The Industrial

O·U·T·L·O·O·K

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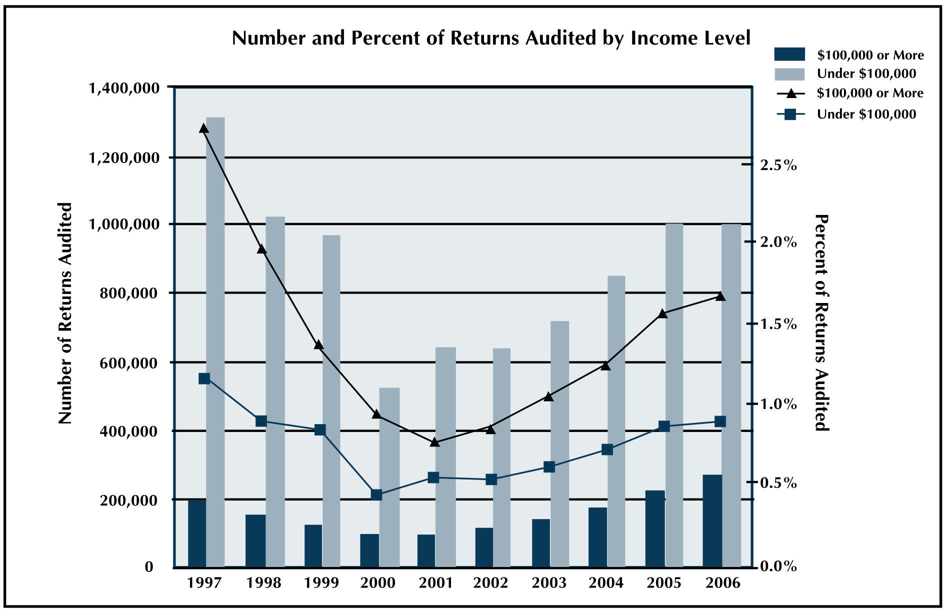
I Paid My Income Tax Today

"I never felt so proud before. . .To be right there with the millions more. . . Who paid their income tax today."



Among the 700 or so songs written by Irving Berlin, these lines from the World War II classic harken back to a patriotic time when the burden of war was borne more willingly by U.S. taxpayers.

Today, few express such glee at the reality of forking over their hard earned cash to Uncle Sam. But with April 15 (or this year, April 17) a not-distant-enough memory, here are a few fun facts to quicken the pulse of taxpayers fearful of an audit.

After six years of steady decline, IRS staffing of key enforcement positions has increased over the last three years. Full-Time Equivalent (FTE) staffing levels bottomed out in FY 2003 at 19,691, but have increased 7.6% since then to 21,185 in FY 2006.

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Get Wal-Mart!

Two Unions Back Attack

To the casual observer, the rising attacks on Wal-Mart seem to be initiated by civic or political activists bent on protecting their community or workers. But a close examination of these initiatives shows organized labor's fingerprints are all over them.

One of the major campaigners against the retailing giant, Wal-Mart Watch, was created by the Service Employees International Union (SEIU). Wal-Mart Watch is backed by Five Stones, a 501(c)3 organization that received 56% of its 2005 budget from the SEIU. SEIU gave Five Stones $1 million in 2004 to found Wal-Mart Watch. Andy Stern, SEIU president, is Chairman of Wal-Mart Watch.

Wake Up Wal-Mart, another antagonist, was founded by the United Food and Commercial Workers (UFCW), and operates out of the union's headquarters. Wake Up Wal-Mart's campaign director is funded by the UFCW, as well.

Wake Up Wal-Mart is also closely aligned with the Democratic Party. The group's campaign director was Howard Dean's political director when he ran for president. Many

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In This Issue

Oh Labor, Where Art Thou?

Some counties are frozen in amber.

For corporations seeking locations for new facilities, labor availability is often one of the most important determinants of a community's viability.

