IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

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The better-than-expected Gross Domestic Product performance in the second quarter of this year has led some economists to declare the long-awaited recovery is just around the corner. While real output may be on the verge of expanding, the pain from the nation's worst recession since the Great Depression will linger for some time. On a personal level, it will be felt in the expected dearth of jobs. According to IHS Global Insight, the nation's unemployment rate is not expected to peak (at 10.3%) until the middle of next year. After then, it improves so gradually that it is not expected to come close to the full employment rate over the next five years. Another measure of the nation's job performance is slightly more positive: the number of quarters it will take for the nation to recover the jobs lost since its peak at the end of 2007. The economy is expected to achieve this important milestone at the end of 2012—some 20 quarters after the recession's start. In this issue of the *Outlook* we apply this metric to IHS Global Insight's state forecasts to compare how states will fare over the next few years.

On average, it will take states about 19 quarters to recover the jobs lost since the recession's start. However, results vary greatly by state. As the accompanying chart shows, Alaska and North Dakota will take no quarters to recover because both states' job bases have remained above their respective 2007 fourth-quarter levels. Following these two states' lead, Texas, Oklahoma, and South Dakota are all expected to take no more than 10 quarters to recover. One thing common to these three states is their employment peaked after the recession's start.

On the other end of the list are five North Central states. Indiana, Michigan, and Ohio are each expected to have fewer jobs over the next five years than they did at the end of 2007. That is, they are not expected to top the number of jobs they had over the forecast period. All of these states' employment began declining before the recession started. For example, Ohio's nonfarm employment began shrinking in the third quarter of 2007 and Indiana's started falling in the next quarter of that year. Unfortunately, Michigan's experience has been much worse. The Great Lakes State began shedding jobs at the beginning of 2005, three years before the recession's start. Two other North Central states, Illinois and Wisconsin, perform slightly better, but they too are in the bottom ten.

Closer to home, Idaho's job losses started in synch with the nation's and is forecast to take 19 quarters to recover its 2007 fourth quarter peak. While this recovery is the average for all the states, it is slightly longer compared to most of its border states. Only two states, Nevada and Oregon, take longer to make up their job losses. Wyoming is down for only 12 quarters and Washington is down for just 13 quarters, or about one and a half years fewer than Idaho. Montana and Utah also spend less time (15 quarters) below their 2007 end-of-year job levels than the Gem State.

Number of Quarters Nonfarm Jobs Below Fourth Quarter of 2007

State	*Quarters*
Alaska	0
North Dakota	0
Texas	7
Oklahoma	9
South Dakota	10
Louisiana	11
Kansas	12
Nebraska	12
Wyoming	12
Washington	13
Colorado	14
New Mexico	14
Virginia	14
Maryland	15
Montana	15
New York	15
Utah	15
Arkansas	17
New Hampshire	17
Pennsylvania	17
Delaware	18
Hawaii	18
Missouri	18
Idaho	19
Massachusetts	19
Mississippi	19
North Carolina	19
South Carolina	19
California	20
Georgia	20
New Jersey	20
Alabama	21
Iowa	21
Kentucky	21
Tennessee	21
West Virginia	21
Florida	22
Minnesota	22
Nevada	23
Oregon	24
Arizona	26
Maine	26
Wisconsin	26
Connecticut	28
Vermont	28
Illinois	29
Rhode Island	31
Indiana	32
Michigan	32
Ohio	32

Source: IHS Global Insight

Idaho General Fund Update

As of July 31, 2009

	$ Millions		
Revenue Source	FY 2010 Executive Estimate[3]	DFM Predicted to Date	Actual Accrued to Date
Individual Income Tax	1,137.1	81.8	82.9
Corporate Income Tax	132.1	4.7	4.3
Sales Tax	963.3	88.7	90.6
Product Taxes[1]	40.7	3.2	3.2
Miscellaneous	104.0	19.1	18.1
TOTAL GENERAL FUND[2]	**2,377.2**	**197.5**	**199.1**

1 Product Taxes include beer, wine, liquor, tobacco and cigarette taxes
2 May not total due to rounding
3 Revised Estimate as of August 2009

This *Outlook* presents the mid-summer update of the FY 2010 General Fund revenue forecast. The previous revenue forecast was produced in February 2009.

The current General Fund revenue forecast is $173.0 million (6.8%) below the forecast released last February. This decrease in the revenue forecast is due to a combination of FY 2009 General Fund revenue that came in $94.8 million (3.7%) lower than the February 2009 forecast, and a reduction in the projected growth rate for General Fund revenue in FY 2010 from -0.4% in the February 2009 forecast to -3.6% in the current forecast.

In the half year since the February 2009 forecast, the economic outlook for Idaho has deteriorated. Specifically, the forecasted change in 2009 total nonfarm employment in Idaho has been reduced from a decline of 3.5% in the February 2009 *Idaho Economic Forecast* to a decline of 4.9% in the July 2009 *Idaho Economic Forecast*. The outlook for 2010 total nonfarm employment has also been downgraded, from growth of 0.3% in the February 2009 forecast to a decline of 0.8% in the current *Idaho Economic Forecast*.

The first month of the new fiscal year has produced revenue that is $1.7 million higher than expected. This strength is coming from the sales tax and the individual income tax. It was partially offset by weakness in the corporate income tax and miscellaneous revenues.

Individual income tax revenue was $1.1 million higher than expected in July. The bulk of this strength ($2.1 million) was from higher-than-expected filing payments. Refunds that were $1.8 million lower than expected in July also contributed to the gain. Withholding collections were $3.2 million lower than predicted and partially offset the filing and refund strength.

Corporate income tax revenue was $0.4 million lower than expected in July. Filing collections were $0.9 million lower than expected and estimated payments were $0.5 million lower than expected. Refunds offset most of the weakness, coming in $1.2 million lower than expected in July.

Sales tax revenue was $1.9 million higher than expected in July. Although the forecasted decline in sales tax for FY 2010 is 5.8%, the sharpest year-over-year decline is expected in the beginning of the fiscal year. July was expected to decline 15.4% from a year earlier, but actually declined a more modest 13.9%.

Product taxes were exactly on target in July. Miscellaneous revenue was $1.0 million lower than expected for the month due to weakness in interest earnings, insurance premium tax, unclaimed property, and agency transfers.