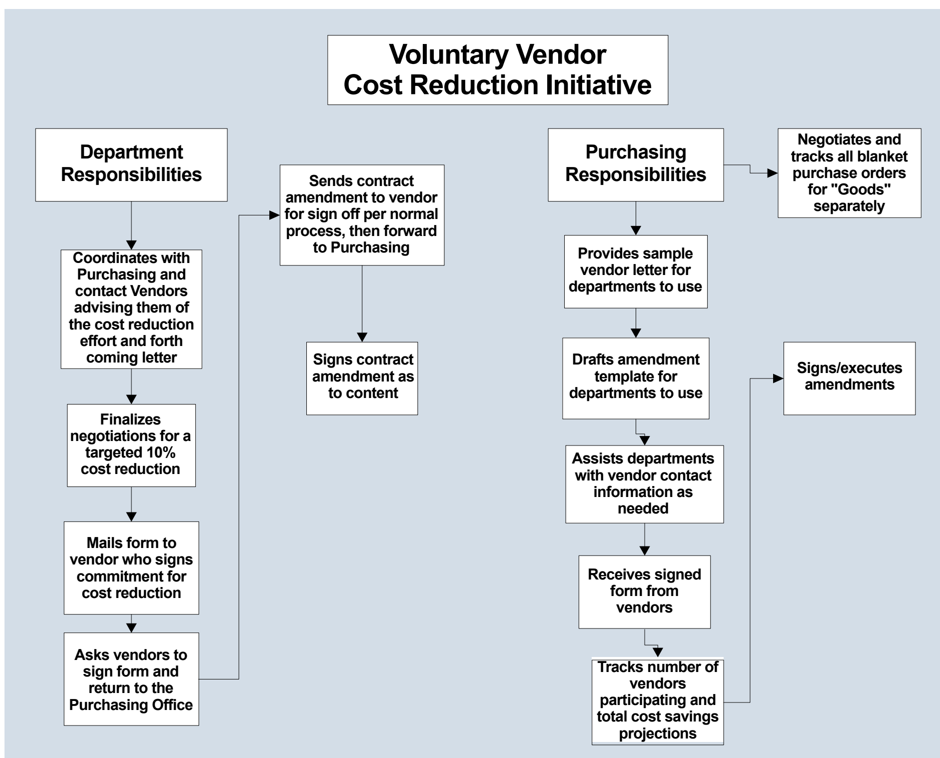
Your voluntary reduction means a lot to the County. Our departments and agencies are committed to making our operations more efficient and cost effective, and to stretch available fiscal resources as far as possible. At the same time, we desire to provide the best services possible to the community. Your willingness to reduce your costs to us is a valued part of this equation.

In closing, our County values you as a vendor and partner, and wishes you the best throughout this year.

Sincerely,

Veronica A. Ferguson
County Administrator

Sonoma County flow chart for vendor reduction program.



State and Local Government Employment are Down Since the Start of the Recession

by Donald J. Boyd and Lucy Dadayan

Friday's July employment report from the Bureau of Labor Statistics showed that total employment in the nation declined by 131,000 jobs. The decline was driven by a combination of very weak growth in the private sector (+71,000 jobs), a large decline in federal government employment (-154,000) primarily reflecting the departure of 143,000 temporary Census 2010 workers, and a decline of 48,000 in state and local government jobs. (See Figure 1.)

The declines in state and local government employment reflected a loss from June to July of 10,000 state government jobs and 38,000 local government jobs. In a "Data Alert" issued in late July, the Rockefeller Institute reviewed changes in state and local government employment nationwide and in the individual states, based on June data. The July statistics now available show a new development: overall state government employment dipping below its level at the start of the recession, for the first time.

After rising for eight consecutive months since the start of the recession, state and local government employment has declined for 17 out of the last 23 months. The 102,000 jobs lost in state and local government over just the last three months has been the greatest in any three-month period since the double-dip recession of 1980–82. Employment for state government employment and local government employment are now both below their pre-recession levels—state government employment is down 0.1 percent since the start of the recession in December 2007, local government employment is down 0.9 percent, and combined state and local government employment is down 0.7 percent.

This is the only one of the nine recessions from 1953 forward in which state government employment has fallen below its pre-recession level. Local government employment has fallen below its pre-recession level only twice in that period: in the 1982 recession, and now. The unprecedented (if modest) decline in state jobs, and unusual drop in local government employment, follow record-setting declines in state tax revenues from late 2008 through calendar year 2009.

