



2009 ECONOMIC REPORT FOR KENTUCKY

PREPARED FOR
GOVERNOR STEVEN L. BESHEAR,
KENTUCKY WORKFORCE INVESTMENT BOARD,
AND LOCAL WORKFORCE INVESTMENT BOARDS

Prepared by the Kentucky Education and Workforce Development Cabinet
Office of Employment and Training
Research & Statistics Branch
August 12, 2010



2009 Economic Report for Kentucky

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Governor**

**Kentucky Education and Workforce Development Cabinet
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August 12, 2010

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Executive Summary

This economic report is completed in accordance with the Training and Employment Guidance Letter (TEGL) No. 30-08. Included in this report is data on employment and unemployment, income, wages, unemployment insurance, tax receipts, transfer receipts, educational attainment, population, mass layoff events, and local employment dynamics.

Kentucky's economy is hampered by high unemployment rates, low nominal per capita income, high poverty rates, and low educational attainment. Over the last decade, the state has consistently lagged behind the nation in terms of these economic indicators. Kentucky's ranking for its unemployment rate climbed from the 16th highest in 2000 to the 8th highest in 2009, while the ranking for per capita income degenerated from 41st to 47th during this same time period. Likewise, Kentucky's ranking for poverty rates deteriorated from 42nd in 1999 to 48th in 2008. All of these factors position Kentucky even further behind the nation. In addition, Kentucky faces many economic and workforce challenges, including an aging population, a gender wage gap, depletion of its UI trust fund, and declining tax revenues.

From 2000 to 2004, the annual unemployment rate in Kentucky roughly mirrored the national annual unemployment rate. For most of this time period, Kentucky's annual unemployment rate exceeded the national annual unemployment rate. However, between 2005 and 2007, Kentucky's annual unemployment rate diverged from the national trend. The beginning of this period, 2005, coincides with the start of the automobile slump and layoffs in the automobile industry. Manufacturing comprises a larger percentage of Kentucky's economy (17.4% of total private employment in 2005) than the national economy (12.7% of total private employment in 2005). Consequently, Kentucky suffered an increase in its annual unemployment rate in 2005, despite a decrease in the national annual unemployment rate. In 2008 and 2009, the Kentucky annual unemployment rate reverted to paralleling the national trend concurrent with the nationwide recession.

Kentucky's non-farm employment, which was already predominantly in service-providing industries, has continued to shift towards jobs in the service-providing sectors. Over the last ten years, the Kentucky economy has added 81,300 service-providing jobs and lost 107,200 goods-producing positions. This reflects the nationwide shift of manufacturing jobs to lower-cost countries. While some service-providing jobs are capable of being outsourced, the majority of these jobs require a close proximity to the consumer.

Over the last 10 years, the nominal per capita income growth rate in Kentucky has roughly mirrored the rate of nominal per capita income growth nationally. However, the per capita income in Kentucky has continually been below the national per capita income. From 2004 to 2007, there was a minor divergence in the rates of per capita income growth. Nationally, the rate of nominal income growth exceeded the rate of per capita income growth in Kentucky. Throughout this time period, the automobile slump in Kentucky hindered wage growth. In 2008, there was a dip in the rate of nominal income growth, both nationally and statewide to between 2% and 3%, concomitant with the

economic downturn. The depth of the recession propelled nominal income growth into negative territory in 2009. Although Kentucky suffered a decrease in nominal per capita income in 2009, it endured the smallest decline in nominal terms and tied with Hawaii for the lowest percentage drop. Income is a coincident indicator, meaning it moves in conjunction with the business cycle. In other words, employers cut back wage increases during difficult economic times.

Between 2001 and 2006, there was steady growth in the percentage of persons living in poverty in Kentucky and the U.S. While the intensification of the fraction of individuals living in poverty continued in 2007 within Kentucky, the national poverty rate declined during this period. However, in 2008, the percentage of Americans living in poverty resumed its upward climb concurrent with the continued rise in the proportion of Kentuckians living in poverty. Kentucky has consistently been ranked in the bottom poverty rate quintile this past decade. In 2008, Kentucky's rank deteriorated to 48th, its lowest ranking over the last ten years.

In 2008, Kentucky's educational attainment lagged behind the nation. The percentage of Kentuckians with a high school diploma or less exceeded the proportion of Americans with this level of education, while the proportion of the U.S. population with at least some college education surpassed the percentage of Kentuckians who achieved this level of education by 2008. However, while the state's educational attainment level lags behind the nation, younger Kentuckians have lessened the educational gap.

While whites are the majority in both the U.S. and Kentucky, Kentucky is more predominantly white than the nation as a whole. Yet, since 1990, Kentucky's population has shifted toward a more diverse mix of ethnicities. Nevertheless, between 2006 and 2009, the proportion of Other Races in Kentucky declined from 3.2% in 2006 to 2.5% in 2009. This phenomenon is not unique to Kentucky. As the economy weakens and immigration policies tighten, individuals classified as Other Races are leaving the U.S. Likewise, while females are the majority in both Kentucky and the U.S., Kentucky has a larger percentage of females than the nation as a whole. However, since 1990, Kentucky's population has shifted toward a more equal distribution of males and females. Moreover, in 2009, Kentucky's population distribution consisted of a greater percentage of older individuals than the nation as a whole. Since 1990, Kentucky's population has shifted toward an older distribution. The climb in number of individuals over the age of 45 is indicative of the aging baby boom population and longer life expectancy.

The average monthly wages earned by male new hires were 50.0% higher than those earned by female new hires in 2008. This gender gap reflects the difference in wages in the industries employing predominantly male workers and the industries employing primarily female workers. Women leaving the workforce to raise families contribute to the increase in the gender gap over time.

Beginning in 1999, on a per covered employee basis, the benefits paid have exceeded the unemployment insurance contributions made. As a result, since 2000, there has been a steady decline in Kentucky's unemployment insurance trust fund balance. Since 2005,

there has been an uninterrupted string of increases in the magnitude of the loss per covered employee from \$3 in 2005 to \$512 in 2009. The increasing rate of growth in the loss per covered employee exacerbated the diminution of the UI trust fund until it was completely depleted. As a result, Kentucky has been forced to borrow funds from the federal government and pay unemployment insurance through the Federal Unemployment Account (FUA).

In the most recent four quarters, General Fund Receipts plummeted 5.2% compared to the prior four quarters. The significant drop in the General Fund Receipts is indicative of the toll of the current recession and the corresponding decline in Income Tax Receipts over the past year. As individuals face layoffs, furloughs, and reduced hours, incomes are cut, engendering lower income tax revenues for the state.

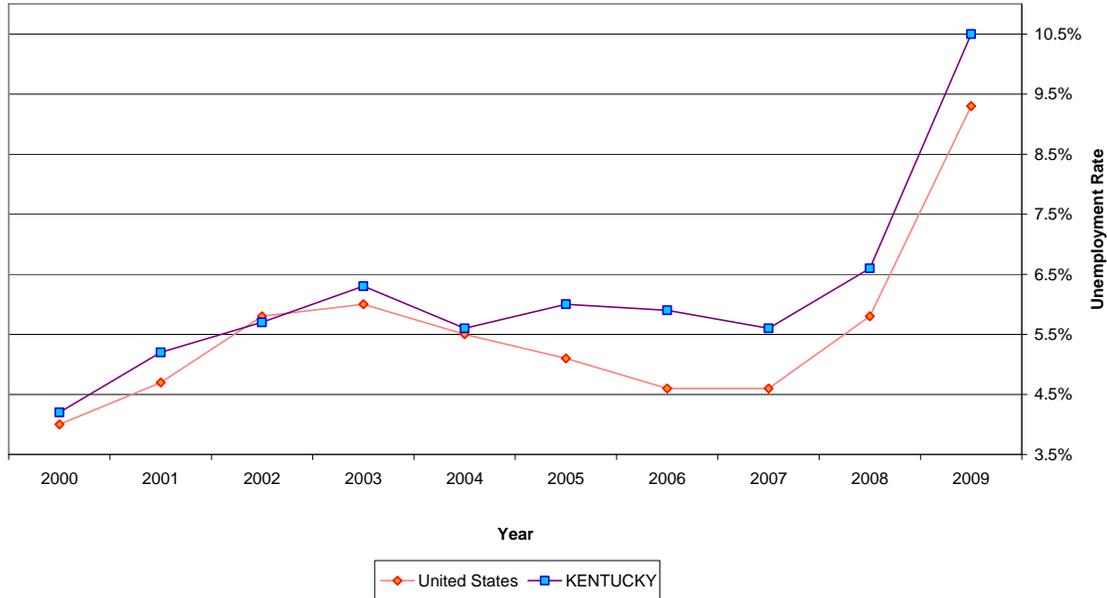
Similarly, in the most recent four quarters, Road Fund Receipts decreased 0.6% compared to the prior four quarters. The substantial decline in the Road Fund Receipts reflects plunging automobile sales and the corresponding drop in Motor Vehicle Sales Receipts over the past year. Confronting economic uncertainty, consumers are choosing to postpone purchases of long-lasting manufactured goods such as automobiles.

This report is prepared for use by the Governor, economists, and other workforce development professionals already familiar with the terms and statistical references contained herein. A glossary is provided at the end of this document for laypersons unfamiliar with economic terminology.

Unemployment – U.S. and Kentucky (Ten-Year Summary)

CHART 1

Annual Unemployment Rate, 2000-2009, U.S. vs. Kentucky



Sources: Kentucky Rates: Office of Employment and Training, Local Area Unemployment Statistics (LAUS) Program
U.S. Rates: U.S. Department of Labor, Bureau of Labor Statistics

In the last decade, there were three distinct periods concerning annual unemployment rates in the United States. The first period, 2000 – 2003, is one of uninterrupted growth in the U.S. annual unemployment rate. The beginning of this period, 2001, coincides with an economic downturn. In both 2001 and 2002, there were significant jumps in the U.S. annual unemployment rate. More specifically, the national annual unemployment climbed from 4.0% in 2000 to 4.7% in 2001 and 5.8% in 2002. The second period, 2004 – 2006, represents an interval of declining national annual unemployment rates. During this timeframe, the U.S. economy experienced a period of economic growth. These intervals reflect the inverse relationship between annual unemployment and economic growth. In 2007, the national unemployment rate held steady at 4.6%. The flattening of the U.S. unemployment rate curve is indicative of an inflection point, where the curve shifts from decreasing to increasing. The final period, 2007 – 2009, corresponds with the current recession and is marked by a surge in the U.S. annual unemployment rate from 4.6% in 2007 to 5.8% in 2008 and 9.3% in 2009.

The shape of the national unemployment rate curve reflects the typical pattern of the business cycle, where the unemployment rate increases during recessions, and decreases during economic booms. While the Kentucky unemployment rate curve maintains this pattern between 2000 and 2003, the period from 2004 to 2007 is characterized by a double-dip recession. The recovery in Kentucky was waylaid in 2005 but another shock

to the economy (the automobile slump), which created a V-shaped curve as the state economy dipped back into recession.

Over the last ten years, the annual unemployment rate in Kentucky has roughly mirrored the national annual unemployment rate. Kentucky's economy experienced rising annual unemployment between 2000 and 2003. Kentucky endured a spike in its annual unemployment rate in 2001. During 2001, the statewide annual unemployment rate rose 1.0 percentage point from 4.2% in 2000 to 5.2%. In 2002 and 2003, Kentucky's annual unemployment continued to grow to 5.7% and 6.3%, respectively. In 2004, the statewide annual unemployment rate declined to 5.6%, parallel with the reduction in the national annual unemployment rate. However, between 2005 and 2007, Kentucky's annual unemployment rate diverged from the national trend. The beginning of this period, 2005, coincides with the start of the automobile slump and layoffs in the automobile industry. Manufacturing comprises a larger percentage of Kentucky's economy (17.4% of total private employment in 2005) than the national economy (12.7% of total private employment in 2005). Consequently, Kentucky suffered an increase in its annual unemployment rate in 2005, despite a decrease in the national annual unemployment rate. Moreover, in 2006, the annual unemployment rate in Kentucky remained higher than its 2004 level, albeit lower than in 2005. In addition, the rate of decline in the statewide annual unemployment rate was lower than the rate of regression in the U.S. annual unemployment rate. Yet, the drop in Kentucky's annual unemployment rate continued in 2007, with the statewide annual unemployment rate decreasing to 5.6%. However, in 2007, Kentucky's annual unemployment rate remained significantly higher than the corresponding national annual unemployment rate. Nevertheless, Kentucky's annual unemployment rate reverted to mirroring the national trend in 2008 and 2009, climbing from 5.6% in 2007 to 6.6% in 2008 and 10.5% in 2009.

With the exception of 2002, Kentucky's annual unemployment rate has consistently been above the national annual unemployment rate this past decade. In 2002, Kentucky's annual unemployment rate of 5.7% was 0.1 percentage point below the national annual unemployment rate of 5.8%. The largest divergence between the state and national annual unemployment rates occurred in 2006, when Kentucky's annual unemployment rate exceeded the U.S. annual unemployment rate by 1.3 percentage points. In 2005, Kentucky experienced a statewide annual unemployment rate 0.9 percentage point higher than the U.S. annual unemployment rate, while in 2007 the divergence between the state and national unemployment rate stood at 1.0 percentage point. Prior to 2005, Kentucky's annual unemployment rate had not deviated more than 0.5 percentage point from the national annual unemployment rate this past decade. In 2009, the digression between Kentucky's annual unemployment rate and the U.S. annual unemployment rate widened to 1.2 percentage points.

In 2009, the U.S. annual unemployment rate stood at 9.3%, while Kentucky faced an annual unemployment rate of 10.5%. Both the U.S. and Kentucky endured drastic spikes in their annual unemployment rates in 2009, illustrating the toll of the current recession. The national annual unemployment rate jumped 3.5 percentage points from 5.8% in 2008 to 9.3% in 2009. During this one-year period, the number of unemployed Americans

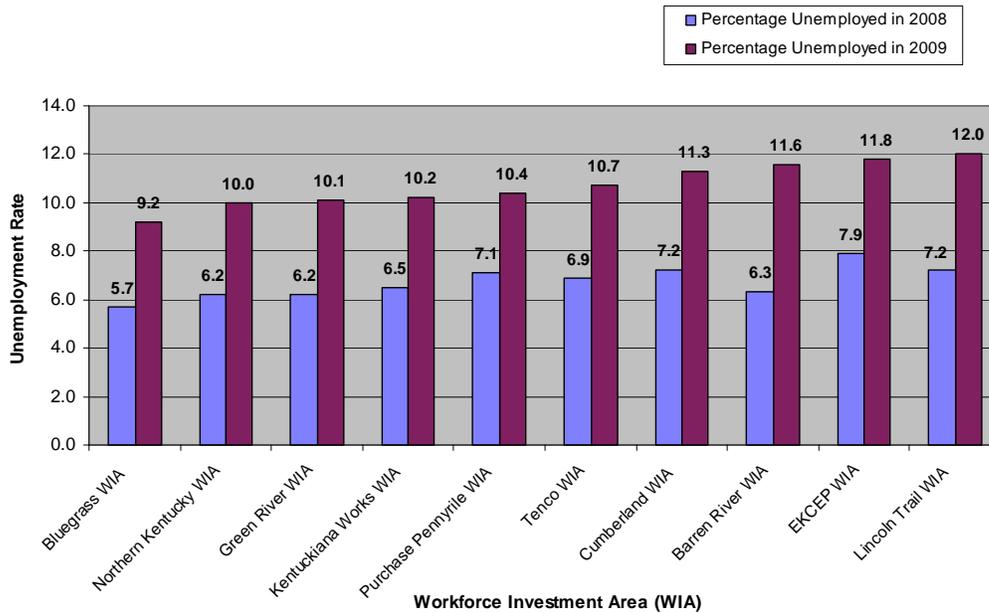
climbed from 8,924,000 in 2008 to 14,265,000 in 2009, a rise of 5,341,000 or 59.8%. Similarly, the statewide annual unemployment rate surged 3.9 percentage points from 6.6% in 2008 to 10.5% in 2009. In this timeframe, the number of unemployed Kentuckians soared from 134,673 in 2008 to 217,537 in 2009, an increase of 82,864 or 61.5%.

The national annual unemployment rate has increased 5.3 percentage points from 2000, when it was 4.0%. In contrast, the statewide annual unemployment rate has risen 6.3 percentage points from 2000, when an annual unemployment rate of 4.2% prevailed. The U.S. annual unemployment rate ballooned to 9.3% in 2009, yielding the highest national annual unemployment rate since 1983. Likewise, the 10.5% annual unemployment rate in Kentucky is the highest statewide annual unemployment rate since 1983. In 1983, the U.S. annual unemployment rate was recorded at 9.6%, while Kentucky suffered a statewide annual unemployment rate of 11.3%. Moreover, Kentucky's ranking for its unemployment rate climbed from 16th highest in 2000 to 8th highest in 2009.

Unemployment – Kentucky WIAs (Two-Year Summary)

CHART 2

2008 - 2009 Kentucky Annual Unemployment Rate by Workforce Investment Area



Source: Office of Employment and Training, Local Area Unemployment Statistics (LAUS) Program, Benchmark 2009

At the Workforce Investment Area (WIA) level, annual unemployment rates in Kentucky exhibit significant variations. Bluegrass WIA experienced the lowest annual unemployment rate in Kentucky in both 2008 and 2009. Between 2008 and 2009, the annual unemployment rate in the Bluegrass WIA climbed from 5.7% in 2008 to 9.2% in 2009. The Bluegrass WIA consists of Anderson, Bourbon, Boyle, Clark, Estill, Fayette, Franklin, Garrard, Harrison, Jessamine, Lincoln, Madison, Mercer, Nicholas, Powell, Scott, and Woodford Counties.

