

January 13, 2010

To: Senator John Geodde
Representative Cliff Bayer

From: Georgia Smith, Communications & Research, Idaho Department of Labor

Subject: Follow-up, Economic Outlook and Revenue Assessment Committee Presentation

Thank you for the opportunity to have the Idaho Department of Labor present its view of the state's current and future employment picture to this year's committee.

Attached please find our responses to several of the questions posed by committee members.

If you have any questions, please do not hesitate to call or send us an e-mail.

Cc: Sen. Brent Hill
Sen. Robert Geddes
Sen. Shawn Keough
Sen. Steve Bair
Sen. Russ Fulcher
Sen. Jim Hammond
Sen. Nicole LeFavour
Sen. Diane Bilyeu
Rep. Scott Bedke
Rep. Dennis Lake
Rep. Ken Roberts
Rep. Janice McGeachin
Rep. Frank Henderson
Rep. Steve Kren
Rep. George Saylor
Rep. Bill Killen
Ray Houston

Question #1: What type of businesses fall in the Administrative and Support Services category?

Industries in the Administrative and Support Services Subsector as defined by the North American Industry Classification System (NAICS) include establishments engaged in activities that support day-to-day operations of other organizations such as general management, personnel administration, clerical and cleaning. Establishments classified in this subsector specialize in one or more of these activities and can provide services to clients in a variety of industries, in some cases, to households. Individual industries in this subsector are defined on the basis of the particular process they are engaged in and the services they provide.

Many activities performed in this subsector are ongoing routine support functions that all businesses and organizations traditionally do for themselves. Recent trends suggest more and more businesses contract or purchase such services from firms that specialize in and can deliver these activities more efficiently.

Industries in this subsector cannot be viewed as strictly "support services." The Travel Arrangement and Reservation Services industry group includes travel agents, tour operators and providers of other travel related services, such as hotel and restaurant reservations, or arranging for the purchase of tickets. They serve many types of clients, including individual consumers.

Administrative and management activities performed by establishments in this sector are typically on a contract or fee basis or may be performed by establishments that are part of the company or enterprise. However, establishments involved in administering, overseeing and managing other establishments of the company or enterprise, are classified in Sector 55, Management of Companies and Enterprises. These establishments normally undertake the strategic and organizational planning and decision making role of the company or enterprise. Government establishments engaged in administering, overseeing and managing governmental programs are classified in Sector 92, Public Administration.

Question #2: Can you provide the components of the unemployment rate for the state of Idaho for the last few years as well as discouraged worker data?

The different types of unemployment as defined by the Bureau of Labor Statistics can be found below.

Six alternative measures of labor underutilization have long been available on a monthly basis from the Current Population Survey (CPS) for the United States as a whole. These data do not lend themselves to historical time series analyses due to small sample sizes for smaller states like Idaho. The six state measures are based on the same definitions as those published for the U.S.:

- U-1, persons unemployed 15 weeks or longer, as a percent of the civilian labor force;
- U-2, job losers and persons who completed temporary jobs, as a percent of the civilian labor force;
- U-3, total unemployed, as a percent of the civilian labor force (this is the definition used for the official unemployment rate);
- U-4, total unemployed plus discouraged workers, as a percent of the civilian labor force, plus discouraged workers;
- U-5, total unemployed, plus discouraged workers, plus all other marginally attached workers, as a percent of the civilian labor force, plus all marginally attached workers; and
- U-6, total unemployed, plus all marginally attached workers, plus total employed part time for economic reasons, as a percent of the civilian labor force, plus all marginally attached workers.

State	Measure					
	U-1	U-2	U-3	U-4	U-5	U-6

Idaho	3.2	5.0	8.2	8.5	9.4	15.7
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Discouraged Workers - The average number of discouraged workers in Idaho is around 1,500 per month although this number rose to 6,000 in June 2009 (*see table below*). This number tends to increase as economic conditions worsen and finding employment becomes more difficult. When people stop looking for work they are no longer officially included in the labor force resulting in lower unemployment rates. If job prospects improve or people have no alternative but to start looking for work, discouraged workers become part of the labor force and are counted as unemployed, a factor that may contribute to higher unemployment rates during an economic recovery.