Local government employment has fallen somewhat earlier and further in this recession than state government employment, despite the fact that state government tax systems are more economically sensitive than local government tax systems. Much of this has to do with the composition of state government employment which, as defined by the Bureau of Labor Statistics, generally includes state university and college staff. As Figure 1 shows, state government education employment is up by 2.1 percent since the start of the recession while all other state government employment is down 1.9 percent—a substantially larger decline than in other parts of the state-local sector. State government non-education employment began falling less than a year into the recession, and fell below its pre-recession level about a year and a half after the start of the recession.

State government education employment had not fallen below the pre-recession level in any of the last nine recessions. Demand for higher education tends to rise in recessions (when jobs are hard to find, it is a good time to stay in school and build skills). Universities and colleges often support this demand in the face of cuts in assistance from the state government by raising tuition. Increases in tuition have been widespread and dramatic in this recession.

While state and local government employment declines are significant

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Figure 1: Change in Employment by Sector

	Employment (thousands)		July 2010 vs. June 2010		July 2010 vs. December	
	June 2010	July 2010	Change	%change	Change	%change
Total nonfarm	130,373	130,242	(131)	-0.1%	(7,709)	-5.6%
Total private	107,666	107,737	71	0.1%	(7,837)	-6.8%
Government	22,707	22,505	(202)	-0.9%	128	0.6%
Federal	3,171	3,017	(154)	-4.9%	262	9.5%
State and local government	19,536	19,488	(48)	-0.2%	(134)	-0.7%
State government	5,144	5,134	(10)	-0.2%	(6)	-0.1%
State government education	2,378	2,376	(2)	-0.1%	49	2.1%
State government, excluding education	2,766	2,758	(8)	-0.3%	(55)	-1.9%
Local government	14,392	14,354	(38)	-0.3%	(128)	-0.9%
Local government education	8,007	7,980	(27)	-0.3%	(73)	-0.9%
Local government, excluding education	6,385	6,374	(11)	-0.2%	(55)	-0.9%

Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

With Dr. Costis Toregas, PTI President Emeritus

New Paradigms for County Roles

As we continue to think and worry and lead the fight for jobs at the county level, the natural question to raise in the Technology Corner is "is there a role for technology in the fight for economic activity?" In the last issue, I discussed the role of digital strategies in economic development and pitched a dream of connectivity for economic strength.

This time, I would like to take a mundane and simple topic- that of the county role as regulator, and show its relationship to job retention and economic activity. And the example I will use is the much–forgotten and underutilized role of the county as regulator for cable operators.

Most if not all residences these days are passed by cable (be it fiber or coax), and the wide open spaces enjoy satellite coverage when cable is uneconomical as an option. The county in many states has a role to approve franchises of cable operators, and to ensure that the franchise requirements are carried out. Responsiveness to customer complaints, diversity in programming, participation of the broad community in improving the shunting of information and announcements- all these become part and parcel of the responsibility of the offices we call Cable Administration or something similar.

However, the provision of cable service has changed dramatically since the decade of the 80s when a big part of America became wired, and even in the 90s when the telecommunications act was re-written. The operators now offer "triple play" services (phone, internet access and TV programming), and the numbers of devices at our homes and businesses have multiplied: PCs, laptops, smart phones, I-Pads and the list goes on. In this profusion and confusion of services and technologies, what may have gone unnoticed is that our residents and businesses have become directly tied to cable for dimensions of their life that are absolutely essential to their own, as well as the county's economic vitality. Telecommuters need the broadband access in order to "go to work" by computer connection; small businesses have become indelibly and inextricably connected to the umbilical cord of the Internet in order to find customers and satisfy their requests for products and services. And the industries of future growth continue to demand faster and higher capacity connections of the commercial systems now in the market place.