It is typical to see lower unemployment rates around urban centers, as there are more job opportunities in cities and urban areas (including the triangular region between Louisville, Lexington, and Cincinnati) than in rural areas. Metropolitan areas along major interstates (the I-65, I-64, and I-75 corridors) help to attract employers and to keep the unemployment rate low. The central location of a city along a major interstate makes it an ideal location for companies seeking to minimize transportation costs and set up distribution lines. With high fuel prices, transportation costs are an increasing share of a business' expenses. Moreover, a metropolitan area creates a greater diversity of employers and more options for individuals if they need to switch jobs. The broader economic base means the number of job opportunities is likely to be greater and the time required to find a job is likely to be shorter in urban areas than in rural areas. In some rural areas, there may be only a few (or even one) employers (employer) in a given

sector. In these instances, if a company is reducing its employment, it is very difficult for individuals to find employment elsewhere. This problem does not persist in urban areas as there are multiple employers in each sector. In addition, the level of educational attainment tends to be higher in metropolitan areas. This makes for a higher skilled workforce, which is attractive to employers. Universities located around metropolitan areas produce highly skilled workers, who are likely to stay in the area and represent an attractive pool of workers for employers. This reinforces the benefits of the urban core and acts to further depress the unemployment rate. For all these reasons, the golden triangle (between Lexington, Louisville, and Cincinnati) is a magnet for employers.

The five WIAs with the lowest unemployment rates are all centered around an urban core. The hub of the Bluegrass WIA is the Lexington Metropolitan Statistical Area (MSA), while Northern Kentucky encompasses portions of the Cincinnati MSA. The heart of the Green River WIA is the Owensboro MSA, while the Kentuckiana WIA solely comprises counties within the Louisville MSA. The Purchase/Pennyrile WIA surrounds the Paducah-Mayfield Combined Statistical Area. In contrast, the five WIAs with the highest unemployment rates consist of rural areas, with the exception of the Barren River WIA and Lincoln Trail WIA. While the Bowling Green MSA is incorporated in the Barren River WIA, this area has been hard hit by the automobile and manufacturing slumps facing Kentucky. Likewise, the Lincoln Trail WIA, which contains the Elizabethtown MSA, has suffered as a result of the plant closings and layoffs in the manufacturing industry. Manufacturing comprises the largest segment of the Barren River WIA economic base with 22.02% of total employment. Similarly, manufacturing, consisting of 18.29% of total employment, is the principal industry in the Lincoln Trail WIA economic base. The TENCO (Ten Counties) WIA (14.45%) and Cumberlands WIA (15.79%) also maintained a high proportion of manufacturing jobs. The EKCEP WIA contains a more rural area of the state, particularly the eastern part of Kentucky in the Appalachian region, with much fewer employment opportunities.

In 2008, the Eastern Kentucky Concentrated Employment Program (EKCEP) WIA suffered the highest annual unemployment rate in Kentucky. From 2008 to 2009, the annual unemployment rate in the EKCEP WIA jumped from 7.9% in 2008 to 11.8% in 2009. The EKCEP WIA encompasses Bell, Breathitt, Carter, Clay, Elliott, Floyd, Harlan, Jackson, Johnson, Knott, Knox, Lawrence, Lee, Leslie, Letcher, Magoffin, Martin, Menifee, Morgan, Owsley, Perry, Pike, and Wolfe Counties. Yet, in 2009, the Lincoln Trail WIA endured the highest annual unemployment rate in Kentucky. Between 2008 and 2009, the annual unemployment rate in the Lincoln Trail WIA surged from 7.2% in 2008 to 12.0% in 2009. The severity of the automobile and manufacturing slumps propelled the Lincoln Trail WIA to the highest annual unemployment rate in 2009. The Lincoln Trail WIA consists of Breckinridge, Grayson, Hardin, LaRue, Marion, Meade, Nelson, and Washington Counties.

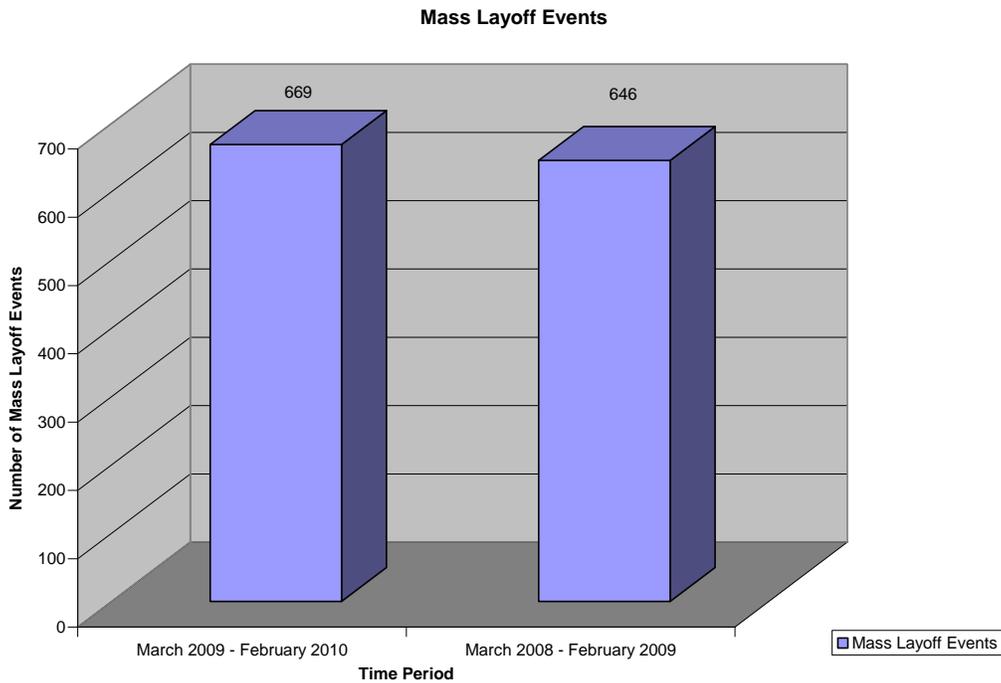
Between 2008 and 2009, all WIAs experienced an increase in their annual unemployment rates. The Purchase/Pennyrile WIA recorded the smallest ascension in its annual unemployment rate at 3.3 percentage point. The Purchase/Pennyrile WIA includes Ballard, Caldwell, Calloway, Carlisle, Christian, Crittenden, Fulton, Graves, Hickman,

Hopkins, Livingston, Lyon, McCracken, Marshall, Muhlenberg, Todd, and Trigg Counties. The Paducah-Mayfield Combined Statistical Area is helping to mitigate the job losses in the Purchase/Pennyrile WIA. The diversified economy of the Paducah-Mayfield Combined Statistical Areas is providing more job opportunities for individuals who are laid off. In general, the broader the economic base, the better the area is able to withstand the recession. Areas concentrated in one of two industries (particularly industries, such as manufacturing, which have been hard-hit by the economic downturn) suffer more disproportionately than the rest of the state. In addition, the Paducah-Mayfield Combined Statistical Area is home to universities/colleges. Universities and colleges tend to be more recession-proof than other industries. During difficult economic times, individuals opt to further their schooling instead of entering the labor force. Moreover, people who are laid off often return to educational institutions for retraining to aid in their job search. Both of these factors help stabilize university employment.

All other WIAs suffered surges in their annual unemployment rates of at least 3.5 percentage points. The Barren River WIA endured the largest augmentation in its annual unemployment rate from 2008 to 2009. More specifically, the annual unemployment rate in the Barren River WIA mushroomed 5.3 percentage points from 6.3% in 2008 to 11.6% in 2009. Employment in the Barren River WIA is weighted heavily towards industrial positions. Thus, the surge in the unemployment rate in this locality mirrors the plant closings and layoffs in the manufacturing industry.

Mass Layoff Events – Kentucky (Two-Year Summary)

CHART 3



Source: Bureau of Labor Statistics, Mass Layoff Statistics (MLS) Program

A mass layoff event is characterized by potential layoff activity based on 50 or more initial UI claims filed against an employer within a 5-week moving period prior to employer contact and regardless of duration. In other words, mass layoff events are associated with both temporary and permanent layoffs.

Between March 2009 and February 2010, there were 669 mass layoff events affecting 80,923 workers in all industries. This represents a climb of 23 mass layoff events in all industries from the 646 which occurred between March 2008 and February 2008. In other words, the number of mass layoff events increased by 3.6% in the current one-year period from the prior one-year time frame, reflecting stabilization in the economic climate facing Kentucky. Yet, the number of workers impacted dropped significantly from the 104,716 employees impinged on during the March 2008 to February 2009 period, a decline of 23,793 individuals or 22.7%. Therefore, mass layoffs events were more numerous in the March 2009 to February 2010 interval, but the magnitudes of these occurrences were less severe.

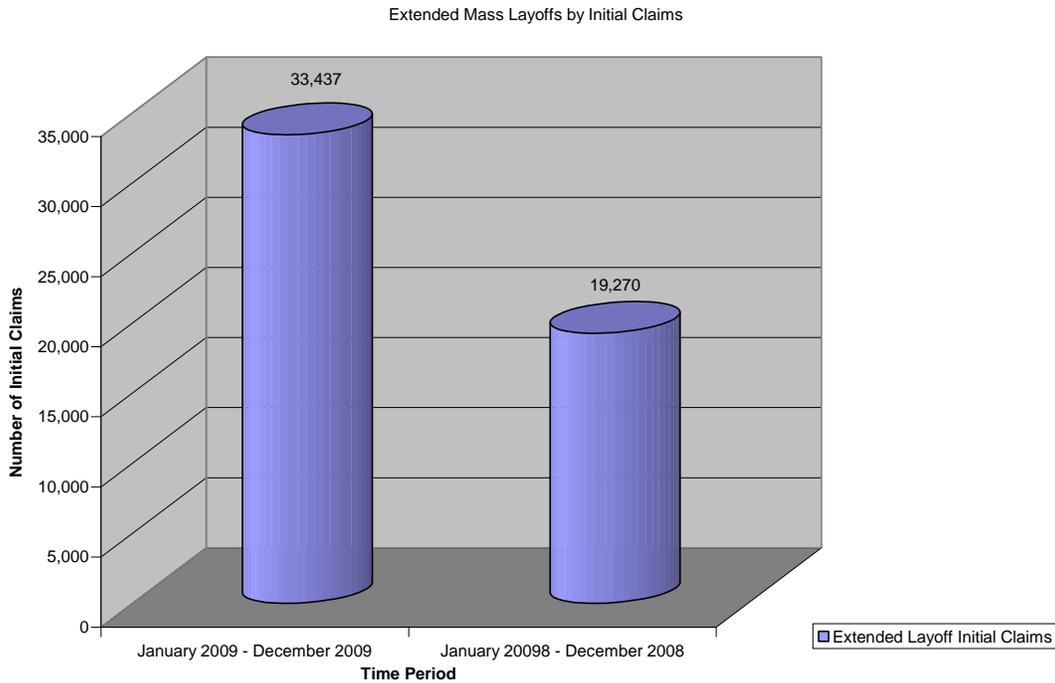
This phenomenon is slightly less pronounced for Total, Private, Non-Farm industries. From March 2009 to February 2010, Total, Private, Non-Farm industries suffered 650 mass layoff events impacting 79,202 workers. This embodied an augmentation of 24 mass layoff events in Total, Private, Non-Farm industries from the 626 which transpired between March 2008 and February 2009. Hence, the count of mass layoff events advanced 3.8% in the current one-year period from the prior one-year interval, mirroring

the stabilization in Kentucky's economy. However, the amount of workers affected declined appreciably from the 94,247 individuals impinged on during the March 2008 to February 2009 time frame, a decrease of 15,045 or 16.0%.

Movements in the number of workers filing initial claims are followed closely by economists who consider initial claims activity to be an excellent indicator of the strength of the job market. In addition, initial claims are a leading indicator. Economic indicators provide useful information on the current stage (expansion, peak, contraction, or trough) of the business cycle. Movements in leading indicators occur several months prior to business-cycle expansions and contractions. Hence, a decline in initial claims is a precursor to an economic recovery.

Extended Mass Layoff Events – Kentucky (Two-Year Summary)

CHART 4



Source: U.S. Bureau of Labor Statistics, Mass Layoff Statistics (MLS) Program

An extended mass layoff event describes a layoff activity involving at least 50 employees that has been confirmed by the employer as having lasted more than thirty days. Worker Adjustment and Retraining Notification (WARN) notices are received by Rapid Response teams which coordinate on-site services involving dislocated workers, employers, the community, and other local Workforce Investment Area resources and services available to help the employer manage the layoff and identify the specific needs of the affected employees.

Between January 2009 and December 2009, 197 extended mass layoff events occurred in Total, Private Non-Farm industries, an amplification of 72 from the 125 extended mass layoff events which transpired from January 2008 to December 2008. The surge in the number of extended mass layoffs highlights the severity of the current recession. In the most recent period, January 2009 to December 2009, 33,437 workers were impinged on (as measured by initial claims for unemployment insurance), 14,167 more than the 19,270 individuals affected one year earlier. This divergence mushrooms to 18,222 when comparing separations as reported by the employer in each time period. Employers conveyed 35,545 separations from January 2009 to December 2009, 2,108 more separations than reflected by initial claims filed. Individuals accepting severance packages, exiting the labor force, or who have lined up other employment are classified under separations, but may not qualify or choose to file for unemployment insurance benefits. In order to receive unemployment insurance benefits, an individual is required

to actively seek work. In addition, an employee receiving a severance package is eligible for unemployment insurance benefits only after the exhaustion of the severance package. Seasonal workers and employees given ample warning of an imminent layoff or plant closure have time to prepare and pursue other job opportunities. During the January 2008 to December 2008 interval, there was a slightly closer alignment of initial claims and reported separations. Yet, the pattern reversed with 1,947 fewer separations recounted than initial claims filed. The number of separations reported falls below the count of initial claims when a permanent layoff is nested within a larger, temporary mass layoff event or when ongoing temporary layoffs transpire at the same time as a permanent mass layoff event.

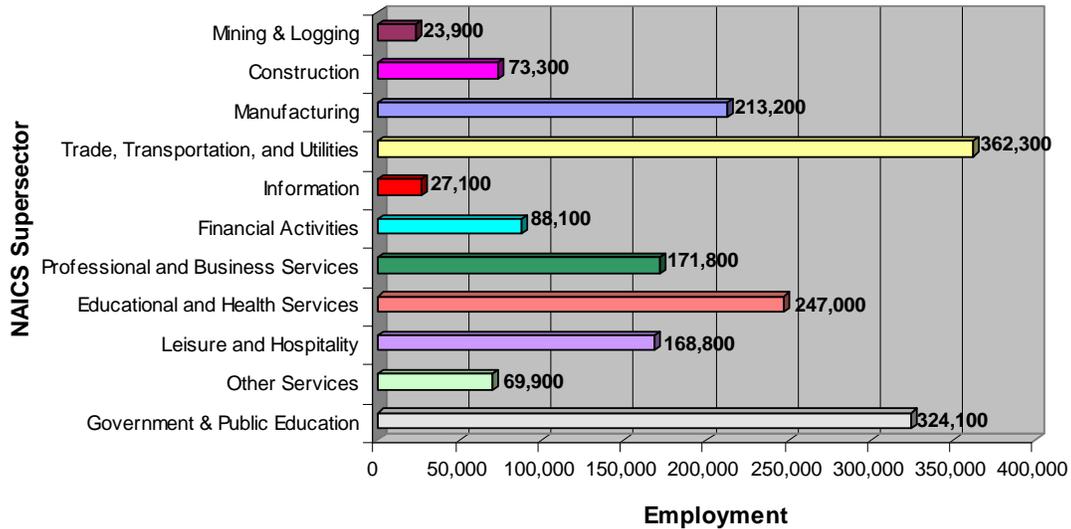
The 55 WARN notices issued between April 2009 and March 2010 include 43 incidences which impacted Manufacturing companies. Overall, 7,521 workers were affected, counting 4,448 employees from the Manufacturing sector. The number of WARN notices plunged by 68 from the 123 occurrences from April 2008 to March 2008. Seventy-two of these notices concerned Manufacturing firms. During this time period, 9,747 workers were impinged on including 5,799 in the Manufacturing industry. The plummet in the number of WARN notices in the current four-quarter period from the prior four-quarter time frame, showcases the improvement in the Kentucky economy. The divergence between the extended mass layoffs data and the WARN notice data illustrates the recovery began to take hold at the start of 2010.

In the most recent period, WARN notices for Manufacturing companies accounted for 78.2% of the 55 total WARN notices. Correspondingly, Manufacturing enterprises represented 58.5% of the 123 total WARN notices submitted one year prior. Hence, the percentage of WARN notices impacting Manufacturing businesses rose substantially, while the overall count of WARN notices dropped 55.3% from the year before. The amount of WARN notices affecting Manufacturing firms diminished by 40.3%, an appreciably slower rate of regression than the contraction rate in WARN notices for Total, Private, Non-Farm industries. However, while the number of workers in Total, Private, Non-Farm industries impacted by the WARN notices tumbled 22.8%, the amount of employees in the Manufacturing industry impinged on plunged 23.3%. Thus, the count of industrial workers affected by WARN notices descended at roughly the same pace as the contraction rate in the number of individuals impinged on in Total, Private, Non-Farm industries.

Current Employment Statistics – Kentucky (Current Year Summary)

CHART 5

2009 Non-Farm Employment by Industry
Sorted by NAICS Supersector Codes



Source: Office of Employment and Training, Current Employment Statistics Program, Benchmark 2009

The average monthly non-farm employment in Kentucky was 1,769,500 in 2009. Highlighting the severity of the current recession, this represents the lowest number of non-farm jobs in Kentucky since 1998, when Kentucky's non-farm employment stood at 1,752,700. Trade, Transportation, and Utilities constituted the largest supersector in Kentucky with 362,300 jobs on average each month. This supersector, comprised of the Wholesale Trade, Retail Trade, Utilities, and Transportation and Warehousing sectors, accounted for 20.5% of all non-farm employment in Kentucky in 2009. This marks a slight decrease from 2008 when 20.6% of Kentucky jobs occurred in the Trade, Transportation, and Utilities supersector. More strikingly, the number of jobs in this supersector exceeded total employment in all Goods-Producing industries in 2009.

The Government and Public Education supersector, which includes employment in public administration agencies, state and local public school systems, and state-owned hospitals, represented Kentucky's second largest supersector. Average monthly employment in this supersector equaled 324,100 in 2009. In 2009, employment in the Government and Public Education supersector comprised 18.3% of Kentucky's workforce, an increase of 0.9 percentage point from the 17.4% of employed Kentuckians in 2008.

