

IDAHO OUTLOOK

NEWS OF IDAHO'S ECONOMY AND BUDGET

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Each New Year is traditionally a time of reflection and change. For the Division of Financial Management's Economic Analysis Bureau this process starts in the late fall when it starts putting together the Idaho economic and General Fund revenue forecasts that are published every January. Both of these forecasts are summarized in this month's *Idaho Outlook*. The complete forecasts can be accessed at the following links: <http://dfm.idaho.gov/Publications/EAB/Forecast/2011/January/iefjan2011.html> and http://dfm.idaho.gov/Publications/EAB/GFRB/GFRB12/GFRB_FullDocument_Jan2011.pdf.

Idaho's economy should take small steps toward recovery in 2011. Idaho nonfarm employment is projected to grow 1.0% this year, after shrinking 1.3% in 2010. The job recovery's pace should quicken after 2011, averaging about 2.7% per year through 2014. At this speed, there should be 659,000 Idaho nonfarm jobs in 2014, which is about 3,000 more jobs than its 2007 peak.

The combined services and trade employment sectors are expected to have the biggest impact on employment. Although they together account for about two-thirds of existing nonfarm jobs, they are anticipated to account for over 80% of the jobs created over the next four years.

The components of the goods-producing (manufacturing, mining, and construction) sector are anticipated to expand at different speeds. After several years of declining employment, manufacturing's payroll is projected to increase in every year of the forecast starting with 2011. Employment in the state's high-tech sector is expected to remain stable over the next few years, which is a welcome change from its recent string of declines. Idaho's mining sector actually began expanding in 2010, and it should continue growing through 2014.

The construction sector was hit hard by the recession and should be one of the slowest sectors in the recovery. It shed over 21,700 jobs from its peak in 2007 to 2010. It is forecast to decline by another 1,300 jobs in 2011. It should start adding jobs in 2012 and continue growing slowly through 2014. State and local government employment is forecast to also decline this year, but holds steady near 104,000 jobs thereafter. Federal employment in Idaho hovers just under 13,500 jobs over the forecast horizon.

Recovering employment should help Idaho nominal personal income growth accelerate over the forecast period. Specifically, it increases 3.1% in 2011, 4.4% in 2012, 5.1% in 2013, and 6.1% in 2014. Idaho real personal income grows 1.7% in 2011, 2.7% in 2012, 3.3% in 2013, and 4.0% in 2014 in this forecast.

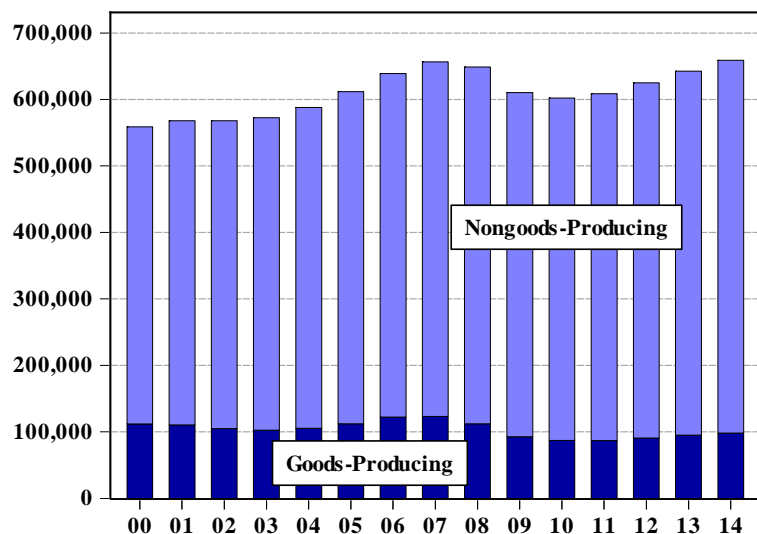
The Idaho General Fund revenue forecast for FY 2011 has been revised slightly downward. In August 2010, it was

predicted to increase 4.7% over the previous year to \$2,369.9 million. It is now anticipated to rise 4.2% to \$2,359.2 million.

