

THE STATE OF SMALL BUSINESS IN IDAHO

Presentation before
the Joint Legislative
Economic Outlook
and Revenue
Assessment
Committee

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National Federation of
Independent Business



January 7, 2021



What is NFIB?

- A nonprofit, nonpartisan, and member-driven association, the National Federation of Independent Business (NFIB) is **America's voice of small business** with offices in all 50 state capitals and in Washington, D.C. We do not have multiple affiliated chapters. We are one NFIB.
- NFIB members pay annual dues to belong and determine its state and federal policy through annual and special balloting. **Each member has an equal say** in the policy positions NFIB takes, regardless of dues paid.
- NFIB's national membership range from sole proprietor enterprises to firms with hundreds of employees. **The typical NFIB member employs 10 people** and reports gross sales of about \$500,000 a year.

- For more than 77 years, it's been an educational mission of NFIB to remind federal and state policymakers that **small businesses are not smaller versions of big businesses**. A one-size-fits-all businesses tax, rule, or regulation can do more harm than good.
- In a study of the nation's top influencers, APCO Worldwide listed NFIB "among the best at mobilizing grassroots forces." In its study measuring the extent to which policy leaders believe associations are effective in achieving their policy goals, NFIB ranked **No. 1** in grassroots, **No.1** in coalition building, and **No. 1** as an industry reputation steward.
- NFIB's monthly *Small Business Economic Trends* report, its monthly *Jobs Report*, and its quadrennial *Small Business Problems and Priorities* study are considered the **gold-standard measurements of the Main Street economy** used by the Federal Reserve Board, presidential administrations, Congress, and governors and state legislatures across the country.



2020 Small Business Profile

U.S. SMALL BUSINESS ADMINISTRATION
OFFICE OF ADVOCACY

REGULATION • RESEARCH • OUTREACH

Idaho

169,151 Small Businesses
99.2% of Idaho Businesses

325,294 Small Business Employees
56.3% of Idaho Employees



EMPLOYMENT
16,609
net new jobs



DIVERSITY
9,203
self-employed
minorities



TRADE
1,404
small business
exporters

Table 1: Idaho Employment by Industry, 2017



Industry



Small Business
Employment



Total Private
Employment



Small Business
Employment Share

Health Care and Social Assistance	54,624	96,205	56.8
Accommodation and Food Services	44,481	65,028	68.4
Construction	39,277	40,583	96.8
Retail Trade	35,341	82,262	43.0
Manufacturing	28,012	59,993	46.7
Professional, Scientific, and Technical Services	19,849	33,084	60.0
Administrative, Support, and Waste Management	18,423	42,842	43.0
Other Services (except Public Administration)	17,983	20,379	88.2
Wholesale Trade	16,428	32,657	50.3
Transportation and Warehousing	11,519	19,282	59.7
Finance and Insurance	9,156	22,650	40.4
Arts, Entertainment, and Recreation	6,919	8,654	80.0
Real Estate and Rental and Leasing	6,594	7,569	87.1
Educational Services	4,725	14,782	32.0
Information	4,654	13,354	34.9
Agriculture, Forestry, and Fishing and Hunting	3,070	3,715	82.6
Management of Companies and Enterprises	1,966	8,460	23.2
Mining, Quarrying, and Oil and Gas Extraction	1,434	2,592	55.3
Utilities	757	3,961	19.1
Industries Not Classified	82	82	100.0
Total	325,294	578,134	56.3

NFIB-Member, Small-Business Owners

From the December 11, 2020 National COVID-19 Survey

By Occupation

3% Wholesale

5% Transportation, communication, public utilities (truckers, movers, broadcasters, etc.)

6% Agriculture (veterinarian, forestry, landscaping, fisheries, etc.)

6% Financial, insurance, real estate

8% Professional services (attorney, physician, skilled nursing, etc.)

12% Manufacturing and mining

13% Services (auto repair, house cleaning, salon)

16% Construction (general contractor, painting, carpentry, plumbing, electrical, etc.)