The Mining and Logging supersector constituted the smallest supersector in Kentucky in 2009 with 23,900 jobs on average each month. The fraction of non-farm employment attributed to this supersector in 2009, 1.4%, represents an increase of 0.1 percentage point from the 1.3% of working Kentuckians in 2008. The Information supersector, with an average monthly employment of 27,100, represented Kentucky's second smallest supersector. The share of Kentucky's workforce employed in this supersector dropped 0.1 percentage point from 1.6% of employed Kentuckians in 2008 to 1.5% in 2009.

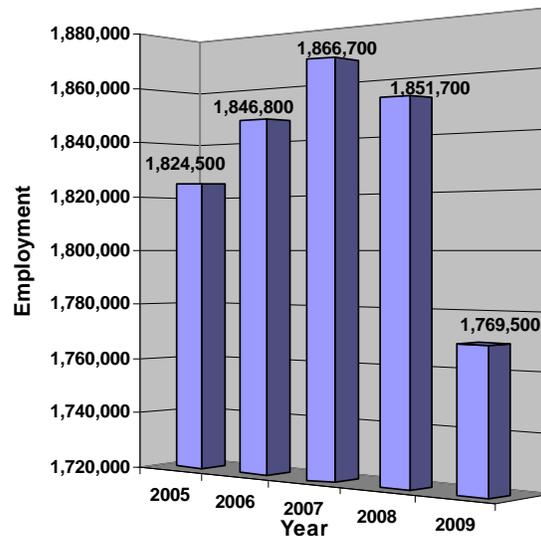
The Service-Providing industries comprised 1,459,200 jobs on average each month in 2009. The Trade, Transportation, and Utilities; Information; Financial Activities; Professional and Business Services; Educational and Health Services; Leisure and Hospitality; Other Services; and Government and Public Education supersectors are all classified as Service-Providing industries. In 2009, 82.5% of all jobs in Kentucky were in Service-Providing industries, an increase of 1.6 percentage point from 2008 when 80.9% of employment in Kentucky occurred in Service-Providing industries. The 310,400 positions in the Mining and Logging, Construction, and Manufacturing supersectors, all Goods-Producing industries, comprised the remaining 17.5% of non-farm employment in Kentucky in 2009. This represented a decrease of 1.6 percentage point from the 19.1% of Kentucky jobs located in Goods-Producing industries in 2008. Hence, Kentucky's economy is shifting away from Goods-Producing industries and towards Service-Providing sectors.

Technical Note: Due to rounding, the sum of all industries does not equal total employment.

Current Employment Statistics – Kentucky (Five-Year Summary)

CHART 6

2005 - 2009 Non-Farm Employment in Kentucky



Source: Office of Employment and Training, Current Employment Statistics (CES) Program, Benchmark 2009

In 2009, the average monthly non-farm employment decreased by 82,700 jobs to 1,769,500 from 1,851,700 positions in 2008. This represents a contraction rate of 4.4%, a conspicuous rise from the 0.8% rate of job reduction in 2008. On average, 15,000 net jobs were lost in 2008. This constitutes a retrenchment from an average of 1,866,700 positions each month in 2007. Thus, 2009 represents the second consecutive year of employment declines in Kentucky. Between 2007 and 2009, the Kentucky economy suffered job losses of 97,200. Prior to 2008, the Kentucky economy experienced four consecutive years of non-farm job growth. The 2001 recession, and the ensuing period from 2001 to 2003, marks the last time the Kentucky economy suffered sustained job losses.

Only two supersectors experienced job growth in 2009: Educational and Health Services, and Government and Public Education. The Educational and Health Services supersector exhibited the largest number of employment gains, with 2,600 more positions in 2009 than in 2008. General population growth and a longer life expectancy help explain the continued expansion of health care employment. In addition, as the baby boom generation ages, there is an increased need for health services. The Educational and Health Services supersector also recorded the highest percentage increase in jobs, with a growth rate of 1.1% between 2008 and 2009. The Government and Public Education supersector advanced by 1,200 professionals over the last year, a meager 0.4% increase. This over-the-year expansion was driven by employment gains of 1,100 professionals in federal government, reflecting a base realignment and hiring at multiple federal agencies including a ramp up at a federal agency in preparation for data collection efforts.

All other supersectors, with the exception of the Mining and Logging supersector, endured job losses between 2008 and 2009. The number of jobs in the Mining and Logging supersector remained unchanged in 2009. Yet, the Leisure and Hospitality, and Financial Activities supersectors regressed at a rate lower than the contraction rate for the Kentucky economy. In 2009, the regression rate for the statewide economy equals 4.4 percentage points. The remaining supersectors – Construction; Manufacturing; Information; Professional and Business Services; Other Services; and Trade, Transportation, and Utilities – suffered employment losses at a pace quicker than the rate of decline in the Kentucky economy. The Manufacturing supersector endured the biggest degeneration in the number of positions. Industrial employment dwindled to 213,200 in 2009 from 245,100 in 2008, dropping an alarming 13.0%. This is the ninth straight year the manufacturing sector has experienced employment losses. There was a significant uptick in the pace of job losses in 2009 making 2009 the year with the largest manufacturing job losses on records dating back to 1990. The bulk of these employment losses, 26,600, occurred in the durable goods subsector. Households, grappling with layoffs, tighter credit conditions, and declining household wealth due to waning home prices, have developed a reticence to opening their pocketbooks and wallets, choosing instead to postpone purchases of long-lasting manufactured goods such as automobiles. In addition to the anemic job market, quality improvements, which extend the life of a vehicle, have curbed the demand for automobiles. The woes of the automobile industry are reverberating through Kentucky's economy with shock waves felt by employees, automobile parts suppliers, and non-manufacturing enterprises such as railroads and trucking companies faced with a reduction of cargo. Moreover, manufacturers of durable goods, such as furniture and appliance makers as well as lumber and other products utilized in residential construction, were negatively impacted by a decline in the housing market.

However, the Construction supersector suffered the highest percentage decrease in jobs, with a contraction rate of 13.2%. This supersector plummeted by 11,100 workers over the last year. The preponderance of these employment losses occurred in the specialty trade contractors industry, with substantial job losses also occurring at construction of buildings firms. The maladies in the housing market, tighter credit delaying or halting construction projects, and job cuts at construction companies contributed to the contraction in this supersector.

Since 2004, non-farm employment in Kentucky has decreased by 1.6%. Concurrent with this overall decrease, employment in the Manufacturing (-23.6%), Construction (-13.9%), Other Services (-11.0%), Information (-7.4%), and Trade, Transportation and Utilities (-3.1%) supersectors decreased during this same time period. In addition, from 2004 to 2009, the number of jobs in these supersectors decreased at a rate faster than the statewide non-farm regression rate. Thus, Kentucky's economy is shifting away from Manufacturing; Construction; Other Services; Information; and Trade, Transportation, and Utilities industries.

In contrast, between 2004 and 2009, employment in the Mining and Logging (17.6%), Educational and Health Services (+6.4%), Leisure and Hospitality (4.6%), Government

and Public Education (4.4%), Professional and Business Services (4.1%), and Financial Activities (3.6%) supersectors exhibited job growth. Therefore, Kentucky's workforce is shifting towards these industries.

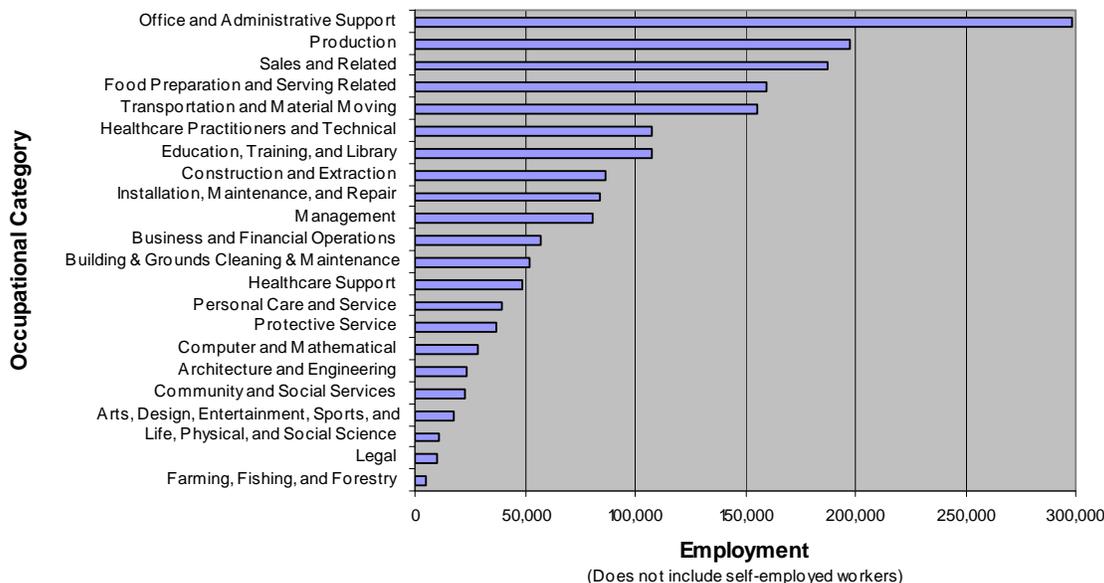
No supersector maintained the same proportion of Kentucky's workforce between 2004 and 2009. In other words, employment in no supersector dropped 1.6%, a rate equivalent to the non-farm employment contraction rate, during this time period.

Kentucky's non-farm employment, which was already predominantly in service-providing industries, has continued to shift towards jobs in the service-providing sectors. Over the last ten years, the Kentucky economy has added 81,300 service-providing jobs and lost 107,200 goods-producing positions. This reflects the nationwide shift of manufacturing jobs to lower-cost countries. While some service-providing jobs are capable of being outsourced, the majority of these jobs require a close proximity to the consumer.

Occupational Employment – Kentucky (Current Year Summary)

CHART 7

2009 Kentucky Employment by Major Occupational Category



Source: OET Occupational Employment Statistics (OES) Survey

In 2009, the three major occupational categories employing the highest number of workers consisted of Office and Administrative Support, Production, and Sales and Related professions. Office and Administrative Support, the top occupational category, comprised 298,350 jobs. Production jobs totaled 197,730, while Sales and Related professions encompassed 187,100 positions. The top three occupational categories in 2009 mirrored the three largest occupational categories in 2008.

Between 2008 and 2009, Office and Administrative Support occupations added 5,280 positions, an increase of 1.8%. Production jobs plummeted by 5,270 professionals (-2.6%), while Sales and Related professions rose by 1,880 workers (1.0%).

The three major occupational categories with the fewest number of employees in 2009 included Farming, Fishing, and Forestry; Legal; and Life, Physical, and Social Science. Farming, Fishing, and Forestry, the occupational category with the lowest number of jobs, consisted of 4,800 positions. Employment in Legal occupations comprised 9,930 jobs, while the Life, Physical, and Social Science occupations encompassed 10,670 positions. The bottom three occupational categories in 2009 comprised the same groupings as in 2008.

Between 2008 and 2009, Farming, Fishing, and Forestry occupations gained 60 positions, an increase of 1.3%. Employment in Legal occupations rose by 210 workers (2.2%),

while Life, Physical, and Social Science occupations added 110 professionals, an increase of 1.0%.

From 2008 to 2009, the Kentucky economy shifted away from Transportation and Material Moving; Production; Education, Training, and Library; and Building and Grounds Cleaning and Maintenance occupations. All of these occupational groupings lost jobs in 2009. The occupations with the largest magnitudes of employment losses were Transportation and Material Moving (-5,620) and Production (-5,270). The remaining occupational groupings lost less than 250 professionals in 2009. Likewise, the occupations facing the largest downward trend rates in 2009 comprised Transportation and Material Moving (-3.5%) and Building and Grounds Cleaning and Maintenance (-2.6%).

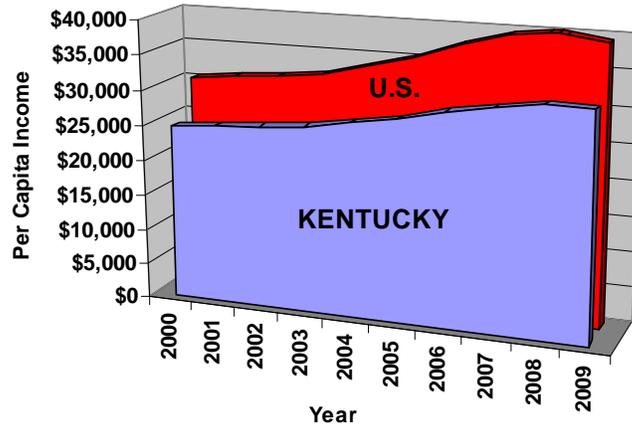
In addition, Food Preparation and Serving Related occupations exhibited a growth rate below the overall growth rate for the Kentucky economy. Between 2008 and 2009, employment in all occupations grew by 16,060, an increase of 0.9%.

From 2008 to 2009, the Kentucky economy shifted towards Sales and Related; Life, Physical, and Social Science; Healthcare Support; Farming, Fishing, and Forestry; Construction and Extraction; Arts, Design, Entertainment, Sports, and Media; Office and Administrative Support; Legal; Installation, Maintenance, and Repair; Community and Social Services; Personal Care and Service; Healthcare Practitioners and Technical; Management; Protective Service; Architecture and Engineering; Business and Financial Operations; and Computer and Mathematical occupations. All of these occupational groupings experienced growth rates above the overall growth rate for the Kentucky economy. The occupations facing the largest upward trend rates in 2009 consisted of Computer and Mathematical (5.8%), Business and Financial Operations (4.9%), Architecture and Engineering (4.8%), and Protective Service (4.7%). Likewise, the occupations with the largest magnitude of job gains were Office and Administrative Support (5,280), Healthcare Practitioners and Technical, (3,560) and Management (3,140). The remaining occupational groupings gained fewer than 2,700 professionals in 2009.

Per Capita Personal Income – U.S. and Kentucky (Ten-Year Summary)

CHART 8

Per Capita Personal Income 2000-2009



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System (REIS)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
KENTUCKY	\$24,786	\$25,319	\$25,809	\$26,299	\$27,436	\$28,446	\$29,987	\$31,060	\$31,936	\$31,883
U.S.	\$30,318	\$31,145	\$31,462	\$32,271	\$33,881	\$35,424	\$37,698	\$39,392	\$40,166	\$39,138

In the last decade, both the per capita income in the U.S. and the per capita income in Kentucky steadily increased in nominal terms until 2009. Between 2008 and 2009, both the national per capita income and the statewide per capita income dropped. The decline in per capita income illustrates the severity of the current recession. Over the years, the rate of increase in per capita income has varied both nationally and statewide. Yet, over the last 10 years, the nominal per capita income growth rate in Kentucky has roughly mirrored the rate of nominal per capita income growth nationally.

In 2000, both the U.S. and Kentucky experienced a sharp increase in the rate of per capita income growth to the 7% - 8% range. Between 2001 and 2003, both the U.S. and Kentucky were faced with low rates of per capita income growth, between 1% and 3%. The beginning of this period coincides with the start of the last recession. From 2004 to 2007, there was a minor divergence in the rates of per capita income growth. Nationally, the rate of nominal income growth returned to the 5% - 6% range. However, in Kentucky, during this period, the rate of per capita income growth ranged from 4% - 5%. Throughout this time period, the automobile slump in Kentucky hindered wage growth. In 2008, there was a dip in the rate of nominal income growth, both nationally and statewide to between 2% and 3%, concurrent with the nationwide recession. The depth of the recession propelled nominal income growth into negative territory in 2009. Nationwide, the contraction in nominal income reached 2.6%, while Kentucky suffered a less acute regression of 0.2%. Only three states, West Virginia, Maine, and Maryland,

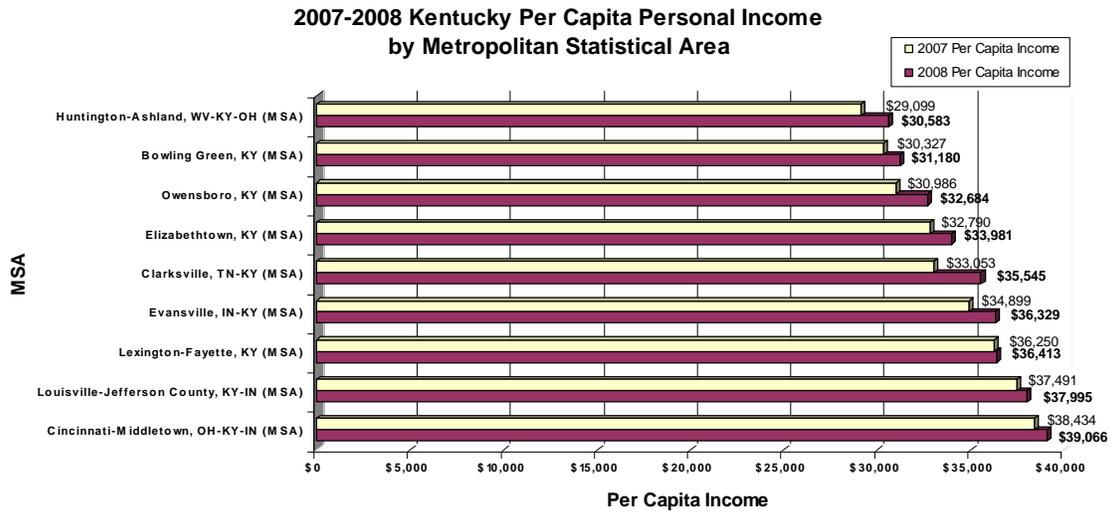
experienced a rise in nominal per capital income in 2009. Although Kentucky suffered a decrease in nominal per capita income in 2009, it endured the smallest decline in nominal terms and tied with Hawaii for the lowest percentage drop. Income is a coincident indicator, meaning it moves in conjunction with the business cycle. In other words, employers cut back wage increases during difficult economic times. Hence, in the last decade, the per capita income in Kentucky has increased by \$7,097 or 28.6%, while the per capita income in the U.S. has increased by \$8,820 or 29.1%.