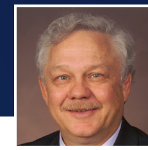
This direct link between cable providers and economic vitality is not necessarily reflected in our regulatory system, however. Because of steps taken years ago, the authority to require service levels to be maintained at acceptable levels is now split between the Federal Communications Commission and the individual franchise grantor (the County or City) in an ambiguous manner. The result of telecommunications service interruptions can be the loss of economic vitality and jobs for many small and large businesses alike, yet we are trapped in a paradigm that reflects an outmoded realty of the nineties. We are fenced in a space which permits a small number of questions such as "how long did it take a complaint to be answered" rather than the higher order questions about the loss of economic activity and safeguards as well as penalties to secure uninterrupted and strong service. The notion of guaranteeing economic uptime, the fear of loss of customers and of shuttering small businesses because of extended cable service down time is currently not addressed succinctly and with people who can make these arguments stick.

A parallel argument of course can be made for other vital linkages between the connectivity cable operators provide and the community we serve: people with "Life line" buttons are now dependent on cable up time, and families who worry about loved ones who live far away are subject to regulatory strategies that were created in a time when cable was predominantly an entertainment medium.

This is an opportunity for new-think, my friends! We need to dust off the old paradigms of regulatory weakness and replace it with a partnership model through which we in government and the telecommunications industry work together to ensure strong deployment of the "economic-activity giving" power of cable service, while ensuring its availability and proper pricing for economic growth. If there are gaps in the current legislation, we must fix them. If there are concerns in the industry, we must meet them head on and help resolve them through collaborative strategies. One thing is for sure, though: the idea of economic growth and job retention and creation is tied to the county's regulatory authority for cable and other telecommunication services strongly, and we must rethink how we approach the field, and with what human and intellectual resources. Arise and change! ■

FROM YOUR NACO REPRESENTATIVE

by Mike Johnson, NACA Representative to NACo



The Board of Directors for NACo met on July 19, 2010 during the Annual Conference in Washoe County, Nevada. During the meeting the Board received presentations from the Audit Committee and the Finance Committee. There were no reportable concerns issued by the Audit Committee. The NACo Financial Report indicated that NACo is facing many of the same revenue decline problems that its member counties are realizing. It was however noted that NACo will end the year with a slight surplus. Although conference revenue and county membership dues are lower, the revenue derived from the U.S. Communities programs is higher. In addition, the overall county membership is up reflecting many smaller counties that have joined during the last year but these new members did not offset the lost revenue from several larger counties that let their membership lapse.

Larry Naake the Executive Director for NACo concluded his comments on the fiscal health of NACo by reminding the Board that since the early 1990's NACo has significantly diversified its revenue sources. That is the principal reason why NACo is not facing many of the financial problems that other national associations are facing. Mr. Naake also pointed out that the NACo dues only represent slightly less than twenty-five percent of the total budget and have been frozen for the past four years. In addition the dues are based upon the 1995 Census population numbers rather than more current numbers in order to keep the cost down for the counties.

The most significant discussion point on the agenda had to do with the modification for the rules for Regional Executive Committee member elections. This is the second year for electing Regional Representatives to the NACo Executive Committee. Last year there were two one-year term seats filled which needed to be up for election again in 2010. Considerable discussion was had regarding an effort to implement uniform guidelines for conducting these elections as well as specifying who within the regions would be eligible to vote as well as who would be eligible to run as a regional member for the Executive Committee. Past presidents of NACo are ineligible to serve as a regional member of the Executive Committee as is any member from a state which already has representation on the Executive Committee. The winning candidate within a region must receive more than fifty percent of the eligible votes and states are not allowed to split their vote.

The Board of Directors also received reports from the various NACo Standing Committees. Information Technology Committee summarized the very successful Information Technology Summit which occurred on Friday, July 16. At that Summit were some 225 attendees, consisting of 137 county officials, 66 corporate representatives, 8 state association officials, 7 federal officials, 4 nonprofit representatives, 2 international representatives and 1 media representative. The theme for the summit was *Smart Communities: Preparing county governments to meet the challenges of a global, knowledge economy by using information technology to transform life and work in significant and fundamental ways.*

The Finance Committee Report indicated NACo is on track to beat the budgeted surplus of $61,000 for the current year. President-elect Glen Whitley presented the Finance Committee Report and indicated that at its Fall Board Meeting the development of the 2011 budget would occur. At that time consideration will be given to reviewing the NACo reserve policies as well as the purpose of the reserves and staff compensation. NACo currently has a Board policy that requires a budgeted surplus of 3.5 percent and a reserve balance equal to forty-five percent of its operating expenses. The Finance Committee felt it was appropriate at this time to review those policies and reserve balance.