	2005	2006	2007	2008	2009
January	900	---	1,300	---	3,100
February	2,000	---	900	3,000	1,000
March	---	800	---	800	1,900
April	2,700	700	---	---	4,000
May	700	---	---	1,200	2,100
June	1,400	700	1,200	900	6,000
July	800	---	---	---	3,000
August	700	---	---	700	3,100
September	800	800	---	2,900	---
October	1,000	---	800	---	900
November	1,700	900	800	4,100	800
December	900	---	---	1,100	

--- : No estimate released due to small sample size or large standard errors.

Note: Discouraged worker data is not normally published due to high volatility.

Question #3: Can you provide detail data on the levels claimants are exhausting regular state and federally-funded extended benefits?

To date almost 3,000 claimants have exhausted all potential unemployment insurance benefits.

Monthly	Unemployment Insurance Programs Exhaustions by Month			
	Month	Regular Benefits	Emergency Benefits	Exhausted All Benefits
	Jan-09	2,388	385	-
	Feb-09	2,869	772	-
	Mar-09	4,694	1,152	69
	Apr-09	4,588	1,130	57
	May-09	4,958	1,338	164
	Jun-09	5,066	1,876	192
	Jul-09	4,265	1,732	278
	Aug-09	3,688	1,757	394
	Sep-09	4,056	2,611	554
	Oct-09	3,154	2,507	467
Nov-09	3,350	2,441	474	
Dec-09	4,312	3,126	286	

Totals	Unemployment Insurance Programs Exhaustions YTD			
	2009-YTD	Regular Benefits	Emergency Benefits	Exhausted All Benefits
	Jan-09	2,388	385	-
	Feb-09	5,257	1,157	-
	Mar-09	9,951	2,309	69
	Apr-09	14,539	3,439	126
	May-09	19,497	4,777	290
	Jun-09	24,563	6,653	482
	Jul-09	28,828	8,385	760
	Aug-09	32,516	10,142	1,154
	Sep-09	36,572	12,753	1,708
	Oct-09	39,726	15,260	2,175
	Nov-09	43,076	17,701	2,649
Dec-09	47,388	20,827	2,935	

Question #4: How does Idaho's Per-capita Personal Income rank with other states?

Idaho currently ranks 44th in per capita income and has bounced around from 41st to 44th over the last several years. Also, note per capita income does not adjust for cost of living, individual labor markets and other inflationary relationships.