19% Retail and Restaurant

13% Other

By Number of Employees

10% No employees

13% 1-2 employees

25% 3-5 employees

18% 6-9 employees

16% 10-19 employees

12% 20-49 employees

5% 50-199 employees

1% 200 or more employees

How others are seeing, judging Idaho





Top States for Doing Business

STATE ▾ OVERALL ▾ WORKFORCE ▾ ECONOMY ▾ INFRA-STRUCTURE ▾ COST OF DOING BUSINESS ▾ QUALITY OF LIFE ▾ EDUCAT

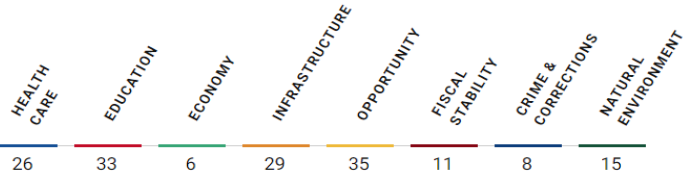
Idaho 18 42 2 28 12 21 47



Best States Rankings

RANK STATE

16  Idaho



ALEC.ORG

13TH EDITION

RICH STATES, POOR STATES

ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

Rank	State
1	Utah
2	Wyoming
3	Idaho
4	Indiana

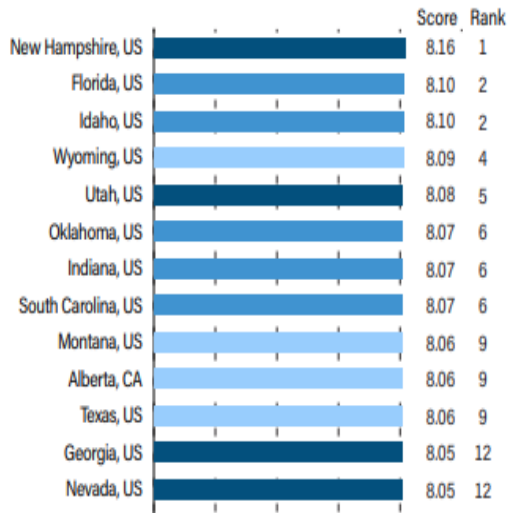
Best Components

- Estate/Inheritance Tax Levied? 1
- State Minimum Wage 1
- Right to Work State 1

Worst Components

- Personal Income Tax Progressivity 36
- Top Marginal Personal Income Tax Rate 34
- Average Workers' Compensation Costs 30 (per \$100 of payroll)





FRASER
INSTITUTE

Economic Freedom of North America 2020

The map uses the all-government index.



"Small businesses are doing their best to end the year on a good note, but the economic recovery remains uneven with some industries near full recovery and others still struggling. Finding qualified workers for open positions has only gotten worse as the pandemic caused an even tighter labor market. A surge in the labor force participation rate would be welcome news to small employers."

--NFIB Chief Economist William Dunkelberg



Unemployment Rates By State



	November 2020 Rate	National Rank
Nebraska	3.1	1
Vermont	3.1	1
South Dakota	3.5	3
Iowa	3.6	4
New Hampshire	3.8	5
Utah	4.3	6
Alabama	4.4	7
Minnesota	4.4	7
Missouri	4.4	7
South Carolina	4.4	7
North Dakota	4.5	11
Idaho	4.8	12

A photograph of two men in a warehouse setting. On the left, a large, tall pile of white, woven sacks dominates the foreground. Two men are standing to the right of the sacks. The man on the left is wearing a blue jacket over a black shirt and dark jeans. The man on the right is wearing a plaid shirt under green overalls. They are both looking down at a tablet computer held by the man in the overalls. The background shows a bright, open warehouse space with some cardboard boxes visible in the distance.