The per capita income in Kentucky has consistently been below the national per capita income. In 2009, Kentucky ranked 47th among all states and the District of Columbia in per capita income, an improvement from 2008 when Kentucky was ranked 49th. Only Mississippi, Utah, Idaho, and South Carolina had lower per capita incomes than Kentucky in 2009. Over the last decade, Kentucky's ranking for per capita income degenerated from 41st in 2000 to 47th in 2009.

In 2009, the per capita income in thirty-one states fell below the per capita income in the U.S. This represents an improvement from 2008 when thirty-two states experienced per capita incomes lower than the national per capita income. The District of Columbia consistently experienced the highest per capita income at \$66,000 in 2009 and \$66,316 in 2008. In both years, Connecticut ranked second, with per capita income of \$54,397 in 2009 and \$56,245 in 2008. In both 2009 and 2008, Mississippi exhibited the lowest per capita income at \$30,103 and \$30,383, respectively.

Per Capita Personal Income – Kentucky MSAs (Two-Year Summary)

CHART 9



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Information System (REIS)

At the Metropolitan Statistical Area (MSA) level, per capita income in Kentucky exhibits wide variations. In both 2007 and 2008, the Cincinnati-Middletown MSA experienced the highest per capita income at \$38,434 in 2007 and \$39,066 in 2008. Likewise, the Huntington-Ashland MSA faced the lowest per capita income in both 2007 and 2008, at \$29,099 and \$30,583, respectively. The divergence between the per capita income in the Cincinnati-Middletown MSA and the per capita income in the Huntington-Ashland MSA decreased from \$9,335 in 2007 to \$8,483 in 2008.

Overall, the highest per capita income levels are concentrated in the north-central region of the state. In both 2007 and 2008, the Cincinnati-Middletown MSA, Louisville-Jefferson County MSA, and Lexington-Fayette MSA comprised the areas with the top three per capita income levels. In this same time period, the Huntington-Ashland MSA, Bowling Green MSA, and Owensboro MSA exhibited the lowest per capita income levels.

In 2008, the Clarksville MSA experienced the largest rise in per capita income in nominal dollars. Per capita income in this area climbed \$2,492 from \$33,053 in 2007 to \$35,545 in 2008, which is an increase of 7.54%. No metropolitan statistical area encountered a greater ascension in per capita income in percentage terms. The Owensboro MSA reported the second highest increase in per capital income both in nominal dollars and in percentage terms. From 2007 to 2008, per capita income in this locale grew 5.48% from \$30,986 in 2007 to \$32,684 in 2008, the equivalent of a \$1,698 advance. During this same time period, the Lexington-Fayette MSA exhibited the smallest augmentation in per capita income both in nominal dollars and in percentage terms. Per capita income in this area rose a mere \$163 from \$36,250 in 2007 to \$36,413, a meager 0.45% increase.

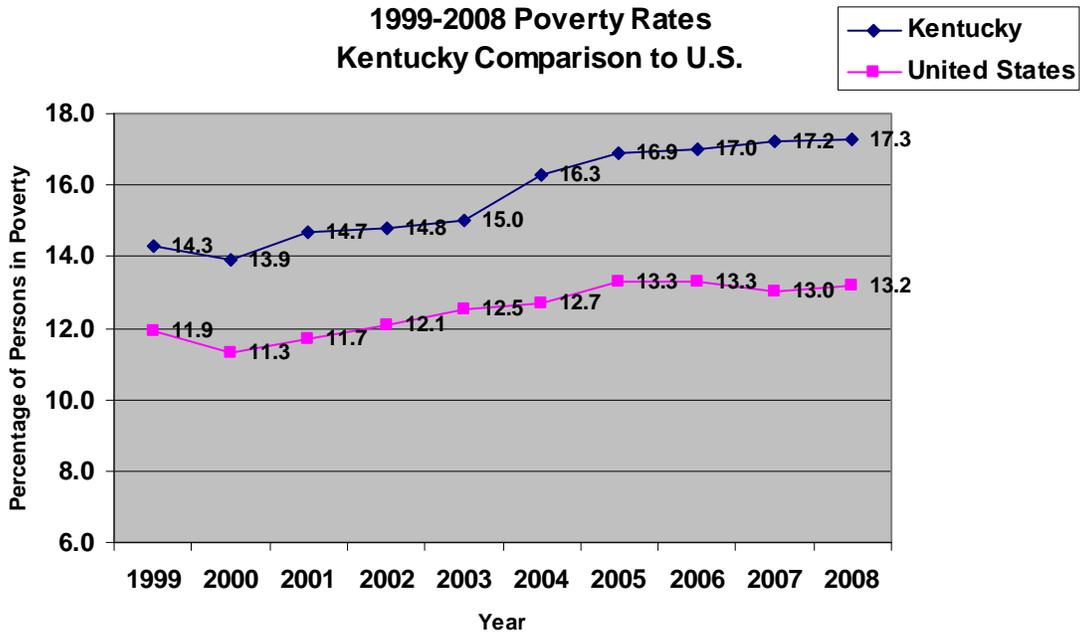
During 2008, Woodford County exhibited the highest per capita income in the state at \$41,954. Oldham County experienced the second highest per capita income in Kentucky at \$41,743. At the opposite end of the spectrum, Elliott County suffered the lowest per capita income in the state, a minuscule \$15,408. Jackson County faced the second lowest per capita income in Kentucky, a measly \$17,936.

Between 2007 and 2008, all but two Kentucky counties (Woodford and Webster) experienced a growth in nominal per capita income. Woodford County suffered a \$115 drop in per capita income from \$42,069 in 2007 to \$41,954 in 2008. Webster County endured a more minute decline of \$36 in per capita income from \$28,031 in 2007 to \$27,995 in 2008. In contrast, Christian County exhibited the largest climb in per capita income, rising from \$27,429 in 2007 to \$31,282 in 2008, an advance of \$3,853.

In 2008, Kentucky's per capita income of \$31,936 equated to 79.5% of the national per capita income. Only three Kentucky counties (Woodford, Oldham, and Jefferson) encountered per capita income levels above the U.S. per capita income of \$40,166 in 2008. The remaining 117 counties suffered per capita income levels below the national per capita income.

Poverty Rates – U.S. and Kentucky (Ten-Year Summary)

CHART 10



Source: U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) Program

In the last decade, there were four distinct periods concerning poverty rates in the United States. The first period, 1999 – 2000, corresponds to the boom years of the late 1990s when there was a steady decline in the percentage of persons living in poverty. The second period, 2001 – 2005, is one of steady growth in the percentage of persons living in poverty. The beginning of this period, 2001, coincides with a recession. The ensuing years were periods of slow nominal wage growth. In real terms, wages declined between 2001 and 2006 as increases in inflation outpaced the growth in wages. The third period, 2006 – 2007, represents a brief respite, with a drop in the percentage of individuals living in poverty in the U.S. However, in 2008, the percentage of Americans living in poverty resumed its upward climb, reflecting the impact of the current recession.

Over the last ten years, the percentage of persons living in poverty in Kentucky has roughly mirrored the national percentage of individuals living in poverty. Yet, there are only two distinct periods concerning poverty rates in Kentucky. The first period, 1999 – 2000, is indicative of the boom years of the late 1990s when there was a steady reduction in the percentage of persons living in poverty. The second period, 2001 – 2008, is one of uninterrupted growth in the percentage of persons living in poverty. The beginning of this period, 2001, coincides with an economic downturn. The incessant rise in the percentage of Kentuckians living in poverty during this period illustrates Kentucky's economy failed to recover following the 2001 recession. The onset of the current

recession facilitated the continued escalation in the percentage of Kentuckians living in poverty in 2008.

In 2008, the percentage of persons living in poverty was 13.2% nationwide and 17.3% in Kentucky. This represents a rise from 1999, when the percentage of persons living in poverty was 11.9% in the U.S. and 14.3% statewide. However, from 2000 to 2008, Kentucky's poverty rate increased by 3.4 percentage points from 13.9% in 2000. During this same period, the U.S. rate increased at a slower rate, rising only 1.9 percentage points from 11.3% in 2000.

Kentucky has consistently been ranked in the bottom poverty rate quintile this past decade. From 2000 to 2003, Kentucky continually ranked 43rd among other states in terms of its poverty rate. Kentucky's lowest ranking, 48th, occurred in 2008, when only West Virginia (17.4%), Louisiana (17.6%), and Mississippi (20.8%) were ranked lower. Kentucky's ranking has steadily degenerated since 2005, when Kentucky ranked 43rd. In 2008, Kentucky's rank deteriorated to 48th from 47th in 2007. During 2007, only Arkansas (17.6%), New Mexico (17.9%), Louisiana (18.8%), and Mississippi (20.7%) fared worse than Kentucky. Over the last decade, Kentucky's ranking for poverty rates deteriorated from 42nd in 1999 to 48th in 2008.

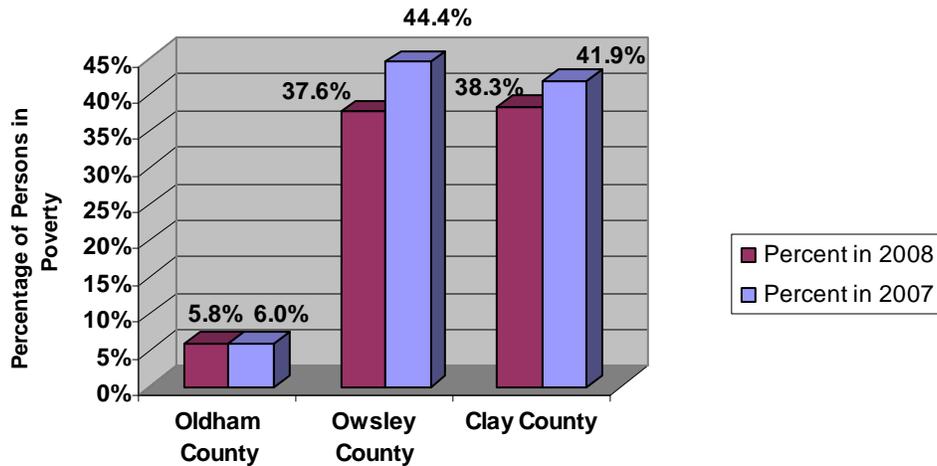
Kentucky endured a spike in poverty in 2004. The percentage of Kentuckians living in poverty climbed 1.3 percentage points from 15.0% in 2003 to 16.3% in 2004. During that same period, the U.S. rate increased a mere 0.2 percentage point from 12.5% to 12.7%. In 2008, the poverty rate continued to grow in Kentucky, albeit at a slower rate. Between 2007 and 2008, the percentage of Kentuckians living in poverty increased 0.1 percentage point from 17.2% in 2007 to 17.3% in 2008. Likewise, the national poverty rate climbed 0.2 percentage point from 13.0% in 2007 to 13.2% in 2008. Kentucky was one of thirty states to suffer an increase in its poverty rate from 2007 to 2008.

In 2008, Kentucky's poverty rate for persons under the age of 18 was 23.4%, while the corresponding national rate stood at 18.2%. The poverty rate for Kentucky's under age 18 population decreased from 23.6% in 2007 but increased from 20.2% in 1999. On the contrary, the U.S. poverty rate for persons under the age of 18 increased from 18.0% in 2007 and increased from 17.1% in 1999.

Poverty Rates – Kentucky Counties (Two-Year Summary)

CHART 11

Kentucky Counties with the Highest/Lowest Percentage of Persons Living in Poverty in 2007-2008



U.S. Census Bureau, Small Area Income and Poverty Estimates (SAIPE) Program

At the county level, poverty rates in Kentucky exhibit wide variations. Clay County, which had the highest percentage of Kentuckians living in poverty in 2008, experienced a significant decrease in its poverty rate in 2008. More specifically, the poverty rate in Clay County declined sharply from 41.9% in 2007 to 38.3% in 2008. However, Owsley County, which had the highest percentage of Kentuckians living in poverty in 2007, exhibited a steeper drop in its poverty rate in 2008. The poverty rate in Owsley County tumbled from 44.4% in 2007 to 37.6% in 2008. As a result, Owsley County suffered the second highest percentage of Kentuckians living in poverty in 2008. In contrast, the poverty rate in Oldham County decreased from 6.0% in 2007 to 5.8% in 2008. Oldham County maintained Kentucky's lowest poverty rate between 2007 and 2008.

From 2007 to 2008, poverty rates rose in 63 Kentucky counties, declined in 55 counties, and held steady in 2 counties (Barren and Jefferson). Four counties, Graves (4.0%), Pike (4.3%), Webster (4.5%), and Harlan (4.6%), endured increases in their poverty rates of at least 4.0 percent. The net impact was an increase in the statewide poverty rate from 17.2% in 2007 to 17.3% in 2008. This represented a lower rate of growth than between 2006 and 2007, when Kentucky experienced a 0.2 percentage point increase in the percentage of persons living in poverty.

In 2008, Clay County exhibited the 10th highest poverty rate of all U.S. counties, while Owsley County ranked 15th. Yet, Clay County slid from 9th highest in 2007, while Owsley County's ranking was a marked improved from 5th highest in 2007. In a national

ranking of the 100 county areas with the highest poverty rates, sixteen were Kentucky counties in 2008, no improvement over the sixteen Kentucky counties included in 2007. Oldham County and Boone County were the only two Kentucky counties ranked among the 100 county areas with the lowest poverty rates in 2008. However, this maintains the status quo from 2007, when only two Kentucky counties, Oldham County and Boone County, were included in the list of 100 county areas with the lowest poverty rates.

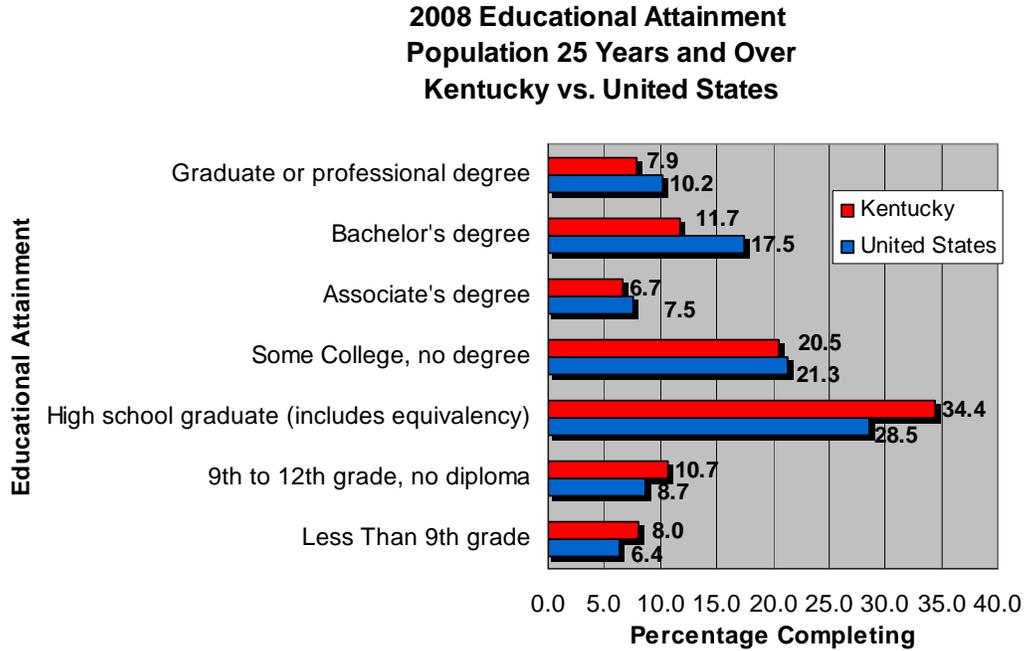
Sixteen counties in Kentucky exhibited poverty rates below the national average of 13.2% in 2008. One county, Hancock County, experienced the same rate as the national average, while the remaining 103 Kentucky counties encountered poverty rates above the national average. This is a step forward from 2007, when fourteen counties in Kentucky experienced poverty rates below the national average of 13.0% and the remaining 106 counties faced poverty rates above the national average.

In Wolfe County, 53.2% of all children under the age of 18 were living in poverty in 2008. This was the seventh highest under the age of 18 poverty rate for a county area in the entire nation. While the ranking is a significant deterioration from 2007, when Wolfe County was 14th highest, it still represents a slight improvement in the percentage of all children under the age of 18 in Wolfe County who are living in poverty. In 2007, 53.4% of all children under the age of 18 in Wolfe County were living in poverty.

In 2008, thirty-nine Kentucky counties exhibited under the age of 18 poverty rates in the bottom 10% of the nation. This is a degeneration from 2007 when thirty-six Kentucky counties experienced under the age of 18 poverty rates in the bottom 10% of the nation. In 2008, three Kentucky counties, Oldham, Boone, and Spencer, encountered under the age of 18 poverty rates in the top 10% of the nation. This exemplifies no progress from 2007, when three counties, Oldham, Boone, and Spencer, recorded under the age of 18 poverty rates in the top 10% of the nation.

Educational Attainment – U.S. and Kentucky (Current Year)

CHART 12



Source: U.S. Census Bureau, American Community Survey (ACS)

In 2008, Kentucky's education attainment lagged behind the nation for individuals 25 years of age and older. The percentage of Kentuckians with a high school diploma or less exceeded the proportion of Americans with this level of education. More specifically, 53.1% of the Kentucky population 25 years of age and older achieved at most a high school education. Nationally, 43.5% of those 25 years and older attained at most a high school education. All categories pertaining to some level of high school education maintained this relationship in 2008. The number of high school graduates in Kentucky, with no further education, represented 34.4% of the 25 years of age and older population compared to 28.5% nationally. Kentuckians reaching the 9th to 12th grade education level without receiving a diploma accounted for 10.7% of the population age 25 and older, higher than the national percentage of 8.7%. The fraction of individuals 25 years of age and older in Kentucky with less than a 9th grade education was 8.0%, which exceeded the 6.4% of Americans with this level of education.