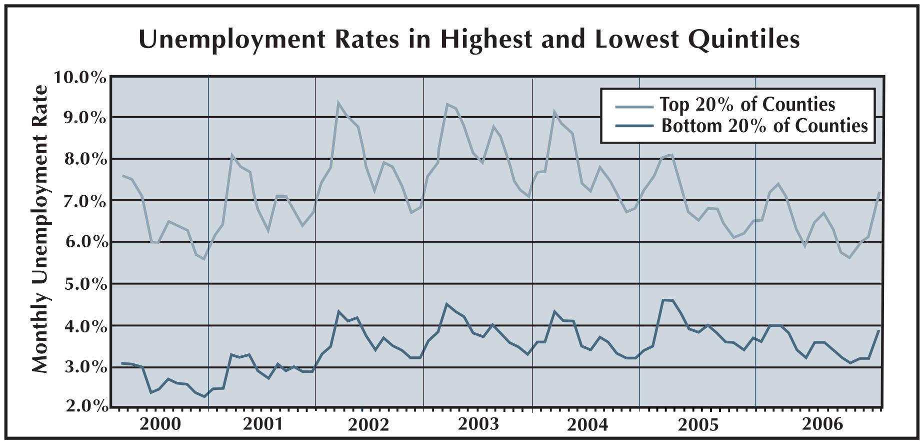
Unemployment rates rise and fall like the tides. But we wondered if there are locations that have chronically high or low unemployment rates that defy trends in the larger economy…communities that month-in, month-out, have very high or low unemployment rates over long periods of time.

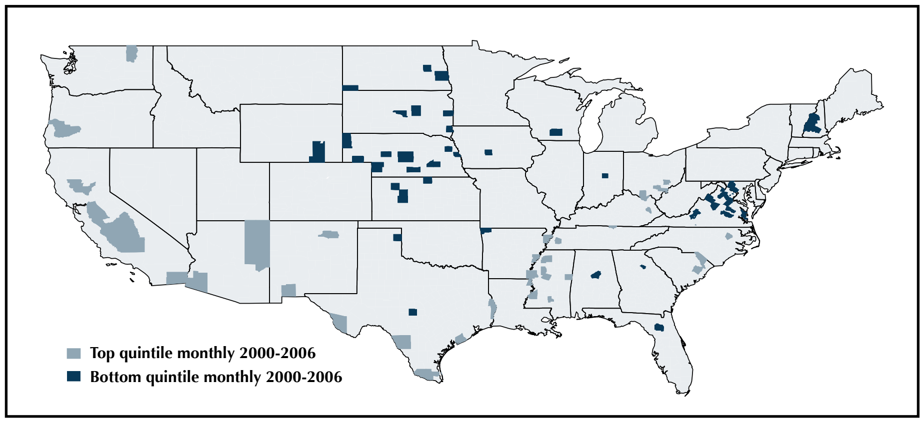
Of course there are! Otherwise, this would be a very short and boring article.

The Walker Companies analyzed its national database of county-level unemployment rates covering the 84-month period from January 2000 through December 2006 to identify the counties and independent cities with chronically low or high rates of unemployment.

The accompanying graph shows the results of this analysis, plotting the unemployment rates for the highest and lowest quintiles each month for the past seven years. The highest quintile represents the 20% of U.S. counties and independent cities (excluding Alaska and Hawaii) with the highest unemployment rates each month, while the bottom quintile are those with the lowest rates.

Over the 84 months studied, the unemployment rate for the bottom quintile never exceeded 4.6%, but was never lower than 5.6% for the highest quintile. While these numbers are interesting, the most fascinating data is buried within the quintile extremes.





There are 56 counties/independent cities that are poster children for chronically high unemployment. These 56 locations, shown on the map, have been in the highest quintile each and every one of the 84 months studied. They are clustered along the Mississippi River, central California, and southern Ohio, with others scattered around the country.

Coincidentally, there are also 56 counties/independent cities in the lowest quintile every month for the last seven years. These are clustered in the central plains, northern Virginia and New Hampshire.

Aside from their low or high unemployment rates, how do these counties differ? The 56 locations in the bottom quintile, with the lowest unemployment rates, are 5% Hispanic, compared to 40% in the 56 highest quintile counties/independent cities.

In the highest quintile counties, 63.5% of the population 25 years or older has a high school degree, compared to 85.6% in the lowest quintile. The average cost of electricity for industrial customers in the highest quintile locations is 21% higher than the lowest quintile.