Vice Chair Carol Holden presented the Programs and Services Committee Report. The committee highlighted the efforts of *NACo Education & Outreach Activities* which included the fact that NACo sponsored some 40 webinars since early 2009, with more than 5,000 individuals participating. NACo has been sponsoring 3–4 educational forums each year. These forums are 1–2 day sessions focused on a specific topic and are limited to 50–100 participants from member counties. It was noted that the NACo *Prescription Drug Discount Program* now has approximately 1,250 participating counties. NACo has produced a fact sheet that compares the NACo program with each of the five competitors that are in the marketplace. The fact sheet compares the various aspects of the program, including rebates to counties, customer service, average savings, and the size of the pharmacy network to illustrate why the NACo program is the better program for county participation.

The Membership Committee Report was presented by Vice Chair Tim McCormick who indicated that there are currently 2,319 paid members to NACo which represents a retention rate of approximately ninety-six percent from the prior year. Twenty-two new counties have joined the Association in 2010. At the end of 2009 NACo ended the year with 2,378 members which are the most members in its 75-year history. In other presentations Louie Watson, Vice President of Strategic Relationships for Nationwide Retirement Solutions (NRS), congratulated NACo and the Board on their association and on NACo's 75th anniversary and noted that the deferred compensation program was celebrat-

(continued on page 8)

The Results—Local Jobs Created and Output per Dollar of Incentive

Introduction by Bob McEvoy, Managing Editor

As I mentioned in my introduction to our front page featured article, Jim Ley's very innovative and timely action to offset the recession generated loss of local business jobs in Sarasota County, Florida was inspirational. Additionally inspirational is the following performance measurement of the County's "multi faceted local economic stimulus efforts" which we featured in our March/April Issue.

As Jim indicated, "The following graphic is an example of the performance of our program and the way we hold ourselves accountable to the County Commission and our community. It provides a "one shot" view of the impacts of our local infrastructure surtax acceleration, the impact of our use of Recovery Bonds and the results associated with the utilization of a locally created economic incentive fund."

Chart 1: Sarasota County Performance

Recent Economic Development Initiatives as of 7/28/2010

Sarasota County

Company	County Incentive Provided:	Award Date	No. Jobs	Avg Wage	Job Creation
METI	$30,000	9-Feb-10	retention		
Success Group International	$250,000	13-Oct-09	30	$55,500	
Osprey Biotechnics	$140,000	10-Feb-10	35	$53,500	
Sunovia Lighting	$100,000	16-Mar-10	68	current $86,250	(over 3 yrs)
My US	$165,000	8-Jun-10	30	current $48,736	(over 5 yrs)
Universal Insurance	$250,000	8-Jun-10	84	$42,000	(over 3 yrs)
Tervis Tumbler	$100,000	8-Jun-10	214	$39,450	(over 3 yrs)
LexJet	$150,000	14-Jul-10	30	$63,000	(over 3 yrs)
Sarasota Senior Living, LLC	$100,000	14-Jul-10	175	$48,000-$52,000	(over 2 yrs)
DwellGreen	$125,000	14-Jul-10	5	$50,000	
Winslow Liferaft	$650,000	28-Jul-10	175	$48,423	(over 5 yrs)
City of North Port Small Business Loan Fund	$100,000	30-Jun-09			
City of Sarasota Newtown Business Assistance Program	$250,000	25-May-09			
Manatee Sarasota Workforce Funders' Collaborative	$200,000	14-Jul-10			
Sub-Total:	**$2,610,000**				
Remaining Monies Available:	**$2,655,000**		**846**		
RECOVERY ZONE FACILITY BONDS					
IntegraClick (JDL Properties)	$7,400,000	8-Dec-09	50	$67,800	
Finergy Development Hilton Garden Inn — Nokomis	$10,360,000	8-Dec-09	35	$24,356	
Sharky's On The Pier	$4,200,000	9-Dec-09	25	$35,200	
Lakewood Amedex	$4,320,000	13-Apr-10 & 14-Jul-10	20	$65,000	
Sub-Total:	**$26,280,000**		**130**		
Remaining Bonding Capacity:	**$1,521,000**				
LOCAL SURTAX STIMULUS PROGRAM					
Local Stimulus Program	$73.2 million total spent/commited	1-Jun-10	**950**	$31.9M total	
TOTAL:			**1,926**	**$37,408**	

(continued on page 8)

(“The Results” from page 7)