The proportion of the U.S. population with some form of college education surpassed the percentage of Kentuckians who achieved this level of education by 2008. Fifty-six and one half percent of the U.S. population age 25 and older attained at least a semester of college education, while only 46.8% of Kentuckians age 25 and older completed any college work. This deviation held for all levels of college education in 2008. Nationally, 21.3% of the population 25 years of age and older attended college, but received no degree. In Kentucky, 20.5% of individuals 25 years of age and older reached this same education level. In the U.S., 7.5% of persons at least 25 years of age achieved at most an

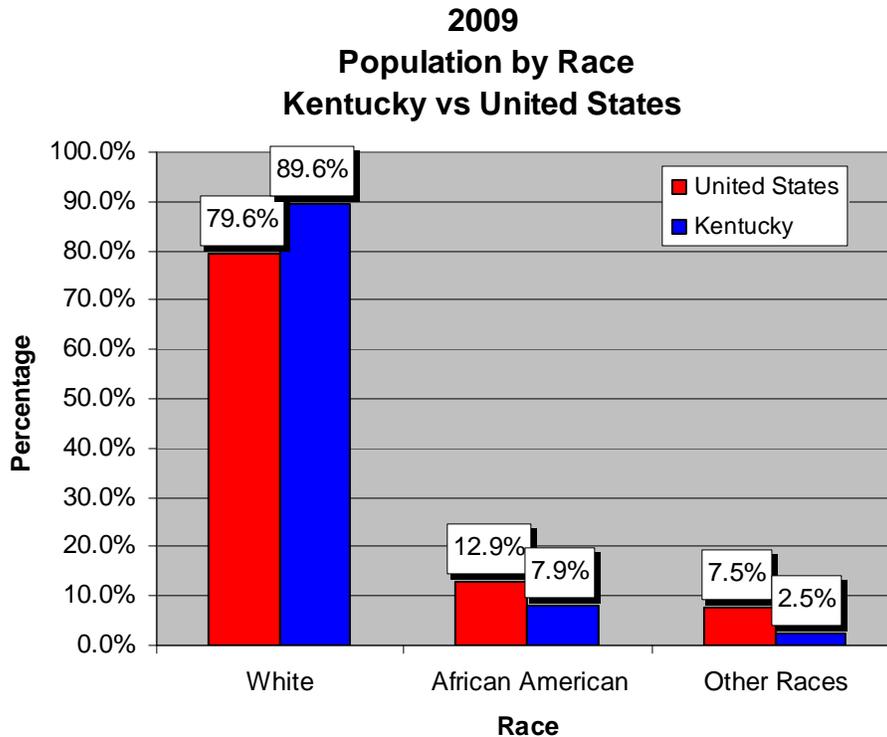
Associate's degree, while 17.5% completed a Bachelor's degree as their top level of educational attainment. While 6.7% of Kentuckians at least 25 years of age attained at most an Associate's degree, 11.7% earned a Bachelor's degree as their highest level of educational achievement. In total, 46.3% of the US population achieved at least some college education and did not surpass a Bachelor's degree, while only 38.9% of Kentuckians attained this same level of education.

Likewise, the national percentage of persons 25 years of age and older who achieved a graduate or professional degree by 2008 outpaced the fraction of Kentuckians earning these degrees. Nationally, 10.2% of individuals at least 25 years old held a graduate or professional degree. In Kentucky, only 7.9% of individuals at least 25 years old accomplished this same feat.

For persons between the ages of 18 and 24, most of these comparisons are sustained, albeit to a lesser degree. The sole exception is Kentuckians age 18 to 24 with less than a high school education represented 16.9% of the population, lower than the U.S. proportion of 17.0%. This marks a deviation from the 25 and older population, where the statewide percentage of individuals without a high school diploma exceeded the fraction of Americans with this level of education. Yet, in line with the 25 and older population, 33.5% of individuals between the ages of 18 and 24 living in Kentucky received only a high school education compared to 30.6% nationally. In contrast, 42.5% of Kentucky's population between the ages of 18 and 24 attended college and received at most an Associate's degree. Nationally, 43.2% of Americans attained this level of education. Likewise, 7.0% of Kentuckians between the ages of 18 and 24 earned at least a Bachelor's degree, significantly lower than the national proportion of 9.2%. Hence, while the state's educational attainment level lags behind the nation, younger Kentuckians have lessened the educational gap.

Population by Race – U.S. and Kentucky (Current Year)

CHART 13



Source: U.S. Census Bureau, Kentucky State Data Center

In 2009 Whites comprised 79.6% of the U.S. population and 89.6% of the Kentucky population. Thus, while Whites are the majority in both the U.S. and Kentucky, Kentucky is more predominantly White than the nation as a whole. African Americans encompassed 12.9% of the national population and 7.9% of the state population. Other Races accounted for the remaining 7.5% of the national population and 2.5% of the Kentucky population in 2009. Hence, the Kentucky population comprised less of an ethnic mix than the national population.

However, since 1990 Kentucky's population has shifted toward a more diverse mix of ethnicities. In 1990, Whites embodied 92.0% of the state population, while African Americans and Other Races comprised 7.1% and 0.8%, respectively. By 2000, Whites encompassed 90.1% of the population in Kentucky, while African Americans and Other Races accounted for 7.3% and 2.6%, respectively. Therefore, while all races exhibited growth between 1990 and 2009, African Americans and Other Races are growing at a faster pace than Whites. Moreover, Other Races experienced the highest growth rate. In fact, in 2009 the Other Races population equaled 3.6 times the Other Races population in 1990.

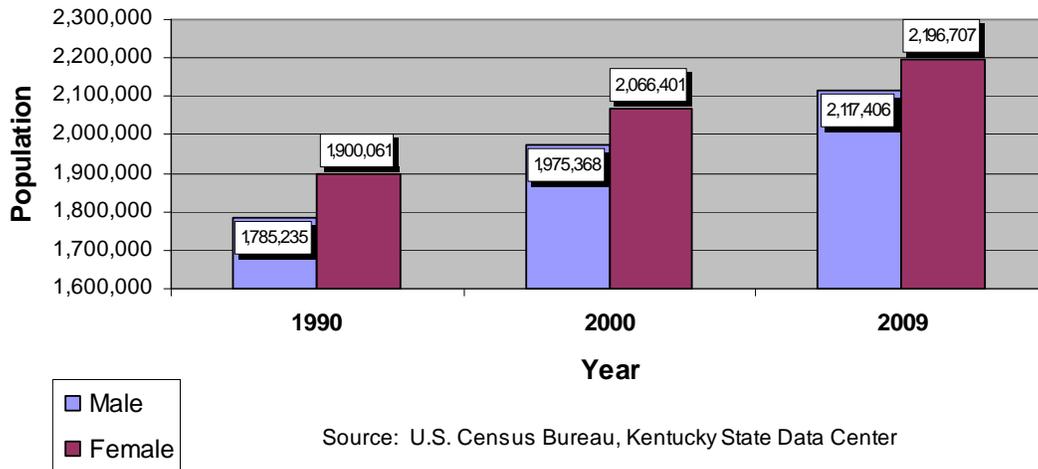
Yet, between 2000 and 2009, the proportion of Other Races in Kentucky declined from 2.6% in 2000 to 2.5% in 2009. This is in stark contrast to 2006, when the fraction of Other Races in Kentucky stood at 3.2%. This phenomenon is not unique to Kentucky. The percentage of Other Races in the U.S. diminished from 13.7% in 2006 to 7.5% in 2009, a decrease of 6.2 percentage points. As the economy weakens and immigration policies tighten, individuals classified as Other Races are leaving the U.S. The rate of departure in Kentucky is below the national departure rate. The proportion of Other Races in Kentucky in 2009 was 81.6% of the fraction of Other Races in Kentucky in 2006. In contrast, the percentage of Other Races in the U.S. in 2009, stood at 56.2% of the proportion of Other Races in the U.S. in 2006.

Technical Note: The Hispanic population is not classified as a race. Therefore, Hispanics are captured in all race categories – White, African American, and Other Races.

Population by Gender – Kentucky (1990 to 2009)

CHART 14

Kentucky Population by Gender 1990 to 2009

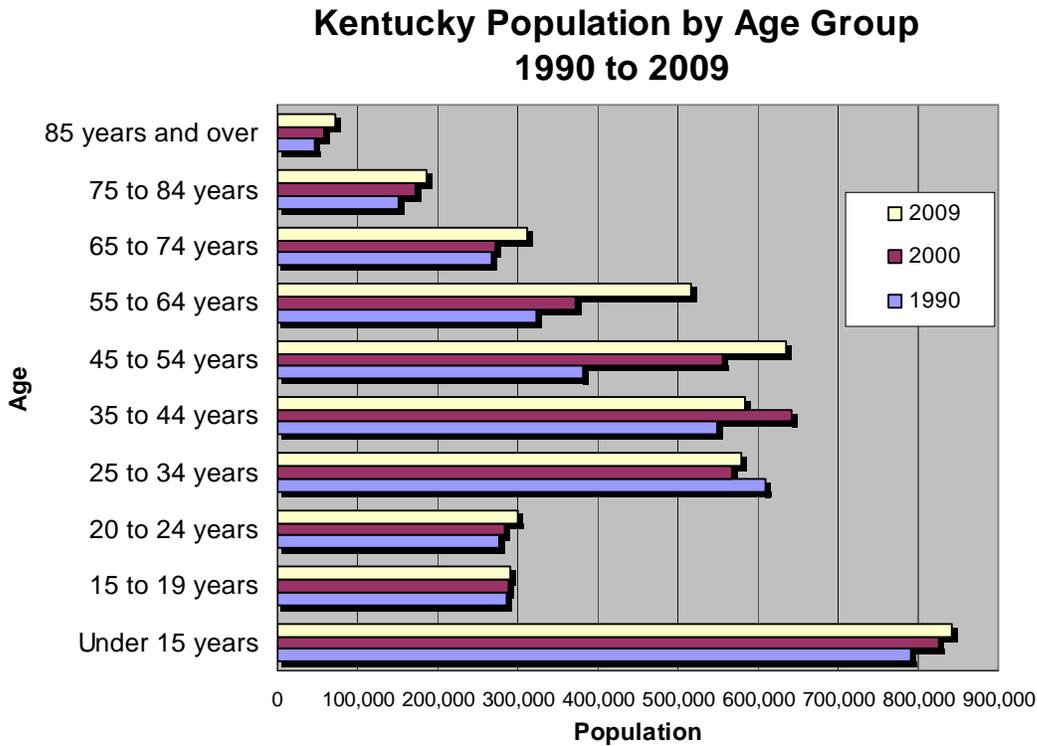


In 2009, males comprised 49.3% of the U.S. population and 49.1% of the Kentucky population. Females encompassed 50.7% of the national population and 50.9% of the state population. Therefore, while females are the majority in both the U.S. and Kentucky, Kentucky has a larger percentage of females than the nation as a whole.

However, since 1990 Kentucky's population has shifted toward a more equal distribution of males and females. In 1990, males embodied 48.4% of the state population, while females comprised 51.6%. By 2000, males encompassed 48.9% of the population in Kentucky, while females accounted for 51.1%. Therefore, while both genders exhibited growth between 1990 and 2009, males are growing at a faster pace than females. Yet, this divergence in growth rate slowed between 2000 and 2009. During this period, the number of males increased by 7.2%, while the number of females rose by 6.3%. In contrast, between 1990 and 2000, the amount of males grew at a rate of 10.7%, while the amount of females climbed at a rate of 8.8%, a difference of 1.9 percentage points.

Population by Age – Kentucky (1990 to 2009)

CHART 15



Source: U.S. Census Bureau, Kentucky State Data Center

In 2009, Kentucky’s population consisted of 19.5% persons under the age of 15 years, 6.7% individuals between 15 and 19 years of age, 6.9% persons between the ages of 20 and 24, 13.4% individuals between 25 and 34 years of age, 13.5% persons between the ages of 35 and 44, 14.7% individuals between 45 and 54 years of age, 11.9% persons between the ages of 55 and 64, 7.2% individuals between 65 and 74 years of age, 4.3% persons between the ages of 75 and 84, and 1.7% persons 85 years of age and older. This closely mirrored the distribution of the U.S. population. The 2009 U.S. population comprised 20.2% persons under the age of 15 years, 7.0% individuals between 15 and 19 years of age, 7.0% persons between the ages of 20 and 24, 13.5% individuals between 25 and 34 years of age, 13.5% persons between the ages of 35 and 44, 14.5% individuals between 45 and 54 years of age, 11.3% persons between the ages of 55 and 64, 6.8% individuals between 65 and 74 years of age, 4.3% persons between the ages of 75 and 84, and 1.8% persons 85 years of age and older.

Thus, in 2009, individuals under the age of 24 encompassed 34.2% of the U.S. population and 33.2% of the Kentucky population. Persons between the ages of 25 and 54 comprised 41.6% of the national population and 41.7% of the state population. Individuals 55 years of age and older accounted for the remaining 24.2% of the national population and 25.2% of the Kentucky population in 2009. Hence, Kentucky’s

population distribution consisted of a greater percentage of older individuals than the nation as a whole.

Since 1990, Kentucky's population has shifted toward an older distribution. In 1990, persons under the age of 24 embodied 36.7% of the state population, while individuals between the ages of 25 and 54 comprised 41.8% and persons 55 years of age and older consisted of 21.4% of Kentucky's population. By 2000, individuals under the age of 24 encompassed 34.6% of the population in Kentucky, while persons between the ages of 25 and 54 accounted for 43.7% and individuals 55 years of age and older comprised 21.7% of the state population. Therefore, while all age groups exhibited growth between 1990 and 2008, individuals 55 years of age and older are growing at a faster pace than the state as a whole. Moreover, individuals 55 years of age and older experienced the highest growth rate at 37.5%.

Between 2000 and 2009, the aging of Kentucky's population is exacerbated. During this period, persons under the age of 24 increased by 2.4%, while individuals between the ages of 25 and 54 grew at a meager 1.7% pace. At the same time, persons 55 years of age and older climbed by a staggering 23.9% rate. For all age groupings from persons between the ages of 45 and 54 to individuals 85 years of age and older, the percentage of the Kentuckians included in each age group in 2009 exceeded the percentage of Kentuckians in that age group in 2000. The remaining age groupings experienced a decrease in the percentage of people incorporated in them in 2009 as compared to 2000.

With the exception of those individuals between the ages of 65 and 74, these deviations are maintained when evaluating 1990 and 2009. In general, older age groupings exhibited higher percentages of Kentuckians in 2009 than in 1990, while younger age groupings experienced lower percentages of Kentuckians in 2009 than in 1990.

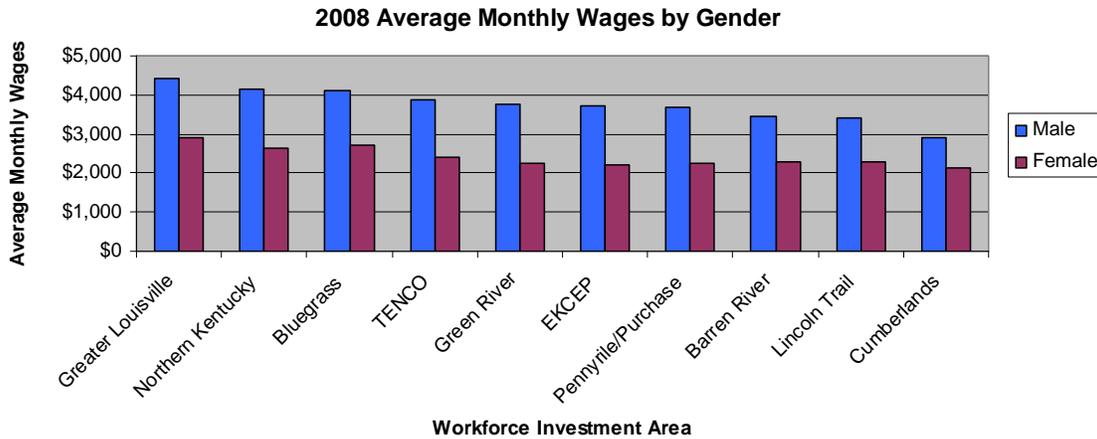
From 1990 to 2000, persons between the ages of 25 and 34 decreased by 6.9%. This represented the only age grouping to exhibit a decline during this period. At the same time, individuals between the ages of 45 and 54 climbed 45.7%, the highest growth rate during this decade. As these individuals aged, so did the age groupings with the lowest and highest growth rates. Between 2000 and 2009, persons between the ages of 35 and 44 dropped 9.3%. During this same period, individuals between the ages of 55 and 64 exhibited a 38.3% rate of growth.

Since 1990, persons between the ages of 25 and 34 experienced a decline of 5.1%, while individuals between the ages of 45 and 54 exhibited an increase of 66.1%. Persons between the ages of 55 and 64 as well as individuals aged 85 and older displayed sizable growth rates during this period. More specifically, persons between the ages of 55 and 64 climbed 59.7%, while individuals aged 85 and older rose 57.6%. The climb in the number of individuals between the ages of 45 and 54 and persons between the ages of 55 and 64 is indicative of the aging baby boom population. The baby boom population consists of individuals born between 1946 and 1964 and reflects the significant climb in the number of births following the end of World War II. During this time period, servicemen returned from tours of duties overseas and focused on starting families. The

substantial rise in the number of persons in the age 85 and older grouping is a sign of longer life expectancy. No other age grouping suffered a decline from 1990 to 2009. However, persons between the ages of 15 and 19 represent the age consortium with the smallest positive population growth during this time period. The percentage of individuals included in the between the ages of 15 and 19 age grouping increased a mere 1.6% between 1990 and 2009.

Local Employment Dynamics – Kentucky Average Monthly Wages by Gender (Current Year)

CHART 16



Source: U.S. Census Bureau, Local Employment Dynamics (LED)/Quarterly Workforce Indicators

In 2008, there were 887,198 males and 872,681 females employed in Kentucky. Thus, males represented 50.4% of the statewide employment, while females comprised 49.6% of the statewide employment. This represents a more even gender distribution than in 2007 (50.7% males, 49.3% females), which reflects the impact of the recession. Layoffs are predominantly occurring in male-dominated industries such as manufacturing, construction, and transportation and warehousing. In contrast, health care and social assistance, a female-dominated industry, added positions in 2008. General population growth and a longer life expectancy help explain the continued expansion of health care employment. In addition, as the baby boom generation ages, there is an increased need for health services. Thus, there is an increasing share of the Kentucky population reaching the later years of their lives, where there is an increased need for health care services. Demand for health services fluctuates less with the state of the economy. While it's possible to cut back some on health services, by not visiting the doctor for minor illnesses, there is one of the last areas individuals cut back. Furthermore, people can't put off a visit to the doctor when they are seriously ill. All of these factors help the health care and social assistance industry to be recession-proof.