And lastly, George W. Bush won the popular vote in 86% of the lowest quintile counties in the 2004 presidential election, while John Kerry won 55% of the highest unemployment counties.

Causality is not discernible from any of these data, but the top and bottom quintiles are markedly different, and the chronic nature of these low or high unemployment rates certainly suggest a fundamental strength or weakness. ❑

Ted vs. Ted

We'll take Stevens in the 5th by a KO.

The infamous "Bridge to Nowhere" earned Alaska Senator Ted Stevens the Lifetime Achievement Award from the Pork Barrel Hall of Fame. But this effort merely caps a life spent in pursuit of wasteful government spending.

Although Senator Stevens can't take all the credit, er, blame, Alaska hovers near the veritable pinnacle of pork, as measured by the ratio of federal spending in the state to federal tax dollars collected from Alaska.

The real champ, however, is New Mexico. In fiscal year 2004, Uncle Sam spent $2 in New Mexico for each dollar of federal taxes collected from taxpayers in the Land of Enchantment (or is that Enhancement?). In fact, the state has held the number one spot for the past 24 years!

But Alaska has distinguished itself through its rise to the top ranks of pigs. Over the past 24 years, the state ranked, on average, 17th in federal spending per dollar of taxes paid. But in the last five years, it has ranked 4th (on average), tied with West Virginia, home to that old hog farmer Robert Byrd.

Ted Kennedy is missing in action. Massachusetts has exhibited an abysmal performance, with an average ranking of only 34th over the past 24 years. Over the last five years, the state has stumbled, with an average ranking of 44th, the largest drop of any state which exhibited a decline in ranking. ❑

Federal Spending in Each State Per Dollar of Federal Taxes FY 2004

State	Federal Spending per Dollar of Federal Taxes	Rank
New Mexico	$2.00	1
Alaska	$1.87	2
West Virginia	$1.83	3
Mississippi	$1.77	4
North Dakota	$1.73	5
Alabama	$1.71	6
Virginia	$1.66	7
Hawaii	$1.60	8
Montana	$1.58	9
South Dakota	$1.49	10
Oklahoma	$1.48	11
Arkansas	$1.47	12
Louisiana	$1.45	13
Kentucky	$1.45	14
Maryland	$1.44	15
Maine	$1.40	16
South Carolina	$1.38	17
Tennessee	$1.30	18
Arizona	$1.30	19
Missouri	$1.29	20
Idaho	$1.28	21
Utah	$1.14	22
Kansas	$1.12	23
Vermont	$1.12	24
Iowa	$1.11	25
Wyoming	$1.11	26
North Carolina	$1.10	27
Nebraska	$1.07	28
Pennsylvania	$1.06	29
Florida	$1.02	30
Rhode Island	$1.02	31
Ohio	$1.01	32
Indiana	$0.97	33
Oregon	$0.97	34
Georgia	$0.96	35
Texas	$0.94	36
Washington	$0.88	37
Michigan	$0.85	38
Wisconsin	$0.82	39
Delaware	$0.79	40
Colorado	$0.79	41
New York	$0.79	42
California	$0.79	43
Massachusetts	$0.77	44
Nevada	$0.73	45
Illinois	$0.73	46
Minnesota	$0.69	47
New Hampshire	$0.67	48
Connecticut	$0.66	49
New Jersey	$0.55	50
District of Columbia	$6.64	na

Source: Tax Foundation. Census Bureau.

Mommy's in the Big House

U.S. prisons continue to experience an alarming increase in the number of incarcerated women.

Paris Hilton's 23 days in the pokey garnered worldwide media attention in June 2007.

While we snicker at Paris' paparazzi-plagued jailhouse junket, the staggering increase in women behind bars is no laughing matter. Although women comprise only 7% of the overall prison population in the U.S., the Institute on Women & Criminal Justice reports that the women's prison population has skyrocketed from 11,212 incarcerated females in 1977 to 96,125 in 2004, a staggering jump of 757%. The number of women in prison has increased at almost double the rate of men (388%) for the same period.

Why the increase?

The Sentencing Project (a national organization promoting sentencing reform and alternatives to incarceration) cites the following as contributing factors to the women's prison boom: more expansive law enforcement efforts; economic disadvantage; the decades-long "war on drugs;" and post-conviction barriers to reentry into the community.