Chart 2: Sarasota County Performance

Economic Development Initiatives—Output per Dollar of Incentive

Company	Board Award Date	County Incentive Provided:	Total IMPLAN Output	Output Per Dollar of Incentive:
METI	9-Feb-10	$ 30,000		
Success Group International	13-Oct-09	$ 250,000	$ 21,520,942	$ 86.08
Osprey Biotechnics	10-Feb-10	$ 140,000		
Sunovia Lighting	16-Mar-10	$ 100,000	$ 9,500,000	$ 95.00
My US	8-Jun-10	$ 165,000	$ 46,643,720	$ 282.69
Universal Insurance	8-Jun-l0	$ 250,000		$ —
Tervis Tumbler	8-Jun-10	$ 100,000	$ 45,965,720	$ 459.66
LexJet	14-Jul-l0	$ 150,000	$ 62,860,544	$ 419.07
Sarasota Senior Living, LLC	14-Jul-l0	$ 100,000	$ 13,567,176	$ 135.67
DwellGreen	14-Jul-10	$ 125,000	$ 3,156,607	$ 25.25
Winslow Liferaft	28-Jul-l0	$ 650,000	$ 93,297,980	$ 143.54

(“Innovative Cost Savings” from page 3)

achieved an invaluable result; everyone involved knows they are part of a longer solution and innovative new way of doing public business with the private sector. The County continues to seek out new ways of serving the community in collaborative, creative and mutually beneficial ways. The Vendor Cost reduction Program is just one element of this ongoing effort. ■

For more detailed information on the project, please contact Gene Clark at (707) 565–2433 or gclark@sonoma-county.org.

(“NACo Representative” from page 6)

ing its 30th anniversary with NACo. He indicated that at present there are some 362,000 participants in the NRS Deferred Comp program representing 3,000 counties. He thanked the Board for their continued support and partnership.

The next NACo Board of Directors meeting will be held December 2–4, 2010 in Tarrant County, Texas which will be chaired by the new President Glen Whitley. ■

by Joan McCallen, President and CEO, ICMA-RC and John Saeli, Vice President, Marketing Services & Industry Analytics, ICMA-RC

Comprehensive Finance Reform Bill Passes; DOL Issues Fee Disclosure Regulations

President Obama signed the Wall Street and Consumer Protection Act into law in late July 2010.

One of the more significant issues for the retirement plan community that arose from the law is the potential impact on stable value funds. Language in the law can be read to include certain stable value contracts as "swaps", making them subject to new and costly regulations. This potentially could make certain stable value products more expensive and less available in the marketplace.

The law instructs the Securities and Exchange Commission (SEC) and Commodities Futures Trading Commission (CFTC) to conduct a study to determine whether stable value contracts fall within the definition of a swap for purposes of the financial reform law. If they do, they could be regulated as such, and those issuing stable value contracts would be required to meet more stringent capital and clearing mandates. Alternatively, the regulators may exempt stable value contracts from the law's swaps requirements through regulations published following the study even if they determine that they do fall within the definition of swaps.

While the study is taking place, stable value products will not be regarded as swaps and will not be subject to the new regulatory requirements. In addition, stable value contracts in effect prior to the conclusion of the study and subsequent regulations will not be treated as swaps. ICMA-RC is following the work of the study group for impacts to stable value funds.

In addition to passing the finance reform law, the House of Representatives and Senate have both approved resolutions (H. Res. 1481 and S. Res. 234) designating Oct. 17—23, 2010 as National Save for Retirement Week. The resolution is aimed at increasing personal financial literacy and raising public awareness of the retirement-savings vehicles available to all workers. This will mark the fourth year Congress has supported National Save for Retirement Week. ICMA-RC has actively supported National Save for Retirement Week since its inception in 2006. For more information, visit www.retirementweek.org.

On the regulatory front, the Department of Labor (DOL) released interim final service provider fee disclosure regulations. The regulations are intended to make it easier for plan fiduciaries to assess the reasonableness of compensation paid for services and to highlight potential conflicts of interest that may affect a provider's performance.

The regulations require disclosure by service providers to retirement plans covered by the Employee Retirement Income Security Act of 1974 (ERISA). Although governmental plans are not subject to ERISA, it is anticipated that providers likely will follow these requirements for the plan they administer for public sector clients.