Per Capita Personal Income by State, 1990 to 2008												
Area name	2008 ^r		2007 ^r		2006 ^r		2005 ^r		2004 ^r		2003 ^r	
	Dollars	Rank*	Dollars	Rank*	Dollars	Rank*	Dollars	Rank*	Dollars	Rank*	Dollars	Rank*
United States	\$40,208	NA	\$39,430	NA	\$37,728	NA	\$35,447	NA	\$33,899	NA	\$32,284	NA
Alabama	33,768	42	32,883	43	31,484	43	29,889	42	28,405	42	26,753	41
Alaska	44,039	8	41,153	14	38,898	16	36,812	15	34,898	17	33,543	15
Arizona	34,335	41	34,413	36	33,498	35	31,563	36	29,567	38	27,859	38
Arkansas	32,397	46	31,646	47	29,573	48	27,981	48	26,905	47	25,475	48
California	43,641	9	43,221	8	41,404	7	38,670	8	36,830	9	34,922	10
Colorado	42,985	12	42,444	10	40,912	10	38,539	9	36,649	10	35,160	8
Connecticut	56,272	1	55,609	1	52,702	1	48,485	1	46,417	1	43,730	1
Delaware	40,519	18	40,068	18	39,168	15	37,062	14	35,753	14	33,879	13
Dist. of Col.	66,119	NA	63,881	NA	60,080	NA	55,268	NA	51,458	NA	47,529	NA
Florida	39,267	21	39,204	19	38,308	19	35,769	19	33,659	20	31,364	22
Georgia	34,893	38	34,650	35	33,473	36	32,176	33	30,639	34	29,683	32
Hawaii	42,055	15	40,907	16	38,520	17	35,851	18	33,787	19	31,520	21
Idaho	33,074	44	32,905	42	31,668	42	29,642	43	28,453	41	26,472	44
Illinois	42,347	14	41,569	13	39,549	13	37,168	13	35,957	13	34,569	11
Indiana	34,605	40	33,756	41	32,881	40	31,302	38	30,645	33	29,588	33
Iowa	37,402	28	35,699	29	33,853	29	32,306	30	31,674	26	29,444	35
Kansas	38,820	23	37,389	23	35,756	22	33,130	26	31,918	25	30,822	25
Kentucky	32,076	47	31,206	48	30,129	47	28,557	47	27,518	45	26,348	45
Louisiana	36,424	31	35,363	30	33,750	31	30,100	41	28,066	43	26,708	42
Maine	36,457	30	35,078	33	33,735	32	32,022	35	31,474	30	29,939	30
Maryland	48,378	6	47,050	5	45,121	4	42,601	4	40,625	4	38,212	4
Massachusetts	51,254	3	49,885	3	47,330	3	43,897	3	42,123	3	40,161	3
Michigan	34,949	37	34,188	39	33,198	38	32,265	32	31,650	27	31,214	23
Minnesota	43,037	11	41,764	12	40,015	11	37,991	12	37,079	7	35,289	7
Mississippi	30,399	50	29,549	50	28,010	50	26,836	49	25,169	50	23,999	50
Missouri	36,631	29	35,308	31	34,062	28	32,278	31	31,435	31	30,239	29
Montana	34,644	39	33,948	40	32,204	41	30,141	40	28,613	40	27,000	39
Nebraska	39,150	22	37,908	21	35,726	23	34,331	21	33,279	21	32,141	19
Nevada	41,182	17	41,145	15	39,376	14	38,231	11	35,350	15	32,710	17
New Hampshire	43,623	10	42,831	9	40,999	9	38,412	10	37,612	6	35,699	6
New Jersey	51,358	2	50,265	2	47,655	2	43,994	2	42,406	2	40,504	2
New Mexico	33,430	43	32,163	44	30,587	45	28,931	45	27,300	46	25,773	47
New York	48,753	4	47,612	4	43,973	6	40,678	5	38,398	5	36,165	5
North Carolina	35,344	35	34,952	34	33,640	33	32,066	34	30,586	35	28,979	37
North Dakota	39,870	20	36,695	26	33,602	34	32,353	29	30,339	36	29,761	31
Ohio	36,021	33	35,307	32	34,093	27	32,498	27	31,617	28	30,698	26
Oklahoma	35,985	34	34,336	37	33,280	37	30,492	39	28,810	39	26,929	40
Oregon	36,297	32	35,712	28	34,623	26	32,488	28	31,598	29	30,549	27
Pennsylvania	40,140	19	39,058	20	37,326	20	34,978	20	33,852	18	32,427	18
Rhode Island	41,368	16	40,219	17	38,392	18	36,233	17	35,090	16	33,469	16
South Carolina	32,666	45	32,065	45	31,031	44	29,270	44	27,933	44	26,704	43
South Dakota	38,661	25	36,489	27	33,767	30	33,150	25	32,175	24	30,452	28
Tennessee	34,976	36	34,287	38	32,986	39	31,360	37	30,297	37	29,026	36
Texas	37,774	26	36,829	25	35,275	25	33,172	24	31,073	32	29,581	34
Utah	31,944	48	31,739	46	30,320	46	28,599	46	26,827	48	25,830	46
Vermont	38,686	24	37,717	22	36,021	21	33,416	23	32,713	23	31,013	24
Virginia	44,224	7	43,275	7	41,367	8	38,980	7	36,912	8	35,029	9
Washington	42,857	13	42,020	11	39,623	12	36,773	16	35,986	12	33,869	14
West Virginia	31,641	49	30,144	49	28,722	49	26,684	50	25,784	49	24,916	49
Wisconsin	37,767	27	37,008	24	35,665	24	33,689	22	32,736	22	31,656	20
Wyoming	48,608	5	46,741	6	44,700	5	39,464	6	36,274	11	33,929	12

NA Not applicable. p Preliminary. r Revised.