For new hires, the statewide average monthly wages in all industries were \$2,410 for males and \$1,607 for females. Thus, the average monthly wages earned by male new hires were 50.0% higher than those earned by female new hires in 2008. This gender gap reflects the difference in wages in the industries employing predominantly male workers and the industries employing primarily female workers.

In all industries, the statewide average monthly wages were \$3,974 for males and \$2,558 for females. Hence, the average monthly wages earned by males were 55.4% higher than those earned by females in 2008. Therefore, the gender gap grows over time. Women leaving the workforce to raise families contributes to the increase in the gender gap.

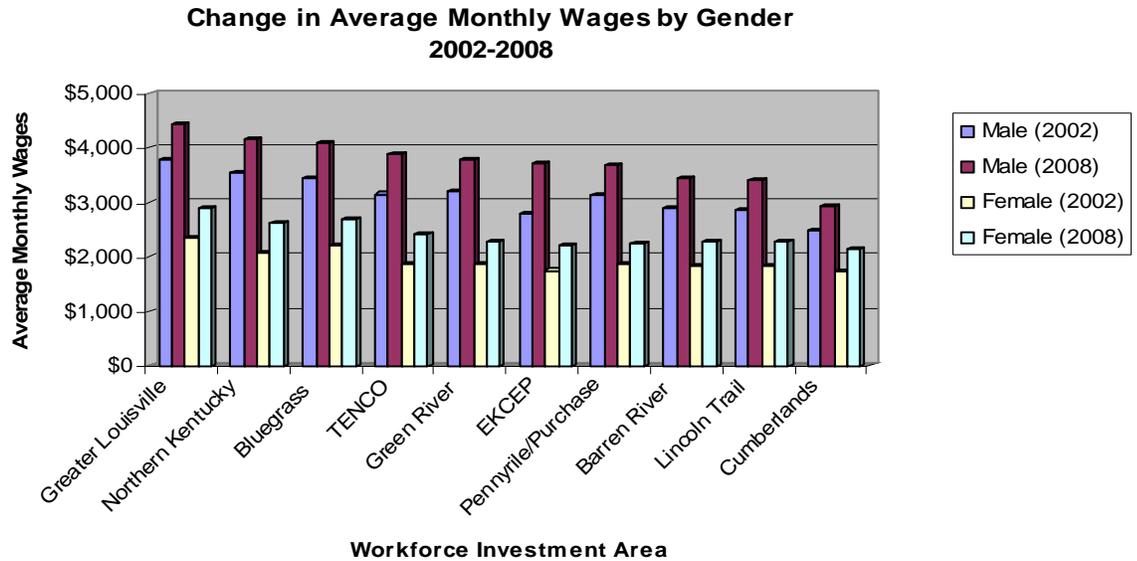
In 2008, the three Workforce Investment Areas (WIAs) with the highest average monthly wages for males are the Greater Louisville WIA (\$4,436), the Northern Kentucky WIA (\$4,152), and the Bluegrass WIA (\$4,099). Likewise, the WIAs with the highest average monthly wages for females are the Greater Louisville WIA (\$2,897), the Bluegrass WIA (\$2,701), and the Northern Kentucky WIA (\$2,617). These WIAs are concentrated around major urban centers – the Greater Louisville WIA surrounds Louisville, the Northern Kentucky WIA borders Cincinnati, and the Bluegrass WIA envelops Lexington.

The three Workforce Investment Areas with the lowest average monthly wages for males are the Cumberlands WIA (\$2,924), the Lincoln Trail WIA (\$3,405), and the Barren River WIA (\$3,435). Moreover, in 2008, the three WIAs with the lowest average monthly wages for females are the Cumberlands WIA (\$2,145), the EKCEP WIA (\$2,205), and the Pennyriple/Purchase WIA (\$2,251). These WIAs encompass more rural areas of the state.

In 2008, the average monthly wages in the Greater Louisville WIA were \$3,677, while the average monthly wages in the Cumberland WIA were \$2,518. Hence, the average monthly wages earned by workers in the Greater Louisville WIA were 46.0% higher than those earned by workers in the Cumberland WIA. This illustrates the difference between average monthly wages around urban centers and in rural areas.

Local Employment Dynamics – Kentucky Average Monthly Wages by Gender (2002 to 2008)

CHART 17



Source: U.S. Census Bureau, Local Employment Dynamics (LED)/Quarterly Workforce Indicators

Since 2002, Kentucky’s average monthly wages have increased by 20.6% from \$2,712 in 2002 to \$3,270 in 2008. The EKCEP WIA exhibited the largest rise in average monthly wages in percentage terms and in nominal dollars. Average monthly wages in this area climbed \$699 from \$2,264 in 2002 to \$2,963 in 2008, which is an augmentation of 30.9%. The Ten Counties (TENCO) WIA (25.3%), Barren River WIA (21.1%), and Cumberlands WIA (20.9%) each experienced a higher rate of increase in average monthly wages than the statewide growth rate of 20.6%. In other words, average monthly wage escalation in these localities outpaced the rate of increase in the statewide average monthly wage.

The Green River WIA suffered the lowest increase in average monthly wages in percentage terms. Average monthly wages in this area rose a meager \$470 from \$2,572 in 2002 to \$3,042 in 2008, an escalation of a mere 18.3%. The Northern Kentucky WIA (19.3%), Greater Louisville WIA (19.3%), Pennyriple/Purchase WIA (19.7%), Bluegrass WIA (20.2%) and Lincoln Trail WIA (20.5%) each exhibited a lower growth rate in average monthly wages than the rate of increase in the statewide average monthly wage. In other words, average monthly wage augmentation in these regions lagged behind the statewide growth rate. Furthermore, the Cumberlands WIA endured the lowest rise in average monthly wages in nominal dollars. Average monthly wages in this region advanced \$435 from \$2,083 in 2002 to \$2,518 in 2008.

With the exception of the EKCEP WIA, the rate of increase in average monthly wages for females outpaced the growth rate for males. The TENCO WIA exhibited the greatest rise in average monthly wages for females in percentage terms. Average monthly wages for females in this area climbed \$532 from \$1,871 in 2002 to \$2,403 in 2008, which is an

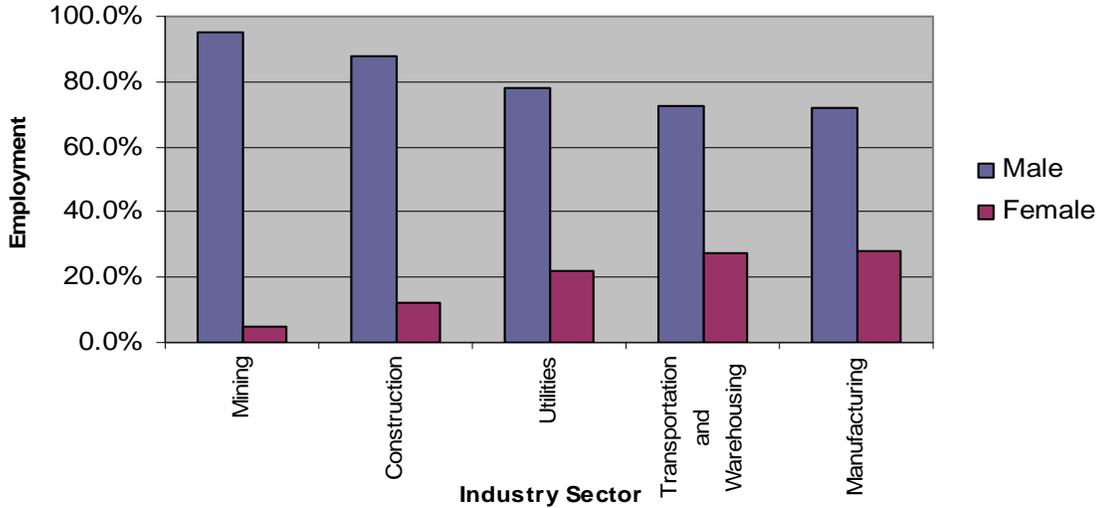
augmentation of 28.4%. However, the Greater Louisville WIA experienced the largest appreciation in average monthly wages for females in nominal dollars. Average monthly wages for females in this region ascended \$555 from \$2,342 in 2002 to \$2,897 in 2008. In comparison, the EKCEP WIA faced the highest increase in average monthly wages for males in percentage terms and in nominal dollars. Average monthly wages for males in this locality soared \$937 from \$2,778 in 2002 to \$3,715 in 2008, an escalation of 33.7%.

The wage escalation in the EKCEP region reflects the expansion of the coal mining industry in 2008. The Mining, Quarrying, & Oil & Gas Extraction industry is one of the primary industries in the EKCEP region. With the rise in gas prices during the first half of 2008, there was an increased interest in coal and in clean-coal technology. As a result, the coal mining industry engaged in an expansion, and coal miners were able to command higher wages. Since mining is a male-dominated industry, the augmentation in wages is reflected in both the rise in the total average monthly wages and the increase in the average monthly wages for males in this region.

Local Employment Dynamics – Kentucky Industry Sector Employment by Gender (Current Year)

CHART 18

2008 Industry Sectors Employing Largest Percentage of Males

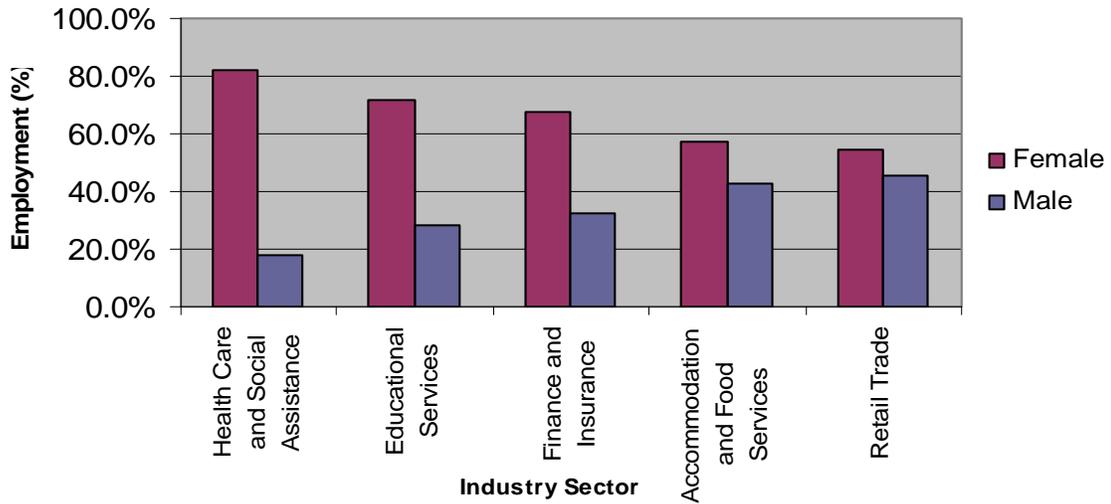


Source: Local Employment Dynamics/Quarterly Workforce Indicators, U.S. Census Bureau

In 2008, the industry sectors employing predominantly male workers were the Mining, Construction, Utilities, Transportation & Warehousing, and Manufacturing sectors. The percentage of male workers in each of these industry sectors was at least 71%. Mining, Construction, and Manufacturing are classified as goods-producing industries, while Utilities and Transportation & Warehousing are categorized as service-providing industries. The average monthly wages were \$5,357 in the Mining sector, \$3,606 in the Construction sector, \$4,822 in the Utilities sector, \$3,857 in the Transportation & Warehousing sector, and \$3,958 in the Manufacturing sector. Mining and Utilities were the industry sectors with the second and third highest average monthly wages in Kentucky in 2008, trailing only the Management of Companies and Enterprises sector at \$5,552.

CHART 19

2008 Industry Sectors Employing Largest Percentage of Females

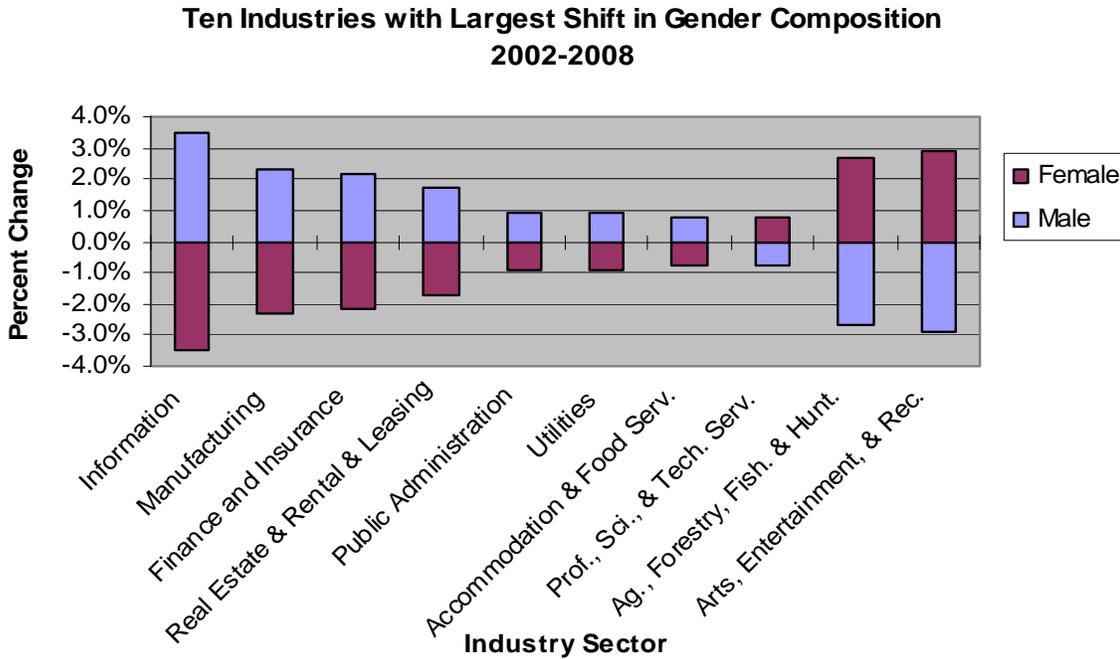


Source: Local Employment Dynamics/Quarterly Workforce Indicators, U.S. Census Bureau

In 2008, the industry sectors employing primarily female workers were the Health Care & Social Assistance, Educational Services, Finance & Insurance, Accommodation & Food Services, and Retail Trade sectors. The percentage of female workers in each of these industry sectors was at least 54%. All of these sectors are classified as service-providing industries. The average monthly wages were \$3,368 in the Health Care & Social Assistance sector, \$3,146 in the Educational Services sector, \$4,566 in the Finance & Insurance sector, \$1,284 in the Accommodation & Food Services sector, and \$2,124 in the Retail Trade sector. The Accommodation and Food Services sector had the lowest average monthly wages in Kentucky in 2008. With the exception of the Finance & Insurance sector, all sectors with primarily female workers experienced lower average monthly wages than the five industry sectors employing predominantly male workers.

Local Employment Dynamics – Kentucky Industry Sector Employment by Gender (2002 to 2008)

CHART 20



Source: U.S. Census Bureau, Local Employment Dynamics (LED)/Quarterly Workforce Indicators

Since 2002, the percentage of Kentucky’s workforce comprised of females has increased by 0.5 percentage point from 49.1% in 2002 to 49.6% in 2008. Conversely, the portion of statewide employment represented by males has decreased by 0.5 percentage point from 50.9% in 2002 to 50.4% in 2008. In other words, the composition of Kentucky’s workforce is shifting to a more equal distribution between males and females.

Between 2002 and 2008, the top four industry sectors employing predominantly male workers were unchanged, including their order of ranking. However, the percentage of male professionals in the Mining and Construction industries decreased during this same time period. In contrast, the portion of male workers in the Utilities and Transportation & Warehousing sectors climbed from 2002 to 2008. In 2008, Manufacturing replaced Wholesale Trade as the fifth ranked industry hiring primarily male employees.

Likewise, between 2002 and 2008, the top five industry sectors employing predominantly female workers remained the same, including their order of ranking. Yet, the percentage of female professionals in the Health Care & Social Assistance, Finance & Insurance, and Accommodation & Food Services industries declined during this same time period. In contrast, the portion of female workers in the Retail Trade and Educational Services sectors rose from 2002 to 2008.

The Information sector experienced the largest percentage change in gender composition of its employment from 2002 to 2008. The portion of male workers climbed from 47.8% in 2002 to 51.3% in 2008, a gain of 3.5%. In contrast, the Arts, Entertainment, and Recreation industry exhibited the greatest percentage increase in female employment between 2002 and 2008. The fraction of female professionals rose from 44.9% in 2002 to 47.8% in 2008, a boost of 2.9%.

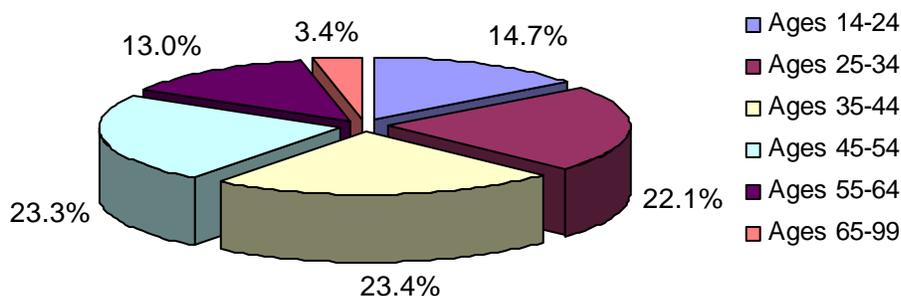
Between 2002 and 2008, the portion of female employees in the Arts, Entertainment, & Recreation, Agriculture, Forestry, Fishing, & Hunting, Professional, Scientific, & Technical Services, and Retail Trade sectors increased at a rate faster than the rate of change in the statewide workforce composition. Therefore, these industries are shifting towards female workers at a faster pace than the overall workforce.