The Sentencing Project also reports women are more likely than men to be imprisoned for a drug offense (29% vs. 19%), or property offense (30% vs. 20%), but less likely than men to serve sentences for a violent crime (35% vs. 53%).

To add fuel to this incarceration inferno, a new Fact Sheet released in July 2007 from the National Council on Crime and Delinquency (NCCD) shows a disturbing disparity in the way states punish women who are convicted of crimes. As penal policies and practices differ from state to state, so do the length and severity of sentences for the 1,250,000 U.S. women who are either incarcerated, or are on parole or probation.

Which states are the most punitive for women?

The state with the most women imprisoned per 100,000 females is Oklahoma with a rate of 209. The states with the next highest incarceration rates are Louisiana, Texas, Idaho, Georgia and Wyoming. The states with the lowest rates: New Hampshire, Minnesota, Massachusetts, Vermont and Maine, with Rhode Island trailing the nation with an incarceration rate of 38 per 100,000 females.

Almost one third of all female prisoners in the U.S. were held in three states: California, Texas and Florida. The map below shows the incarceration breakdown for all fifty states.

The Global Impact

More than half a million females are imprisoned around the world. According to the NCCD, more than one third of that amount is in U.S. prisons—at least three times more than any other nation. The incarceration rate of women in the U.S. is 123 per 100,000 females. The next closest: Thailand, with an incarceration rate of 88.

When the prisoner is a mother

The incarceration of women in the U.S. has an adverse effect on the families and communities these

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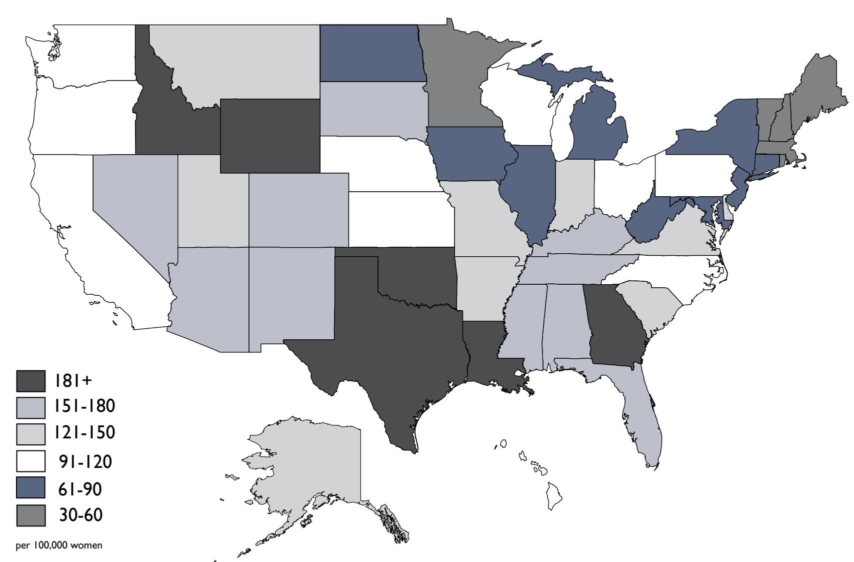
Rates of Women Held in Prison or Local Jails
June 30, 2005



Source: Harrison & Beck (May, 2006)

Big House – *continued from page 4*

women leave behind as evidenced by several disturbing statistics compiled from the Department of Justice, Women's Prison Association, NCCD and The Sentencing Project:

- 70% of women in prison are mothers.
- 1.6 million children have mothers under some form of correctional supervision.
- Over half of female prisoners have never had a visit from their children.
- One in three females has never spoken with her children by phone while incarcerated.
- Approximately 5,000 to 10,000 women who enter prison annually are pregnant.
- A child with an incarcerated parent has a five- to six-times greater chance of being incarcerated himself.

Back to Paris

The spike in female incarceration rates in the U.S. during the past 25 years demonstrates the need for gender-specific, non-punitive solutions to deal with women's involvement in crime.