The regulations require "covered service providers" to provide plan fiduciaries detailed information about services to be provided and related compensation in advance of entering, renewing or extending a plan service arrangement. Disclosure of compensation expected in connection with contract termination also is required. Record keepers must provide a description of the direct and indirect compensation they expect to receive and provide basic fee information for each designated investment alternative made available on the recordkeeper's or broker's platform.

The regulations have an effective date of July 16, 2011. They were open for comment until August 30, 2010. The DOL has also sent final regulations regarding plan participant fee disclosure to the Office of Management and Budget (OMB) for review. Due to the OMB review period, those regulations are not expected to be issued until the fourth quarter of 2010.

In late July, the SEC voted unanimously to propose regulatory changes that would substantially alter mutual fund marketing and sales fees. The proposal recommends replacing the current 12b-1 fee structure with one that would permit funds to assess distinct ongoing sales charges as well as marketing and service fees. Both types of fees would have certain limitations. Marketing and service fees would be limited to 25 basis points. Ongoing sales charges would be limited to the highest front-end sales charge for shares that have no ongoing sales charge.

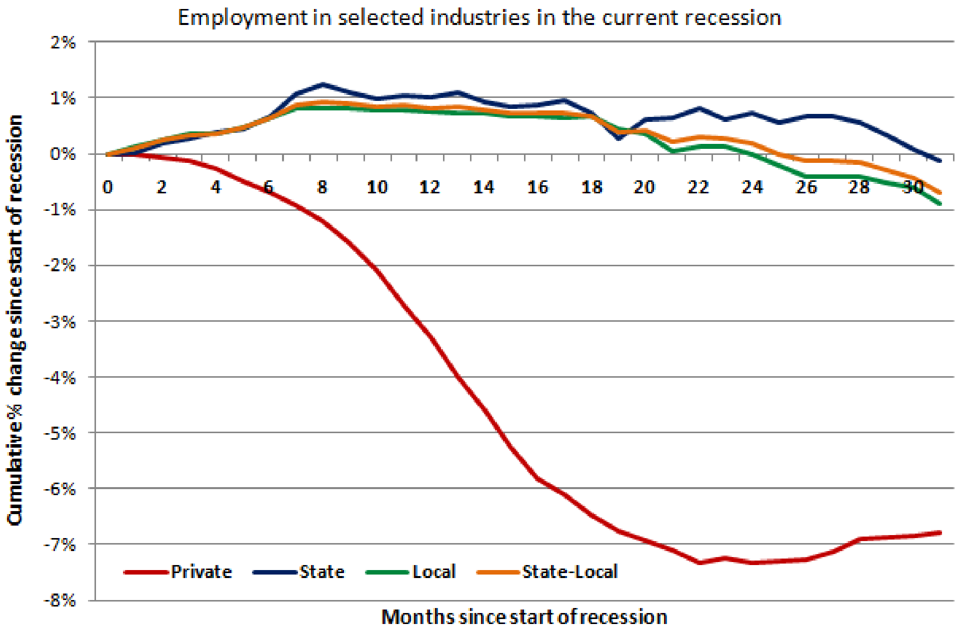
In an effort to increase competition and reduce cost to investors, the proposal also enables fund providers to allow broker-dealers to set their own ongoing sales charges. The proposal also mandates enhanced fee disclosure in prospectuses and confirmation statements, and eliminates the requirement for fund directors to approve annually fund distribution financing plans. ■

(*"State and Local Govt." from page 4*) by historical standards, as is true of past recessions the declines pale in comparison to cuts in private sector employment; private employment is now recovering weakly but remains nearly 7 percent below the pre-recession peak as Figure 2 shows.

As noted earlier and as Figure 2 shows, state government and local government employment rose for the first eight months after the recession began, before declining. Measured against the August 2008 peak, state government employment is down 1.3 percent, local government employment is down 1.7 percent, and combined state and local government employment is down 1.6 percent. Total state and local government employment is down 316,000 jobs from this peak. While it has taken 30 months for state government employment to fall below its level at the start of the recession, it is typical in recessions for government employment to respond with a lag. That reflects, among other things, the stable or sometimes rising demand for services provided by government, the lengthy and contentious political and budgetary decision-making processes in government, and lags in how the finances of different levels of government are affected by recessions. In addition, in this recession federal stimulus aid has helped state and local governments forestall cuts in employment, at least so far, although that aid is now running out. Congress currently appears poised to enact a temporary extension of stimulus aid that would likely dampen but not eliminate pressure for additional cuts in state and local government employment.