Source: U.S. Dept. of Commerce, Bureau of Economic Analysis. Released October 2009.

Question #5: How do Idaho's unemployment insurance benefits compare to other states?

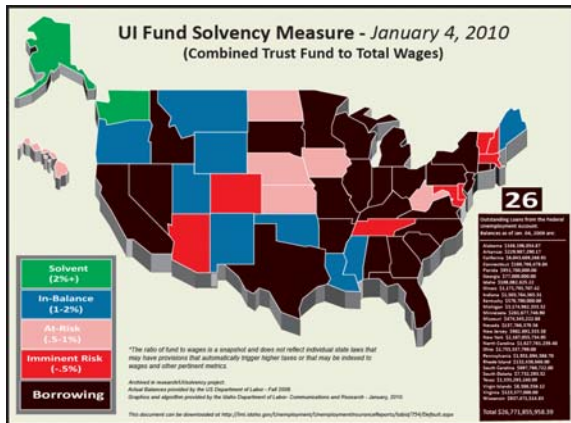
In 2010 Idaho's maximum weekly benefit amount will only be 52 percent of the annual average weekly wage. In 2009 it was 57 percent. Ranking unemployment insurance benefit amounts by state from largest to smallest using third quarter 2009 data, Idaho ranks 39th. When indexed to per capita income Idaho ranks as the 22nd highest benefit state. Since Idaho Code inversely indexes tax rates to benefit amounts, we expect Idaho will drop around eight spots to number 30 in 2010 as most states do not have this indexing property in law. Washington state pays the highest benefit amount in the country and Utah is the highest when indexed to per capita income.

*Avg. Weekly Benefit Amount			*Avg. Weekly Benefit Amount - Indexed		
1	Washington	\$423.36	1	Utah	321.65 0.52
2	Massachusetts	\$423.25	2	Hawaii	422.08 0.52
3	Hawaii	\$422.08	3	Washington	423.36 0.51
4	Minnesota	\$393.70	4	Kentucky	308.01 0.50
5	New Jersey	\$389.05	5	Kansas	360.89 0.48
6	Rhode Island	\$377.30	6	Minnesota	393.7 0.48
7	Colorado	\$364.83	7	Rhode Island	377.3 0.47
8	Kansas	\$360.89	8	New Mexico	302.01 0.47
9	Wyoming	\$350.31	9	Ohio	322.95 0.47
10	Pennsylvania	\$349.30	10	Michigan	310.6 0.46
11	Connecticut	\$337.10	11	West Virginia	280.57 0.46
12	Texas	\$325.67	12	Indiana	305.74 0.46
13	Ohio	\$322.95	13	North Carolina	310.95 0.46
14	Illinois	\$322.89	14	Arkansas	282.04 0.45
15	Utah	\$321.65	15	Pennsylvania	349.3 0.45
16	Nevada	\$319.47	16	Oregon	315.01 0.45
17	Iowa	\$317.65	17	Texas	325.67 0.45
18	California	\$317.59	18	Iowa	317.65 0.44
19	Oregon	\$315.01	19	Colorado	364.83 0.44
20	Virginia	\$314.67	20	Massachusetts	423.25 0.43
21	New York	\$313.83	21	Oklahoma	297.14 0.43
22	North Carolina	\$310.95	22	Idaho	270.85 0.43
23	Michigan	\$310.60	23	Georgia	283.38 0.42
24	Maryland	\$309.27	24	Montana	280.05 0.42
25	Kentucky	\$308.01	25	Maine	285.96 0.41
26	North Dakota	\$306.24	26	Vermont	300.18 0.40
27	Indiana	\$305.74	27	Nevada	319.47 0.40
28	District of Columbia	\$305.36	28	South Carolina	251.17 0.40
29	New Mexico	\$302.01	29	North Dakota	306.24 0.40
30	Vermont	\$300.18	30	Illinois	322.89 0.40
31	Oklahoma	\$297.14	31	New Jersey	389.05 0.39
32	New Hampshire	\$287.48	32	Wisconsin	285.97 0.39
33	Wisconsin	\$285.97	33	California	317.59 0.38
34	Maine	\$285.96	34	Wyoming	350.31 0.37
35	Georgia	\$283.38	35	Virginia	314.67 0.37
36	Arkansas	\$282.04	36	Missouri	255.23 0.36
37	West Virginia	\$280.57	37	New Hampshire	287.48 0.34
38	Montana	\$280.05	38	Tennessee	226.94 0.34
39	Idaho	\$270.85	39	South Dakota	249.2 0.34
40	Delaware	\$258.80	40	New York	313.83 0.33
41	Missouri	\$255.23	41	Louisiana	233.2 0.33
42	South Carolina	\$251.17	42	Maryland	309.27 0.33
43	South Dakota	\$249.20	43	Delaware	258.8 0.33
44	Nebraska	\$248.01	44	Mississippi	193.78 0.33
45	Alaska	\$242.33	45	Arizona	218.78 0.33
46	Florida	\$236.39	46	Nebraska	248.01 0.33
47	Louisiana	\$233.20	47	Alabama	208.26 0.32
48	Tennessee	\$226.94	48	Florida	236.39 0.31
49	Arizona	\$218.78	49	Connecticut	337.1 0.31
50	Alabama	\$208.26	50	Alaska	242.33 0.29
51	Mississippi	\$193.78	51	District of Columbia	305.36 0.24