What our NFIB-Member Small-Business Owners Are Saying

<https://www.nfib.com/research>

Small Business Trends and Research

SMALL BUSINESS LEGAL CENTER

SMALL BUSINESS TRENDS AND RESEARCH



COVID-19 Surveys

- COVID-19 Small Business Survey Part 14: PPP, EIDL, the Economy, and the Vaccine - 12-11-20
- COVID-19 Small Business Survey Part 13: PPP, EIDL, the Economy, & Payment Deferrals - 10-26-20

Since March 13, NFIB has been surveying its members on how they are coping with COVID-19 crisis. The following slides highlight some of the results from the December 11 survey. All surveys can be found at the link above on the right-hand side.



Q24 How long will you be able to operate your business under current economic conditions?

- 2% Less than 1 month
- 3% 1-2 months
- 15% 3-6 months
- 19% 7-12 months
- 62% More than 12 months



Q1 Did you receive a Paycheck Protection Program (PPP) loan?

- 77% Yes
- 23% No

Q3 Have you spent all of your loan funds yet?

- 90% Yes
- 8% No
- 2% Don't know



Q8 Do you anticipate needing additional financial support over the next 12 months?

52% Yes

48% No

Q9 If Congress extends PPP to allow eligible borrowers a second PPP loan (or new first time borrowers), would you re-apply/apply?

44% Yes

25% No

31% Maybe

Q15 Have you applied for any state or local sponsored small business financial grants?

18% Yes

82% No

Q16 Have you received it?

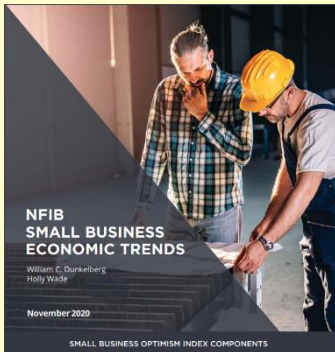
59% Yes

42% No



For 47 years, the gold standard measurement of
America's small-business economy

Small Business Economic Trends (The Optimism Index)



The SBET's primary value is anticipating short-run fluctuations in economic activity.

An additional value of the SBET is its measurement of small business activities and concerns over time. The benefit of a longitudinal data set offers an invaluable perspective on how policies and business cycles impact small businesses over time.

The SBET is one of the few archival data sets on small business, particularly when **research questions address business operations rather than opinions.**

Today, it's the largest, longest-running data set on small business economic conditions available.



November Numbers

December reading to be released January 12

Small Business Optimism

Index Component	Net %	Change From Nov.
Plans to Increase Employment	21%	▲ 3
Plans to Make Capital Outlays	26%	▼ -1
Plans to Increase Inventories	5%	▼ -7
Expect Economy to Improve	8%	▼ -19
Expect Real Sales Higher	10%	▼ -1
Current Inventory	5%	▲ 1
Current Job Openings	34%	▲ 1
Expected Credit Conditions	-3%	▲ 1
Now a Good Time to Expand	12%	▼ -1
Earnings Trends	-7%	▼ -4



NFIB.com/sboi



NFIB Monthly Jobs Report

Released first Thursday of every month

Job Components	Seasonally Adjusted Level	Change from Last Month
Job Openings	34%	▲ 1
Hiring Plans	21% (net)	▲ 3
Qualified Workers "few" or "none"*	47%	▼ -1
Temporary Workers*	12%	▲ 2
Compensation Plans	20% (net)	▲ 2
Actual Compensation Changes	24% (net)	▲ 1
Average Change in Employment per Firm	0.16	

*not seasonally adjusted



[NFIB.com/jobs](https://www.nfib.com/jobs)

"Finding qualified workers for open positions has only gotten worse as the pandemic caused an even tighter labor market. A surge in the labor force participation rate would be welcome news to small employers."