The Information, Manufacturing, Finance & Insurance, Real Estate & Rental & Leasing, Public Administration, Utilities, Accommodation & Food Services, Administration & Support & Waste Management Services, Wholesale Trade, Transportation & Warehousing, Management of Companies & Enterprises, Health Care & Social Assistance, and Other Services industries increased their proportion of male workers. All of these sectors failed to emulate the overall compositional change in the statewide employment. In addition, the Construction, Mining, and Educational Services industries each exhibited a compositional shift towards female workers at a slower rate than the statewide workforce. In other words, the shift towards female employees in these industries lagged behind the transformation in the statewide gender configuration.

Local Employment Dynamics – Kentucky Employment by Age Group (Current Year)

CHART 21

2008 Kentucky Employment by Age Group



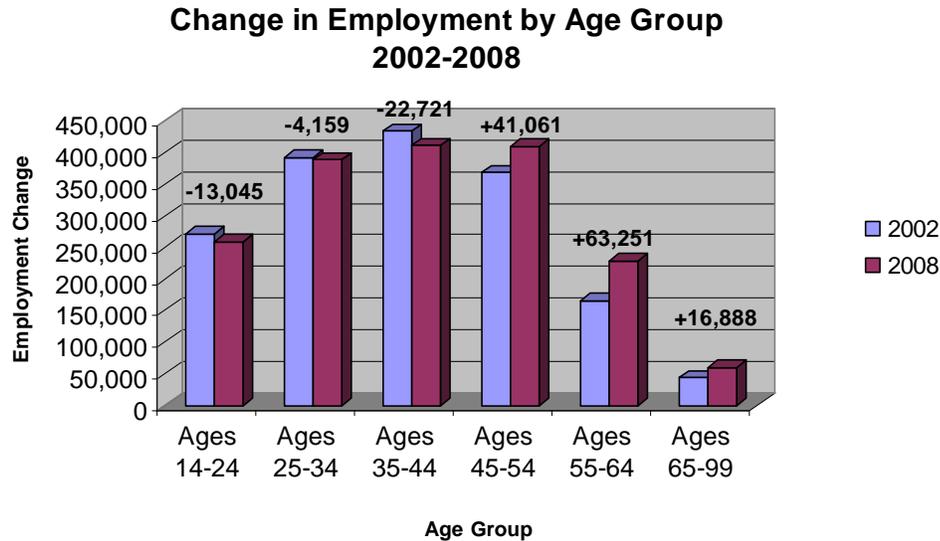
Source: Local Employment Dynamics/Quarterly Workforce Indicators, U.S. Census Bureau

In 2008, individuals between the ages of 35 and 44 comprised the largest percentage of total employment in Kentucky at 23.4 percent. However, the gap between the 35 to 44 age cohort and the 45 to 54 age group, the second largest age category, continued to shrink. The reduction in the percentage of persons between the ages of 35 and 44 and the augmentation in the percentage of individuals between the ages of 45 and 54 reflect the aging baby boom generation shifting into a higher age category. Fourteen and seven-tenths percent of the working population were in the age group from 14 to 24 in 2008, a minor decrease from 15.2% in 2007.

Sixteen and one-half percent of Kentucky's total employment in 2008 consisted of persons age 55 and over, a marked increase from 15.7% in 2007. The drop in stock portfolios and retirement savings compelled older individuals to return to work or delay retirement plans. Of the 290,072 employed Kentuckians age 55 and over, 60,585 are at least 65 years of age. Thus, in 2008, individuals age 65 and over comprised 3.4% of Kentucky's total employment. Kentuckians between the ages of 25 and 54 accounted for 68.8% of the working population in 2008, a slight decrease from 69.1% in 2007. The remaining 14.7% of employed Kentuckians in 2008 were below the age of 25, a small decline from 15.2% in 2007.

Local Employment Dynamics – Kentucky Employment by Age Group (2002 to 2008)

CHART 22



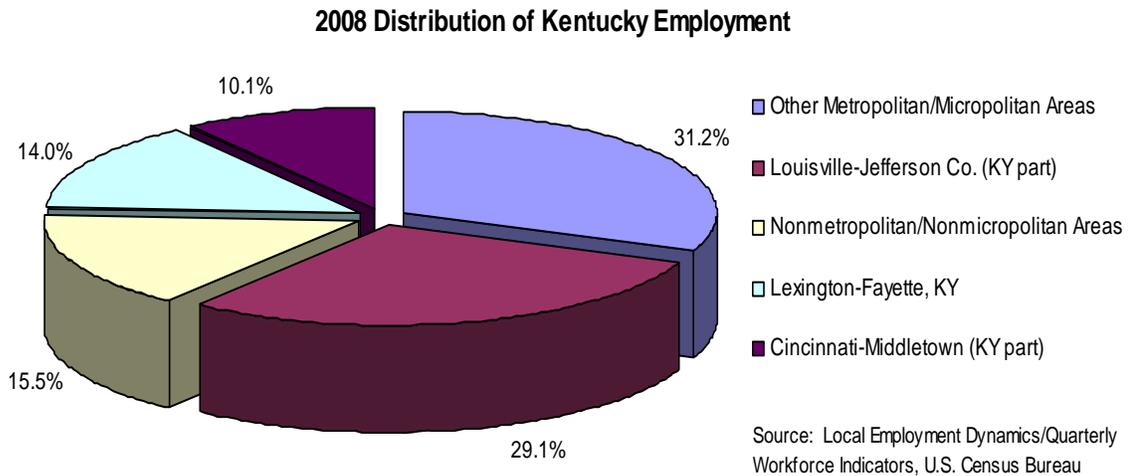
Source: Local Employment Dynamics/Quarterly Workforce Indicators, U.S. Census Bureau

Since 2002, employment in all age groups increased by 4.8%. Despite this overall increase, employment of persons from age 14 to age 24 (-4.8%), employment of individuals between the ages of 25 and 34 (-1.1%), and employment of Kentuckians from age 35 to age 44 (-5.2%) decreased during this same time period. Thus, Kentucky's workforce is shifting away from workers under the age of 45. Altogether, the number of workers under the age of 45 decreased by 39,925 (-3.6%) from 1,099,936 in 2002 to 1,060,011 in 2008.

In contrast, from 2002 to 2008, employment of persons between the ages of 45 and 54 (11.1%), employment of individuals from age 55 to age 64 (38.0%), and employment of Kentuckians at least 65 years of age (38.6%) increased at a rate faster than the overall growth rate. Therefore, Kentucky's workforce is shifting towards workers at least 45 years of age. In other words, the workforce in Kentucky is aging. In total, the number of workers at least 45 years of age surged by 121,200 (20.9%) from 578,667 in 2002 to 699,867 in 2008. More strikingly, the amount of workers at least 55 years old soared 80,139 (38.2%) between 2002 and 2008.

Local Employment Dynamics – Distribution of Kentucky Employment (Current Year)

CHART 23



The Office of Management and Budget defines Metropolitan and Micropolitan areas as geographic entities consisting of a population nucleus and adjacent communities that are amalgamated with the urban core. The links between the communities and the urban core are both economic and social.

Louisville – Jefferson County, Kentucky’s largest MSA, comprised 29.1% of Kentucky’s total employment in 2008, down 0.2 percentage point from 2007. The Kentucky portion of the Louisville – Jefferson County MSA consists of Jefferson, Oldham, Trimble, Henry, Shelby, Spencer, Nelson, Larue, Hardin, Meade and Bullitt Counties.

Lexington-Fayette MSA, which includes Fayette, Jessamine, Woodford, Scott, Bourbon, and Clark Counties, consisted of 14.0% of employed Kentuckians in 2008. Between 2007 and 2008, Lexington – Fayette MSA’s share of Kentucky’s working population decreased by 0.1 percentage point from 14.1% in 2007.

In 2008, the Cincinnati – Middletown MSA accounted for 10.1% of working Kentuckians. This represents a 0.1 percentage point increase from the 10.0% employment in this metropolitan area in 2007. The Kentucky segment of the Cincinnati – Middletown MSA encompasses Bracken, Pendleton, Grant, Gallatin, Boone, Kenton, and Campbell Counties.

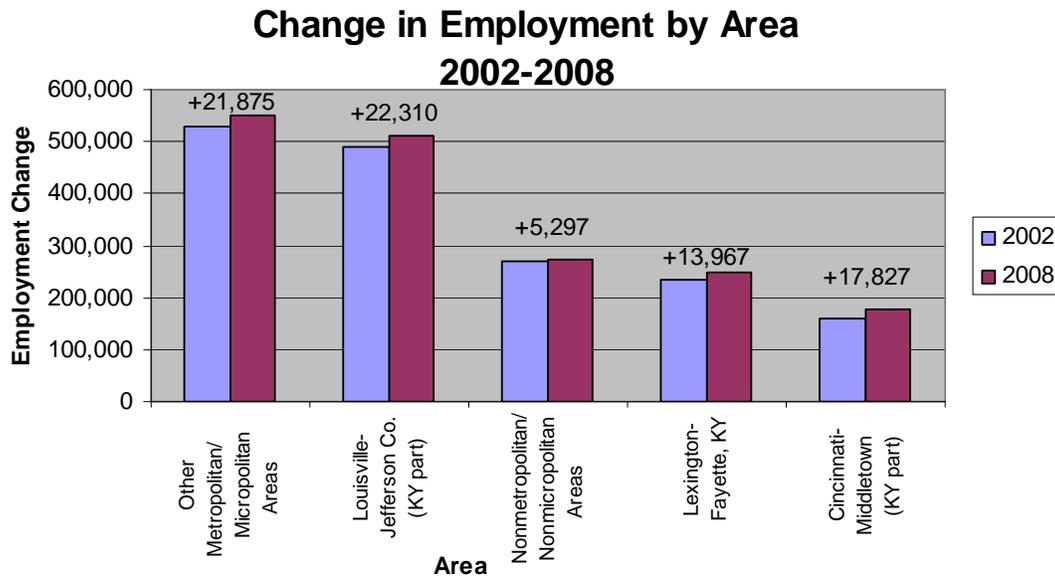
All other metropolitan and micropolitan areas comprised the largest share of Kentucky’s total employment in 2008. The percentage of Kentuckians employed in these locales increased from 31.1% in 2007 to 31.2% in 2008.

The remaining 15.5% of employed Kentuckians in 2008 worked in non-metropolitan or non-micropolitan areas, the same fraction employed in these regions in 2007.

In 2008, 53.2% of total statewide employment occurred in Kentucky's three largest MSAs. Employment in these localities decreased 0.2 percentage point from 53.4% in 2007. The decline in the percentage of workers in Kentucky's major metropolitan areas illustrates that these metropolitan areas were hit harder by the recession than other areas of the state. In contrast, the percentage of employed Kentuckians working in metropolitan or micropolitan areas remained unchanged at 84.5% in 2008, the same portion as in 2007. Despite the steady metropolitan/micropolitan employment between 2007 and 2008, the recent trend shows Kentucky's employment is increasingly concentrated in its urban centers.

Local Employment Dynamics – Distribution of Kentucky Employment (2002 to 2008)

CHART 24



Source: Local Employment Dynamics/Quarterly Workforce Indicators, U.S. Census Bureau

Since 2002, employment in all areas increased by 4.8%. Despite this overall increase, employment in non-metropolitan and non-micropolitan areas increased a mere 2.0%. Therefore, Kentucky's workforce is shifting away from non-metropolitan and non-micropolitan areas. Only 6.5% of the employment growth from 2002 to 2008 occurred in non-metropolitan and non-micropolitan areas. In addition, between 2002 and 2008, the share of employed Kentuckians working in non-metropolitan and non-micropolitan areas declined from 16.0% to 15.5%.

Likewise, Kentucky's workforce is shifting away from other metropolitan and micropolitan areas. All other metropolitan and micropolitan areas comprised 26.9% of the aggregate employment growth from 2002 to 2008. However, employment in other metropolitan and micropolitan areas increased by only 4.1%, a rate considerably lower than the overall growth rate.

In contrast, from 2002 to 2008, employment in the Cincinnati – Middletown MSA increased 11.1%, a rate drastically higher than the overall growth rate. Hence, Kentucky's workforce is shifting towards the Cincinnati – Middletown MSA. The Cincinnati – Middletown MSA, the fastest growing area in Kentucky, accounted for 21.9% of the overall employment growth between 2002 and 2008.

Correspondingly, employment in the Lexington – Fayette MSA rose by 6.0%, a rate significantly higher than the statewide growth rate. The Lexington – Fayette MSA encompassed 17.2% of employment growth in all areas between 2002 and 2008. Ergo, Kentucky's workforce is shifting towards the Lexington – Fayette MSA at a rapid pace.

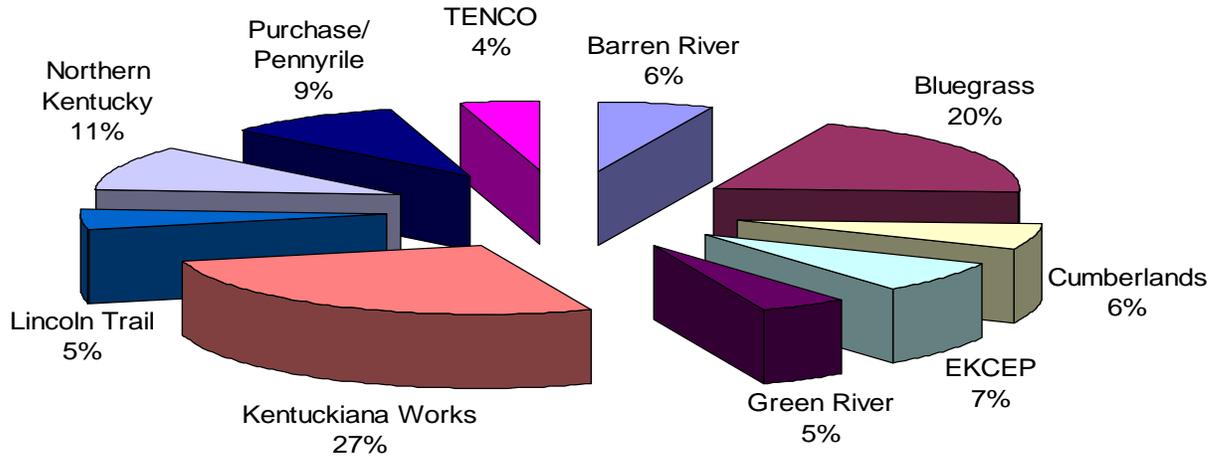
Employment in the Louisville – Jefferson MSA represented 27.4% of the overall employment growth from 2002 to 2008. Yet, employment in the Louisville – Jefferson MSA climbed by 4.6%, a rate marginally lower than the statewide growth rate. In other words, the Louisville – Jefferson MSA experienced a slight decrease in its proportion of Kentucky’s workforce from 29.2% in 2002 to 29.1% in 2008. The drop in the percentage of workers in the Louisville – Jefferson MSA between 2002 and 2008, demonstrates the significant impact of the recession on this metropolitan area.

From 2002 to 2008, the fraction of total statewide employment occurring in Kentucky’s three largest MSAs increased by 0.6 percentage point from 52.6% to 53.2%. Likewise, the percentage of employed Kentuckians working in metropolitan or micropolitan areas rose by 0.5 percentage point from 84.0% in 2002 to 84.5% in 2008. Hence, Kentucky’s employment is shifting towards its urban centers.

Workforce Investment Area (WIA) Employment by Sector (Current Year)

CHART 25

**Kentucky Workforce Representation by WIA
July 2008 - June 2009**



Source: Office of Employment and Training, Quarterly Employment and Wages (QCEW) Program

Workforce Investment Area employment data is based on a 12-month average of Quarterly Census of Employment and Wages (QCEW) data from July 2008 to June 2009. QCEW data includes all workers covered by the State Unemployment Insurance (UI) laws and Federal workers covered by the Unemployment Compensation for Federal Employees (UCFE) program.

Overall, the composition of Kentucky's economy consisted of three principal industries in fiscal year (FY) 2009. In particular, the Government (17.14%), Manufacturing (13.06%), and Health Care & Social Assistance (12.26%) industries constituted the primary sectors within the state economy. Additionally, the Retail Trade sector accounted for 11.78% of the total workforce. This configuration of dominant industries is reflected in the employment structure of the vast majority of WIAs. However, the public sector comprised a greater percentage of the total labor force in WIAs with small workforce bases.

In FY 2009, the three predominant industries in the Barren River WIA encompassed the Manufacturing (22.02%), Government (16.43%), and Retail Trade (12.66%) sectors. Yet, the Health Care & Social Assistance sector contained 12.02% of the total labor force. Similarly, the Bluegrass WIA was dominated by the Government (21.58%), Manufacturing (14.15%), and Retail Trade (11.71%) industries in FY 2009. In addition,

the Health Care & Social Assistance sector incorporated 10.51% of the total workforce. While the major industries are identical in the Barren River WIA and Bluegrass WIA, the rankings of the Government and Manufacturing sectors are reversed.

The three primary industries within the Cumberland WIA in fiscal year 2009 included the Government (17.84%), Health Care & Social Assistance (16.05%), and Manufacturing (15.79%) sectors. However, the Retail Trade sector comprised 12.94% of the total labor force. While the major private industries are identical to the principal private sectors in the Barren River WIA and Bluegrass WIA, the ranking of the Health Care & Social Assistance usurps the Manufacturing and Retail Trade sectors.

The EKCEP WIA constituted a divergent mix of predominant industries from the rest of the state. More specifically, the EKCEP WIA was dominated by the Government (22.20%), Health Care & Social Assistance (14.89%), and Retail Trade (14.12%) industries in FY 2009. In addition, the Mining, Quarrying, & Oil & Gas Extraction industry accounted for 13.08% of the total workforce. The inclusion of the Mining, Quarrying, & Oil & Gas Extraction sector is a marked deviation from all other WIAs.