The largest changes were made to the sales and individual income taxes and miscellaneous collections. The sales tax forecast was lowered by \$11.4 million, from \$976.5 million to \$965.1 million. This change was largely in response to a weaker Idaho housing outlook. (Building materials are subject to Idaho's sales tax.) The new individual income tax forecast of \$1,127.0 million is \$3.2 million below the August 2010 projection.

Not all the revisions were down, however. Miscellaneous revenue collections are expected to be up \$3.5 million from the August 2010 forecast of \$97.8 million. Both the corporate income tax (\$123.1 million) and product tax (\$42.7 million) forecasts have changed little since August.

Idaho Nonfarm Employment



Idaho General Fund Update

As of December 31, 2010

\$ Millions			
Revenue Source	FY 2011 Executive Estimate ³	DFM Predicted to Date	Actual Accrued to Date
Individual Income Tax	1,127.0	558.9	551.7
Corporate Income Tax	123.1	55.9	59.5
Sales Tax	965.1	505.9	504.3
Product Taxes ¹	42.7	23.4	23.6
Miscellaneous	101.3	46.5	46.9
TOTAL GENERAL FUND²	2,359.2	1,190.7	1,186.1

1 Product Taxes include beer, wine, liquor, tobacco and cigarette taxes *3 Revised Estimate as of January 2011*
2 May not total due to rounding

Idaho General Fund revenue through December 2010 is \$4.6 million below the Division of Financial Management's revised forecast that was published in January 2011. (Note: the December 2010 monthly and year-to-date results are identical because the starting point for each revenue source is its actual collections through November 2010.) Of the three major revenue sources, the individual income tax is the furthest off the mark, coming in \$7.2 million below the target amount. The corporate income tax came in above expectations, topping its projection by \$3.6 million. Sales tax collections, on the other hand, were down \$1.5 million. Both product taxes and miscellaneous collections beat their respective forecasts by small amounts in December.

December marks the first month this fiscal year the individual income tax came in below projections. This month's \$7.2 million shortfall is solely the result of weak filing collections. This revenue source was \$12.8 million short of the predicted amount. It should be noted that its performance this month may be distorted by the timing of filing payments

that were recorded in January instead of when they were due in December. Thus, a better gauge of the individual income tax winter performance is the combined December and January collections. The blow from December's weak filing collections was softened by withholding collections that came in \$5.3 million above what was expected and refunds that were \$0.4 million lower than had been projected.

The corporate income tax came in \$3.6 million above the forecasted amount, making it the fifth month this fiscal year that actual collections exceeded monthly predictions. December's strong showing results from both of its major components topping their respective forecasts. Actual corporate filing collections cleared December's predicted collections by \$3.6 million. In addition, quarterly collections topped December's projected amount by \$1.2 million. Coincidentally, most of the surplus from quarterly collections was offset by refunds that were \$1.1 million more than had been anticipated for December.

This month's sales tax collections were \$1.5 million short of its goal. It has been difficult to get a feel for the direction this revenue source is headed because it has been stronger than expected in some months, but weaker than expected in other months. However, the collective monthly shortages (\$6.3 million) are slightly ahead of the monthly surpluses (\$5.0 million). It should be noted that because sales taxes for a month are not due until the 20th day of the following month, the December 2010 number reported here includes taxes from sales made on Black Friday, but does not include any taxes from sales made in December. Those taxes will be included in next month's collections.

Product taxes were \$0.2 million above expectations this month, which is consistent with its performance over the fiscal year. Miscellaneous collections came in \$0.3 million above the projected amount thanks to stronger-than-expected performances from unclaimed property, other revenue sources, and one-time transfers that more than offset weaker-than-anticipated interest earnings and insurance premium taxes.