-- NFIB Chief Economist William Dunkelberg

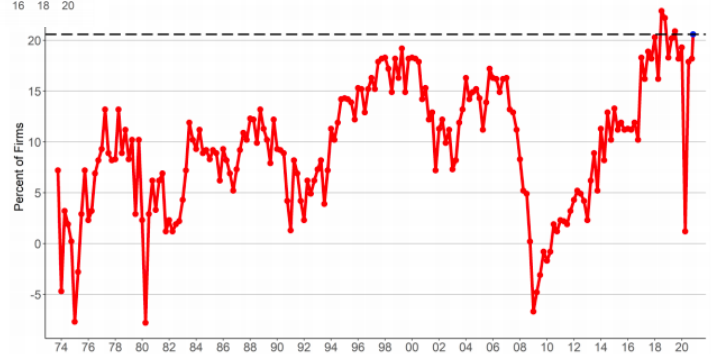
Unfilled Job Openings

Percent with at Least One Unfilled Opening



Job Creation Plans

Net Percent ("Increase" minus "Decrease") in Next Three Months



Next Jobs Report, Thursday, January 7, 2021

Top Worries of Small-Business Owners

- **Uncertainty**
- **Liability protection from COVID lawsuits**
- **Increases in unemployment insurance taxes**
 - **Access to affordable health care**
- **Boosts in workers' compensation premiums**



Uncertainty

The Uncertainty Index reached 98 in October but fell 8 points to 90 in November. There are still major uncertainties to be resolved, most important the Covid-19 crisis and the Georgia election which will shape political control in the Senate. **The Uncertainty Index is calculated by summing the percent of “don’t know” and “uncertain” responses on six questions.** The Uncertainty Index is found in the Commentary section of each month’s Small Business Economic Trends report (The Optimism Index)

1. Do you think the next three months will be a good time for small business to expand substantially?

4. In the next three months, do you plan to increase or decrease the total number of people working for you?

2. About the economy in general, do you think that six months from now general business conditions will be better than they are now, about the same, or worse?

5. Do you expect to find it easier or harder to obtain your required financing during the next three months?

3. Overall, what do you expect to happen to the real volume (number of customers, units, hours billed, etc.) of goods and/or services that you will sell during the next three months?

6. Looking ahead to the next three to six months, do you expect to make any capital expenditures for plant and/or physical equipment?

Liability Protection

A 'tidal wave' of Covid-related workplace lawsuits could be on the way



The first wave of Covid-19 workplace lawsuits is here



COVID Exposing Small Businesses to
'Staggering' Number of Employment Lawsuits



NFIB Issues Liability Protection Principles
for America's Small Businesses

www.nfib.com Search: Liability

"Just the mere threat of litigation may cause many businesses to remain closed or delay reopening because few businesses can afford the costs of defending a lawsuit following weeks of business disruption amid the sudden economic recession. **Plaintiffs' lawyers across the country are already recruiting individuals to sue businesses** by pouring millions of dollars into advertising."

-- Attorneys Michael Shalhoub and Steven S. Vahidi, *Claims Journal*, Sept. 8, 2020

"The reality is that defending a discrimination or other employment lawsuit is expensive. Defending a case through discovery and a ruling on a motion for summary judgment **can cost an employer between \$75,000 and \$125,000**. If an employer loses summary judgment (which, much more often than not, is the case), the **employer can expect to spend a total of \$175,000 to \$250,000** to take a case to a jury verdict at trial ... Moreover, employers cannot avoid this risk simply by settling every claim that is filed, lest the company risk the perception of being an easy mark by every ex-employee."

-- Employment law attorney Jon Hyman, *Workforce.com*, May 14, 2013

Unemployment Insurance Taxes

Thirty-one states already are dipping into federal CARES Act dollars or seeking federal loans to keep money in the unemployment coffers. Those and other states also are considering legislation or other actions to fend off business tax increases triggered by high jobless payouts.