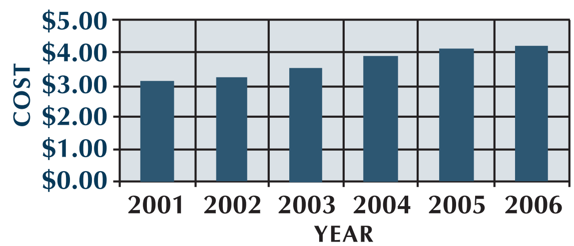
Which leads us back to Paris. Prior to her release, Paris Hilton issued an altruistic jailhouse proclamation to build a "transitional home" to help newly-released female inmates break the revolving prison-door cycle. A sort of Post-Pokey Hilton Hotel, as it were. The jury's still out on whether that reentry solution will come to fruition. ❑

Workers' Comp Steamrolls Industry

And You Thought Healthcare Insurance Was Out of Control!

For the fifth year in a row, the U.S. average cost of workers' compensation insurance for manufacturers has increased, and it doesn't appear to be slowing. Data compiled by Actuarial & Technical Solutions, Inc. show that in the five-year period from 2001-2006, workers' compensation insurance costs rose close to 36%. Last year, the average cost of insurance increased in 27 of the 45 states ranked.

Cost of Workers' Compensation in U.S. (per $100 of payroll in Manufacturing Sector)



Because workers' compensation insurance represents such a major cost to businesses, it is often an important determinant of location viability and desirability among corporate site seekers. Rising costs continue to attract attention by state governments concerned about losing businesses to other states.

A case in point…a manufacturing company in California saw its workers' compensation bill jump from $80,000 a year to $340,000 a year in a four-year period from 2000-2004. The 300% increase caused the company to relocate its manufacturing operation to Utah. While only a few hours drive from California, the location cost savings were significant. The company paid only $30,000 a year for the same workers' compensation coverage.

But what drives the costs so high in the first place?

Increasing costs are attributable to rising medical costs as well as mandated regulations by the state which offer litigation as the only means to settle a dispute.

Workers' compensation coverage is regulated closely by state law and gives employers little control (if any) over what is offered. Coverage, benefits, and dispute resolution are all dictated by the state with costs being primarily determined by claims frequency and severity.

The National Academy of Social Insurance reports that, since 2003, employers' costs for workers' compensation have increased at a faster rate than those for employee benefits and medical care. The high costs have many companies wondering if they will need to lay off employees to pay for them.

Traditionally, workers' compensation rates have been based on a variety of factors including past claims history, industry type, and state or region of location. The costs can vary widely from state to state. For example, a New York company will pay $4,000 per employee for coverage while in North Carolina a similar company would pay closer to $550. ❑

Predictors of a Successful Life

And all these years we thought it was about parenting.

Education Week magazine recently published research from the Editorial Projects in Education (EPE) Research Center that purports to predict a child's "Chance for Success" based on his or her birth state.

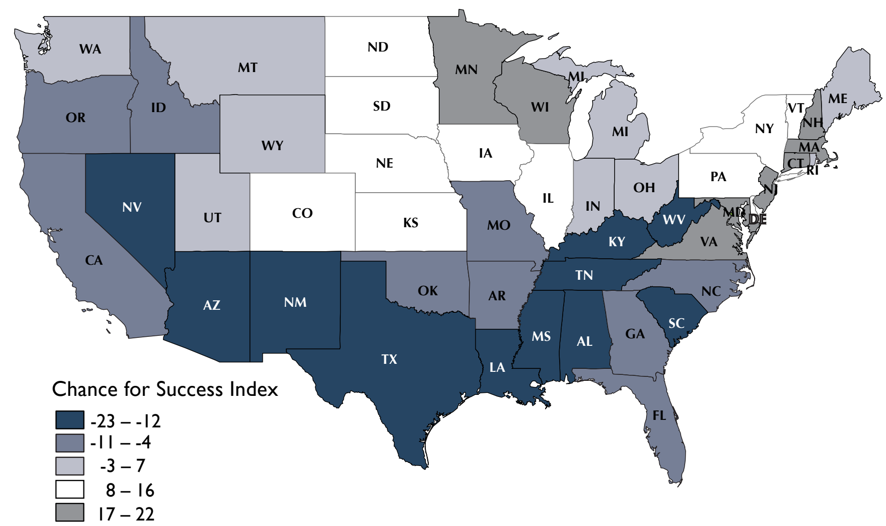
By analyzing various measures of childhood well-being, early childhood education, K-12 education, post-secondary education and performance measures of each state's economy, EPE believes it has created a seamless methodology to calculate its Chance for Success Index.