Local government education employment has declined by 125,000 jobs since the August 2008 peak, a 1.5 percent decline. Local non-education employment is down by 1.9 percent, or 122,000 . Figures 3 and 4 show local government education and non-education employment in comparison to past recessions. The education employment declines of this recession

Figure 2: Employment by Sector Relative to the Start of the Recession



Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

are quite similar to those of the double-dip recession of 1980 and 1982, and are markedly different from the growth experienced in other recessions. The declines in non-education local government employment are much deeper than in the 1973, 1990, and 2001 recessions, but nowhere near as deep as in the 1980–82 recession period.

The steepness of local government employment declines in the 1980–82 period appear to have reflected at least three important forces: (1) the relatively deep national recession of that period (albeit nowhere near as deep as the current recession), (2) widespread and intense anti-tax sentiment that culminated in significant tax and expenditure limits in California and several other states, and (3) in the case of education employment, declines in student enrollment throughout most of the 1970s and into the early 1980s that had been accompanied by increases in the teaching workforce, creating an opportunity when hard times hit to reduce education employment without increasing pupil-teacher ratios meaningfully. (In fact, pupil-teacher ratios rose slightly in 1981, but then resumed their near-continuous fall so that pupil-teacher ratios now are more than 17 percent below their levels in that period.)[1] The recent economic and political climate has also been characterized by deep recession (even deeper than 1980–82), and widespread but not universal opposition to tax increases. Unlike that period, elementary and secondary education enrollment has been rising in recent years, albeit slowly.

State government accounts for only about a quarter of state and local government employment and so the number of jobs lost there is far smaller, at about 69,000.[2] In contrast to local governments, at the state level all of the employment decline for the nation as a whole has occurred in non-education activities (although this is not true in every state), with non-education employment down by 71,000 jobs, or 2.5 percent. In recent months, state government education employment has declined slightly, but it remains above the August 2008 level used for comparison here.

Because of the timing of state government and school district decision making, the July 2010 decline in local government education employment

(*continued on page 11*)

("State and Local Govt." from page 10) could be the first of several months of declines, particularly as schools prepare for the new academic year. The number of elementary and secondary education workers employed by local governments who filed initial claims for unemployment insurance in June 2010 as a result of mass-layoff events—one indicator of school district stress—was 30,909. That was 10 percent higher than in June 2009, and was the greatest by far since the April 1995 start of these data.[3] We expect to see additional declines in local government education employment in coming months as a result of decisions school districts likely have already made and are implementing. Congress is currently nearing final action on additional stimulus aid, with an education component of approximately $10 billion. If adopted, this could reduce the need for staff reductions by school districts in the 2010–11 school year, relative to the status quo. The timing of Congressional action makes large changes in plans for 2010–11 difficult, however, so an extension of stimulus aid likely would lead to fewer staff reductions in the following school year than otherwise would occur. ■

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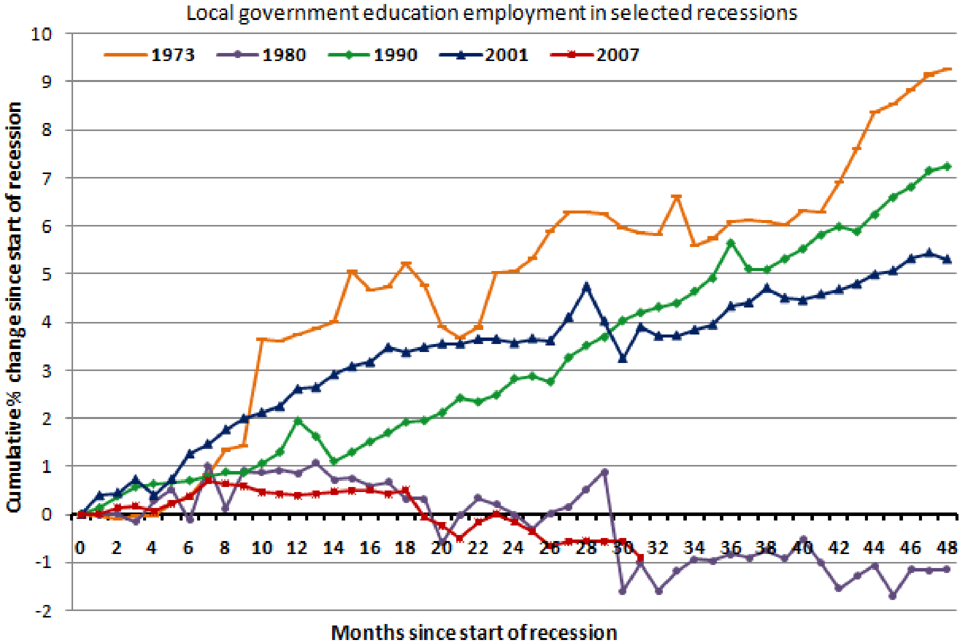
1 See National Center for Education Statistics, Digest of Education Statistics 2009, Table 64.