-- Pew Research
Oct. 12, 2020

Title XII Advance Activities Schedule

As of: December 30, 2020
Interest Rate: 2.40870090%

State	Outstanding Advance Balance	Advance Authorization Current Month	Gross Advance Draws Current Month	Interest Accrued for FY2020*
California	17,699,590,527.64	4,000,000,000.00	1,672,000,000.00	0.00
Colorado	745,838,250.41	500,000,000.00	156,075,844.95	0.00
Connecticut	504,961,958.65	250,000,000.00	99,010,415.64	0.00
Delaware	0.00	40,000,000.00	0.00	0.00
Georgia	219,697,626.45	350,000,000.00	149,200,000.00	0.00
Hawaii	690,528,117.50	435,000,000.00	26,040,129.82	0.00
Illinois	3,296,479,369.29	973,000,000.00	428,184,518.47	0.00
Indiana	0.00	120,000,000.00	44,503,090.12	0.00
Kentucky	505,745,626.05	350,000,000.00	21,185,782.77	0.00
Louisiana	133,460,334.29	100,000,000.00	0.00	0.00
Maryland	0.00	100,000,000.00	0.00	0.00
Massachusetts	2,201,221,744.26	720,000,000.00	167,229,607.32	0.00
Minnesota	962,036,650.62	400,000,000.00	223,508,479.18	0.00
Nevada	60,985,375.49	102,975,000.00	60,985,627.92	0.00
New Jersey	693,411,363.90	600,000,000.00	172,544,600.00	0.00
New Mexico	206,197,930.83	125,000,000.00	42,285,694.21	0.00
New York	9,218,331,959.46	800,000,000.00	454,901,352.95	0.00
Ohio	1,323,237,398.61	450,000,000.00	143,020,000.00	0.00
Pennsylvania	813,229,301.12	700,000,000.00	169,534,491.35	0.00
Texas	5,979,340,708.29	1,200,000,000.00	402,852,108.79	0.00
Virgin Islands	84,373,011.52	6,000,000.00	3,197,851.00	0.00
Virginia	121,491,175.00	630,000,000.00	51,936,429.00	0.00
West Virginia	131,650,289.26	125,000,000.00	17,459,569.51	0.00
Totals	45,591,808,718.64	13,076,975,000.00	4,505,655,593.00	0.00

Access to Affordable Health Care

Small businesses are at a disadvantage in the health care marketplace. The federal ERISA law allows big business and labor groups to escape new federal requirements on health plans and thousands of state mandates. As a result, they benefit from economies of scale -- and commensurately lower costs -- **denied to Main Street enterprises.**



Workers' Compensation Premiums

Worker's Compensation Rates to Decrease in Idaho for 2021

September 29, 2020

**INSURANCE
JOURNAL**

“A proposal for a 1.7% overall rate decrease to Idaho workers' compensation insurance, effective Jan. 1, 2021, has been approved by the Idaho Department of Insurance. The proposed rate change is recommended by the National Council on Compensation Insurance. The NCCI also recommended a rate decrease for Idaho for last year.”



However ...