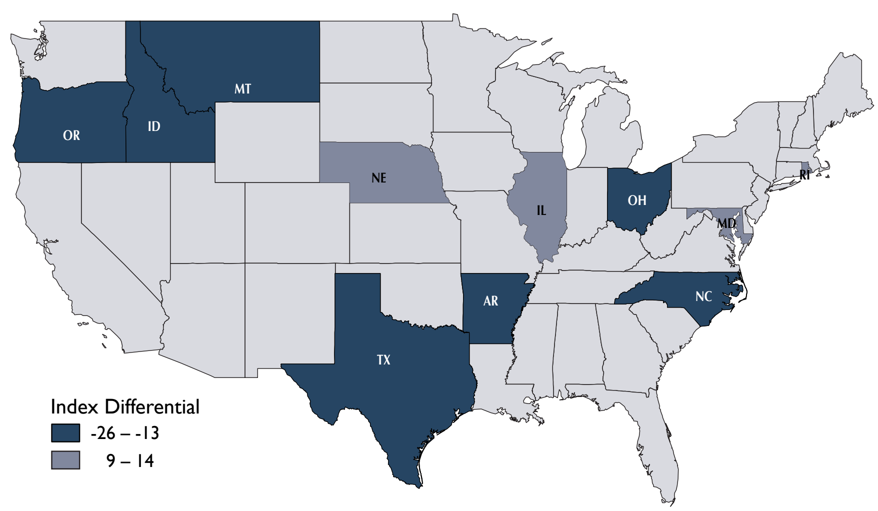
Virginia, Maryland, and a handful of states in the Northeast have the highest index scores. According to the research, this indicates children born in these states are "significantly more likely to experience success throughout life."

States with low indexes include the usual suspects that dwell at the bottom of almost any measure involving the school system or education: Alabama, Mississippi, Tennessee…in short, the Sunbelt.

EPE has also developed a State Achievement Index that focuses only on K-12 performance. For the most part, the states that fair well on the Chance for Success Index also post high scores on the State Achievement Index, but there are some anomalies.

Nebraska, Illinois, Maryland and Rhode Island have high Chance for Success Index values, but low State Achievement Indexes, and seven states have the opposite profile: low Chance for Success measures but high State Achievement Index values. ❑





Income Tax – *continued from page 1*

Over the same period, enforcement revenues (taxes, interest and penalties collected through enforcement actions) increased nearly 30%. Good job!

Audits of personal tax returns have also increased in recent years. After a precipitous decline in personal audits from 1997 through 2000, when audit activity fell by more than 50%, IRS review of individual tax returns is on a huge upswing.

In FY 2000, 518,000 individual returns were audited among taxpayers earning under $100,000. Preliminary data for 2006 show this figure at 1,036,000, an increase of 100%.

The change is even more drastic for those individual returns with incomes of $100,000 or more. Audits for these higher wage earners increased by 159% over the period 2000-2006.

Despite these sharp changes, the odds of being audited are still pretty low, unless you are in the million dollar club. In FY 2006 only 0.89% of individual returns from taxpayers with incomes under $100,000 were audited. For those in the $100,000-$1 million bracket, the share of returns audited was 1.67%.

And for all you millionaires out there…6.3% of returns were audited. But you need not start worrying until 2009. Due to IRS backlogs, a "sit-down" audit with your friendly and helpful tax collector isn't likely to occur for two to three years. ❑

Get Wal-Mart! – *continued from page 1*

presidential candidates have joined the Wal-Mart bashing including Joe Biden, Bill Richardson, multi-millionaire John "I'm-one-of-the-common-folk" Edwards and Hillary Clinton. Clinton returned a $5,000 campaign contribution from Wal-Mart to protest the company's healthcare coverage. There is no word on whether she returned the fees paid for her six-year stint sitting on Wal-Mart's Board.

Much of the community-based opposition to Wal-Mart is stirred up by ACORN, the Association of Community Organizations for Reform Now. ACORN also receives significant funding from organized labor, despite its claim to be a community-based group. SEIU and UFCW gave ACORN a combined $2.9 million in 2005.