*Data extracted from USDOL 3rd quarter 2009 UI Summary Reports

** Indexed to Per Capita Income 2008

Question #6: What is Idaho's borrowing strategy and plan to pay back loans and why are states like Oregon and Washington more solvent?



Under the current strategy, Idaho plans to have more than half the loans repaid when the interest-free provision expires at the end of 2010. Subsequent loans will be paid with contributions during the second and third quarters when receipts are at higher levels than benefit payouts.

Should the interest-free loan provision not be extended, any loans accrued in 2011 may fall under regular federal borrowing procedures should the interest free provision not be extended past 2010.

Loans that are not paid back before the deadlines will fall under federal borrowing regulations which require the state to pay penalties on Idaho's

Federal Unemployment Tax Act (FUTA) tax rate. The penalties involve Idaho employers losing a portion of their 5.4 percent FUTA tax credit on the first \$7,000 of each employee's wages. Should the interest-free provision not be extended and Idaho becomes delinquent in paying back the loans, employer FUTA taxes could rise as high as 6.2 percent from only 0.8 percent which is what they pay today.

All things being equal, states with the highest tax rates tend to have the most solvent funds. The most solvent states such as Alaska, Washington and Oregon had significantly higher effective tax rates in recent years (see table below). Using tax rates as of third quarter of 2009, Alaska had the highest effective tax rates in the nation at 1.24 percent, Oregon is third at 1.06 percent, Washington is seventh at 0.91 percent and Idaho is 23rd at 0.63 percent. Large trust funds do afford states more flexibility in implementing a countercyclical approach to taxation during economic expansions and contractions.