Most Expensive

Alaska

\$2.27 per \$100

Idaho

\$1.69 per \$100

Least Expensive

Texas

\$0.54 per \$100

Idaho →

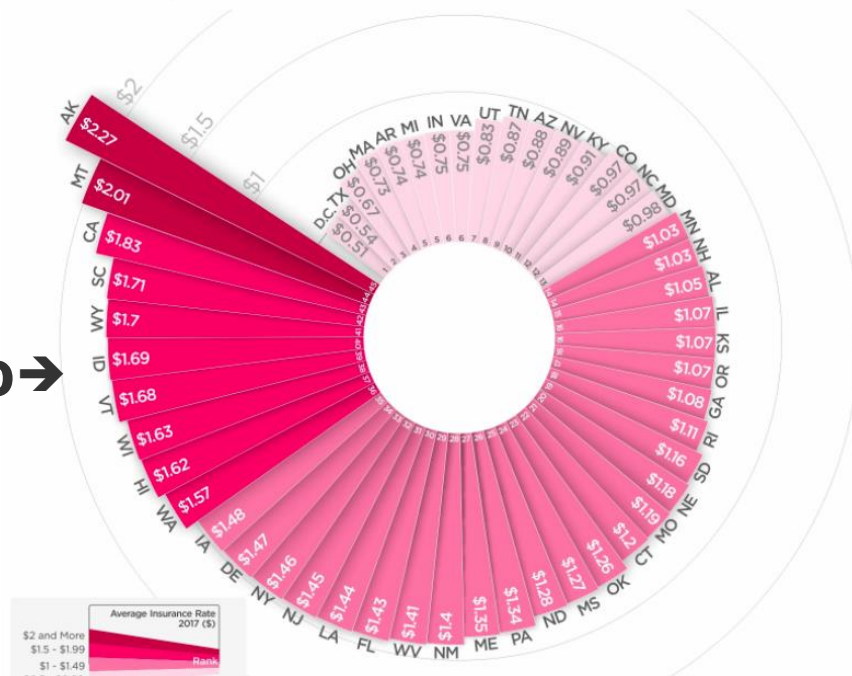
howmuch^{not}

Ranked: Average Workers' Compensation Costs for Each State



Average Workers' Compensation Rate By State

Workers' Compensation Insurance Cost per \$100 of Payroll



Things Policymakers Should Always Keep in Mind

1. Small businesses pay more per employee in regulatory compliance

Small businesses (50 employees or less) face an annual regulatory cost of \$11,724 per employee, which is 30 percent higher than the regulatory cost facing large firms with 100 or more employees.

2. Small businesses pay three times as much to comply with taxes

In a study for the U.S. Small Business Administration, it found, "With respect to tax compliance, the cost per employee is three times higher in small firms than in large firms."

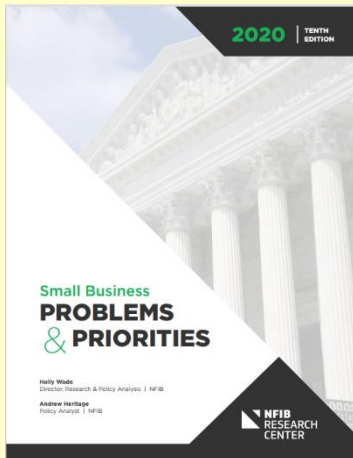
3. Personal – not corporate – tax rates matter more to small firms

Eighty-five (85) percent of small employers are structured as pass-through entities (S corporations, limited liability companies, sole proprietorships or partnerships) that pay taxes on their business income at the individual rate -- not the corporate tax.

4. Small business health insurance is more expensive

Small business health insurance must cover abundant state-benefit mandates while the federal government has steadfastly refused to allow small businesses to band together across state lines in order to form large purchasing pools for health care.

NFIB Research Publications



Published every four years ranking the 75 issues of importance to small businesses



SBET
(Optimism Index)

Released the second Tuesday of every month

NFIB Small Business Jobs Report

The NFIB Research Foundation has collected Small Business Economic Trends data with quarterly surveys since 1974 and monthly surveys since 1986. Survey respondents are drawn from NFIB's membership. The survey was conducted in November 2020 and reflects a random sample of 10,000 small-business owners/members.

Over Half of Small Businesses Looking to Hire, Having Difficulty Finding Workers

NFIB's chief economist William C. Dunkelberg, issued the following comments on NFIB's November 2020 Jobs Report

Small businesses reported a historically high level of job openings in November, according to NFIB's monthly jobs report. Overall, 53% reported hiring or trying to hire in November, down 2 points from the previous month. A seasonally adjusted net 21% of owners are planning to create new jobs in the next 3 months, up 3 points from October.

NFIB Chief Economist
William Dunkelberg

Jobs Report

Released the first Thursday of every month

Thank You,

Joint Legislative Economic Outlook and Revenue Assessment Committee
for giving Idaho small businesses the opportunity to present their views



Mission Statement

To promote and protect the right of our members
to own, operate, and grow their businesses.