Lending a helping hand with the Wal-Mart bashing is the Economic Policy Institute and the Labor Center at University of California Berkeley. The Labor Center receives a portion of its funding from the SEIU, and the Economic Policy Institute is partially funded by the SEIU and UFCW.

Oh, we almost forgot. Andy Stern, (you remember…president of the SEIU…chairman of Wal-Mart Watch) also sits on the Economic Policy Institute's Board of Directors.

These unions can dress up their motives as concern for the poor, downtrodden employees of Wal-Mart, but the hard truth is that it's about money for the unions. Imagine the dues thrown off by unionizing Wal-Mart's million-plus employees in the U.S. The potential windfall for organized labor is $300 million in new dues, and that buys a lot of influence in Washington. ❑

Mighty Frauds From Little ACORNs Grow

ACORN, the Association of Community Organizations for Reform Now, is a left-wing activist group funded partially by organized labor. ACORN has led the charge in many communities against voter ID laws, ostensibly because such laws are construed as a Poll Tax and discriminate against the poor.

However, the group's motives are certainly called into question by the revelation, published in *The Kansas City Star* and *St. Louis Post-Dispatch* that thousands of voter registration applications secured in a registration drive orchestrated by ACORN appear to be duplicates or contain questionable information. Four of ACORN's Kansas City workers have been indicted for submitting false voter registrations.

Other fun facts about the organization:

- In 2003, the National Labor Relations Board (NLRB) ordered ACORN to rehire and pay restitution to three employees it had terminated for trying to organize a union.
- In 1995, ACORN sued California to secure an exemption from the state's minimum wage law. It lost.
- In 2004, the organization was successful in pushing through a $9.50 per hour minimum wage in Santa Fe, NM. It paid its campaign organizers the equivalent of $8.90 per hour.
- In 1994, the federal do-good agency, AmeriCorps, gave ACORN $1.1 million for development of low-cost housing. The grant was terminated when the feds discovered ACORN was using AmeriCorps recruits for political purposes. ❑

The Industrial
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House Rich . . . Cash Poor

According to the Census Bureau, by the year 2030, the number of Americans 65 and older will represent nearly 20% of the nation's population and control nearly 40% of the nation's wealth.

Unfortunately for many, extraction of home equity will be the primary, if not sole, source of funding for their retirement. According to the *Investor Guide*, if Social Security benefits are excluded, just under half of all senior citizens fall below the poverty line.

With rising taxes as well as the increased cost of day-to-day expenses, it is becoming more and more difficult for seniors to afford even the most common necessities: food, utilities, and healthcare.

According to the Federal Reserve Board, many retirees are liquidating their assets including the equity in their homes in order to live. However, what they are able to extract may be inadequate to meet their expense load—especially given longer life expectancy and out-of-control healthcare costs.

The 2001 Survey of Consumer Finances found over 80% of all seniors owned a home while only 21% of households aged 65 and older owned publicly traded stocks. Even fewer had a pension or retirement account.

A report from the President and Fellows of Harvard College, shows that in 1989, almost 21% of seniors 65 years of age and older had outstanding mortgages. In 2001, that number was over 26%. The chart below shows just how drastic the change was. In the period from 1989-2001, the mortgage debt for those 65 and older more than tripled.

Share of Seniors With Outstanding Mortgages

Age	1989	2001
55 to 64	46.2%	58.9%
65 and Older	20.7%	26.4%

Median Outstanding Balance Of Seniors with Mortgages

Age	1989	2001
55 to 64	$27,700	$55,000
65 and Older	$12,500	$44,000

Faced with few options about how to overcome the shortage of funds, many seniors have made the decision to borrow against the equity in their homes. But this presents them with limited options. Homeowners can either do a sale-leaseback or take out a reverse mortgage. Short of those options, they have to go back to work, borrow money from family or sell their home outright.

Ironically, many senior citizens do not seem worried about retirement. An April 2007 article in the *Senior Journal* stated that 83% of pre-retirees and 90% of retirees feel confident that their resources can carry them through to age 85. Many feel they are able to rely on Social Security and pension plans as a stable source of income—a luxury future generations may never see. ❑

THE WALKER COMPANIES
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