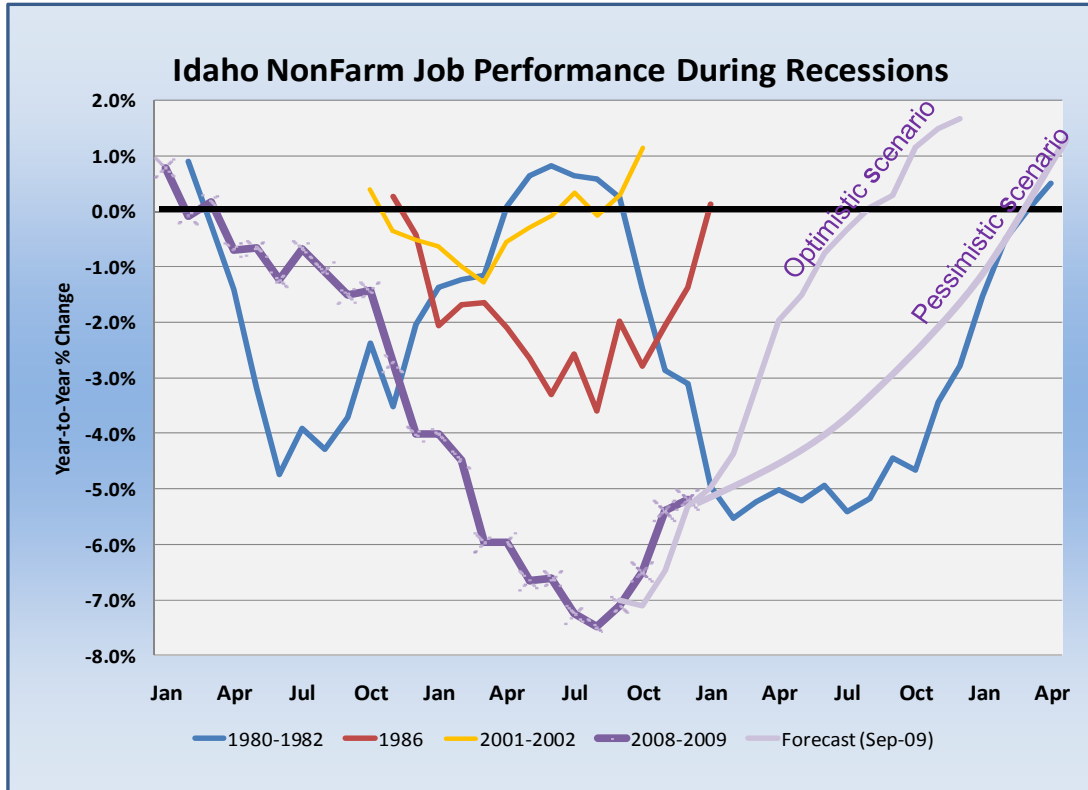
Estimated effective tax rates for 2010 for all states will not be available until early summer 2010. Even then, they are only estimates since effective tax rates are measured against year-end total wages, making state-to-state comparisons valid as state's taxable wage bases vary significantly.

Effective Tax Rates as of 3rd Qtr. '09 Ranked (to total wages)					
1	Alaska	1.24	27	Maine	0.56
2	Rhode Island	1.21	28	Indiana	0.55
3	Oregon	1.06	29	North Dakota	0.54
4	Michigan	1.02	30	New Mexico	0.53
5	Massachusetts	1.01	31	Tennessee	0.49
6	Pennsylvania	0.95	32	Delaware	0.48
7	Washington	0.91	33	Kansas	0.47
8	New Jersey	0.87	34	South Carolina	0.47
9	Iowa	0.83	35	Colorado	0.42
10	Arkansas	0.79	36	Maryland	0.40
11	Vermont	0.77	37	Georgia	0.37
12	North Carolina	0.76	38	Nebraska	0.37
13	Connecticut	0.75	39	Alabama	0.35
14	Wisconsin	0.75	40	New Hampshire	0.35
15	Kentucky	0.74	41	Utah	0.33
16	Nevada	0.74	42	District of Columbia	0.32
17	West Virginia	0.73	43	Mississippi	0.32
18	Minnesota	0.71	44	Florida	0.31
19	California	0.69	45	Louisiana	0.31
20	Illinois	0.69	46	Arizona	0.28
21	Ohio	0.65	47	Oklahoma	0.28
22	Missouri	0.64	48	Texas	0.28
23	Idaho	0.63	49	Hawaii	0.26
24	Montana	0.63	50	South Dakota	0.26
25	Wyoming	0.60	51	Virginia	0.23
26	New York	0.58			

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Question #7: Can you provide an illustration of "optimistic" versus "pessimistic" economic recovery scenarios for Idaho?

Department analysts expect year-over-year gains will be realized sometime between the optimistic scenario simulated for September of 2010 and the pessimistic scenario of March 2011. The department's formal projections of annualized job growth of .36 percent over the next two years fall within these two scenarios.



Question #8: Can you provide numbers for students who qualify for unemployment insurance benefits?

The recession is driving workers back to school and into training in droves. The table below indicates the number of claimants who are coded as "Attending Assigned Training Courses."

Year	Total
2001	450
2002	897
2003	1,226
2004	829
2005	396
2006	338
2007	343
2008	522
2009	2,482