2 Monthly data from the Bureau of Labor Statistics do not provide great detail on employment by function of state and local governments and so it is not possible to say much, in this context about where governments are paring back. Other, less timely, data sources do allow further analysis and we will report on them as time permits.

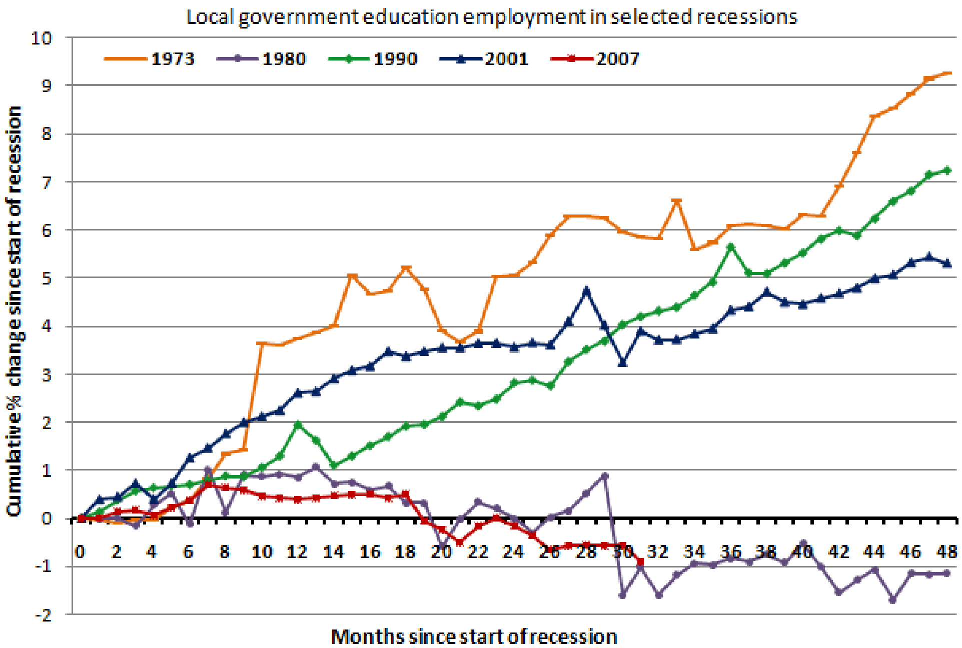
3 Based on unpublished data provided to the Rockefeller Institute by the Bureau of Labor Statistics, from the Mass Layoff Statistics data series.

Figure 3: Local Government Education Employment has been Declining



Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

Figure 4: Local Government Non-Education Employment is Declining



Source: U.S. Bureau of Labor Statistics (CES, seasonally adjusted).

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- Assisting counties with the establishment or improvement of effective county administration in the United States;
- Encouraging continued professional development of county administrators;
- Developing and maintaining a professional association with the International City/County Management Association (ICMA) in order to assist NACA and ICMA to achieve their general goals and objectives; and
- Assisting the National Association of Counties on matters having an impact on county government.

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If you have any questions, please contact NACA Secretariat Rita Ossolinski at 202–962–3635 or e-mail her at rossolinski@icma.org.

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- A half-page ad in the bi-monthly *NACA Journal of County Administration* (six issues)
- A link to a page on the NACA website which includes company description and contact information as well as a link to partner's website

Affiliate Sponsorship: Silver Level...$3,000

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- Inclusion of one, one page written educational piece in the NACA *Journal of County Administration;* article per review and scheduling by the NACA Secretariat and Managing Editor
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