In contrast, the constitution of the Green River WIA mimics the configuration of the major industries within the Barren River WIA. In particular, the Manufacturing (20.56%), Government (18.11%), and Retail Trade (11.68%) sectors were the dominant industries in the Green River WIA. Additionally, the Health Care & Social Assistance sector comprised 10.75% of the total workforce. Both the Barren River WIA and the Green River WIA are centered around small metropolitan areas with substantial manufacturing bases.

The Kentuckiana Works WIA encompassed the same three primary private industries as most of the rest of the state, albeit with different rankings. In FY 2009, the three primary industries within the Greater Louisville WIA included the Health Care & Social Assistance (12.89%), Government (11.74%), and Manufacturing (10.21%) sectors. Likewise, the Retail Trade sector accounted for 10.21% of the total workforce. The dominant ranking of the Health Care & Social Assistance industry is a striking departure from all other WIAs, although Health Care & Social Assistance is the dominant private industry in the Cumberland WIA and the TENCO WIA.

In FY 2009, the three principal private sectors in the Lincoln Trail WIA mirror the predominant private industries in the majority of the WIAs, both in terms of the specific segments incorporated and in the rankings. Specifically, the Government (22.81%), Manufacturing (18.29%), and Retail Trade (13.54%) industries represented the primary sectors in the Lincoln Trail WIA. In addition, the Health Care & Social Assistance industry constituted 10.08% of the total labor force.

The composition of the Northern Kentucky WIA deviates from the configuration of the major industries within the Bluegrass WIA, in terms of a variation in the rankings. The three predominant industries in the Northern Kentucky WIA encompassed the Government (14.75%), Manufacturing (11.88%), and Retail Trade (11.10%).

Additionally, the Accommodation & Food Services industry incorporated 10.29% of the total workforce. Hence, the Accommodation & Food Services industry surpassed the Health Care & Social Assistance sector in ranking.

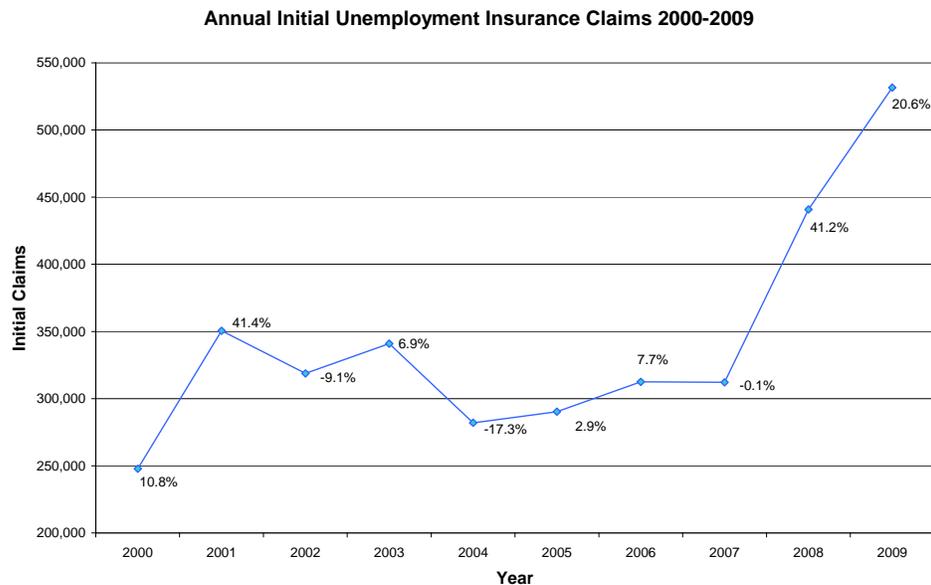
The Purchase/Pennyrile WIA constituted the same mix of principal private industries as the lion's share of the rest of the state, both in terms of distinct segments integrated and in the standings. More specifically, the three primary industries in the Purchase/Pennyrile WIA in FY 2009 consisted of the Government (20.56%), Manufacturing (14.14%), and Retail Trade (13.25%) sectors. Additionally, the Health Care & Social Assistance sector contained 12.81% of the total labor force.

In contrast, the dominant sectors within the TENCO WIA parallel the predominant industries in the Cumberland WIA both in terms of particular sections included and in the rankings. In other words, in FY 2009, the Government (18.38%), Health Care & Social Assistance (17.73%), and Manufacturing (14.45%) sectors comprised the principal industries in the TENCO WIA. Additionally, the Retail Trade sector accounted for 14.40% of the total workforce.

A complete detail of WIA employment by sector is included in the appendix of this report.

Unemployment Insurance – Kentucky Annual Initial Claims (Ten-Year Summary)

CHART 26



Source: Office of Employment and Training, Unemployment Insurance (UI) Program

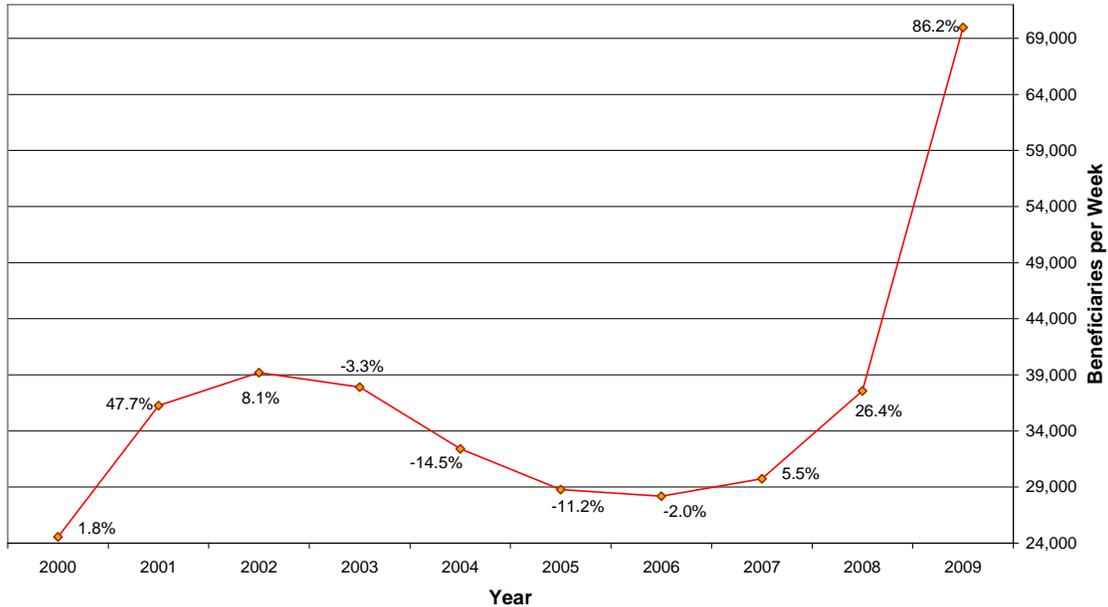
In 2009, there was a 20.6% increase in initial claims for unemployment insurance. This is the largest increase in initial claims since 2008, when the Kentucky economy was in the beginning stages of the current recession. While substantial, the rise in initial claims for unemployment insurance in 2009 represents a significant improvement from 2008, when there was a 41.2% surge in initial claims for unemployment insurance. Movements in the number of workers filing initial claims are followed closely by economists who consider initial claims activity to be an excellent indicator of the strength of the job market. During an economic downturn, when there is a weak job market, there is a corresponding increase in initial unemployment insurance claims.

From 2000 to 2001, there was an increase in the number of initial claims for unemployment insurance. During 2001, the Kentucky economy suffered a recession. Initial claims for unemployment insurance remained high in 2002 and 2003, during the jobless recovery. In 2004, there was a significant decrease in initial claims for unemployment insurance. However, annual initial claims in 2004 remained well above the number of initial claims in 2000. Since 2004, there has been a steady climb in the number of initial claims for unemployment insurance each year, with the exception of 2007, when there was a negligible decline. Yet, the number of initial claims in 2007 was less than in 2003. In 2009, the number of initial unemployment insurance claims surged to the highest level on record, exceeding the previous historical high in 1982, when initial unemployment insurance claims stood at 506,700. Yet, the magnitude of the rise in initial unemployment insurance claims in 2009, 20.6%, is lower than both the 41.2% escalation in 2008 and the 41.4% growth in the 2001 recession. The decline in the rate of increase in initial claims for unemployment insurance suggests an easing in the severity of the recession in 2009.

Unemployment Insurance – Kentucky Average Weekly Beneficiaries (Ten-Year Summary)

CHART 27

Average Weekly Unemployment Insurance Beneficiaries 2000-2009



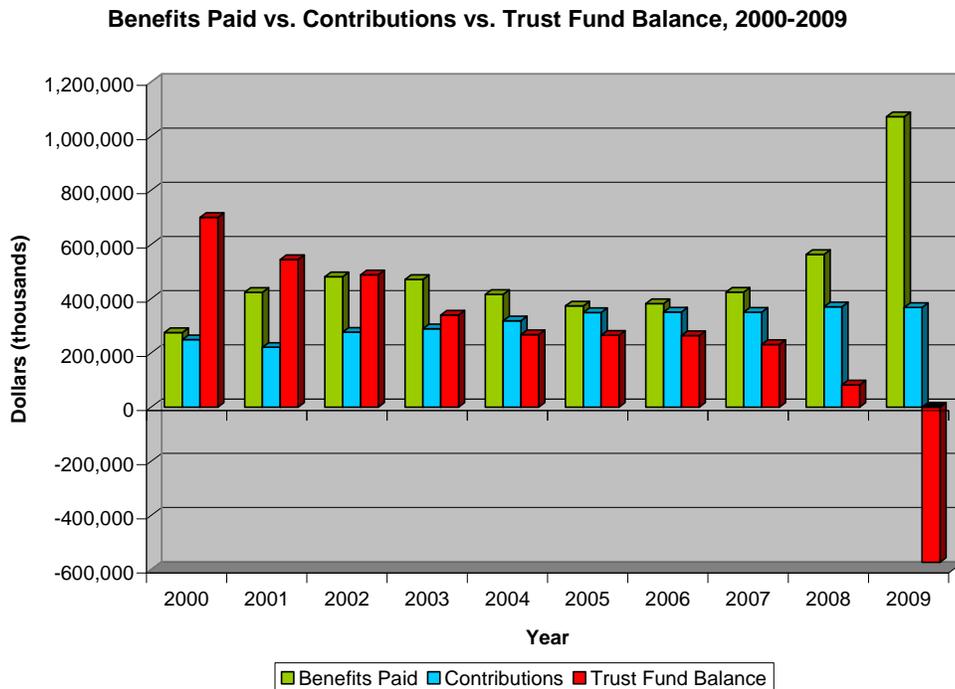
Source: Office of Employment and Training, Unemployment Insurance (UI) Program

During 2009, 3,638,359 weeks were compensated amounting to \$1,071M in regular unemployment insurance benefits. During each week of 2009, on average, 69,968 Kentuckians were paid unemployment insurance benefits. This represents an 86.2% increase from the 37,574 average weekly beneficiaries in 2008. The rise in the number of average weekly beneficiaries occurred despite a decline in the annual initial unemployment insurance claims. Hence, the boost in the number of average weekly beneficiaries corresponds to Kentuckians remaining on the unemployment insurance rolls longer in 2009 than in 2008. The average duration of unemployment claims climbed 4.9 weeks from 14.1 weeks in 2008 to 19.0 week in 2009

The number of average weekly beneficiaries declined every year from 2002 to 2006. However, there was a significant leveling out of the rate of decrease in 2006. In 2006, the number of average weekly beneficiaries reached an inflection point, when the curve shifted from decreasing to increasing. The rise in average weekly beneficiaries between 2007 and 2009 demonstrates weakness in the employment climate in Kentucky. Prior to 2007, the last increase in number of average weekly beneficiaries occurred between 2000 and 2002, when the Kentucky economy was also in the middle of an economic downturn. Moreover, the number of average weekly beneficiaries in 2009 is the highest on record, surpassing the previous high of 58,695 reached in 1982.

Unemployment Insurance – Kentucky Benefits Paid, Contributions, and Trust Fund Balance (Ten-Year Summary)

CHART 28



Source: Office of Employment and Training, Unemployment Insurance (UI) Program

Since 2000, there has been a steady decline in the unemployment insurance trust fund balance from \$700.2M to -\$573.2M. Kentucky's unemployment insurance trust fund was completely depleted, forcing the state to borrow money from the federal government to cover unemployment insurance claims. In each of these years, the unemployment insurance benefits paid exceeded the unemployment insurance trust fund contributions. This disparity is well pronounced in the period between 2001 and 2003. Furthermore, the magnitude of the deviation has steadily increased from \$24,358 in 2005 to \$703,499 in 2009, an unprecedented level. During 2001 and from 2008 to 2009, the Kentucky economy suffered a recession. During economic downturns, there is an increase in the number of people on unemployment rolls due to job cuts and layoffs. This acts to increase the level of unemployment insurance benefits paid. At the same time, there is a decrease in the number of individuals working. Kentucky requires employers to pay unemployment insurance taxes on the first \$8,000 of an employee's income. Therefore, fewer individuals working acts to reduce the level of contributions to the UI trust fund. These two factors combine to create a structural imbalance in the UI trust fund during recessions.

From 2000 to 2002, there was a series of increases in regular UI benefits paid from \$275.4M in 2000 to \$481.3M in 2002. The most pronounced increase (53.7%) occurred between 2000 and 2001, at the beginning of the last recession in Kentucky. After 2002, an unbroken sequence of declines in the regular UI benefits paid proceeded from a high

of \$481.3M in 2002 to a low of \$373.3 in 2005. This string of declines was followed by increases in regular UI benefits paid from 2006 to 2009. Moreover, the augmentations in regular UI benefits are climbing at an increasing rate. At \$1,071.4M, the regular UI benefits paid in 2009 are the highest on records dating back to 1982.

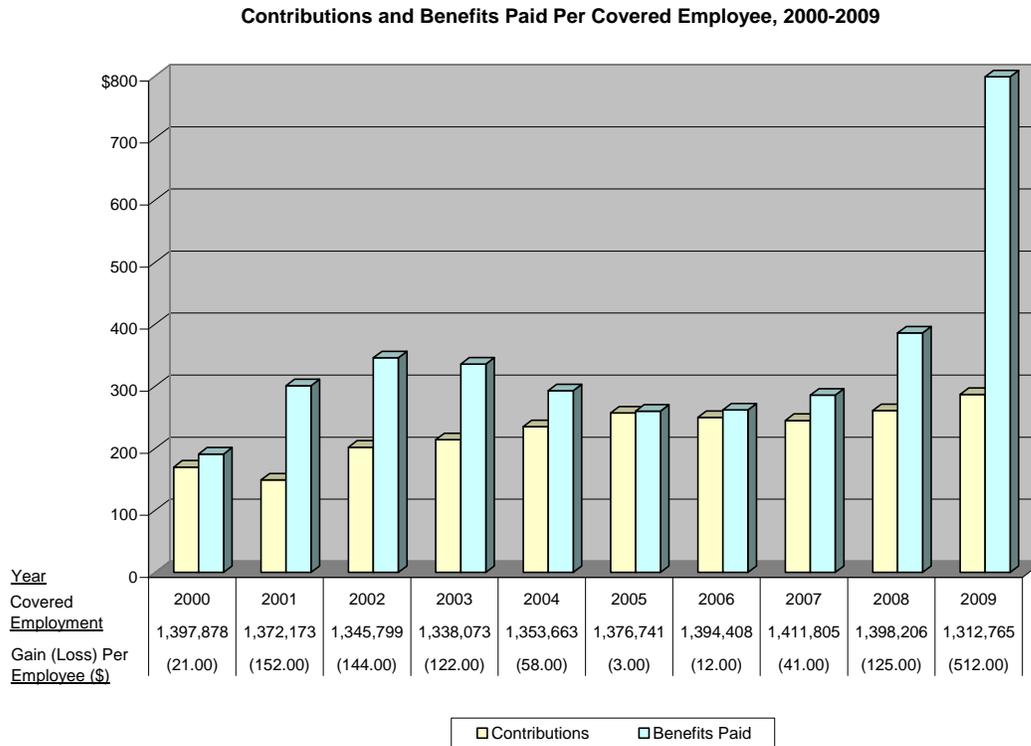
Between 2000 and 2001, contributions to the UI trust fund decreased slightly from \$248.9M to \$220.8M. However, from 2001 to 2006, there was an uninterrupted series of increases in contributions to the UI trust fund from a low of \$220.8M in 2001 to a high of \$350.7M in 2006. This represented a 58.8% increase over 5 years. In 2007, there was a slight decrease in contributions to the UI trust fund to \$350.0M. All in all, from 2005 to 2007, contributions to the UI trust fund hovered around \$350M. The pause in the rise in contributions to the UI trust fund ended in 2008, when contributions increased to \$369.8M. Yet, the string of increases in contributions to the UI trust fund did not ameliorated Kentucky's trust fund position, which decreased from \$544.3M in 2001 to a low of \$81.9M in 2008. Contributions to the UI trust fund dwindled slightly from \$369.8M in 2008 to \$367.9M in 2009. Despite the rise in contributions over the 10-year period, there was a 181.9% decrease in the trust fund balance as benefits paid continued to exceed contributions.

Over the last decade, there has been a 47.8% increase in contributions to the UI trust fund from \$248.9M in 2000 to \$367.9M in 2009. During that same time-span, the regular UI benefits paid has surged 404.6% from \$290.5M in 2000 to \$1,570.3M in 2009. Consequently, the UI trust fund balance has plummeted 181.9% from \$700.2M in 2000 to -\$573.2M in 2009. With the trust fund completely depleted, Kentucky currently pays unemployment insurance through the Federal Unemployment Account (FUA). The \$655,079 decrease in the UI trust fund in 2009 is the largest decline in the UI trust fund balance on record.

In 2009, there was an increase in regular UI benefits paid to \$1,570.3M from \$680.1M in 2008, a 130.9% increase. At this same time, contributions dropped slightly from \$369.8M in 2008 to \$367.9M in 2009, a mere 0.5% decrease. In response, Kentucky's UI trust fund balance tumbled from \$81.9M in 2008 to -\$573.2M in 2009, an 800.2% decrease. The rise in regular UI benefits paid combined with the slight decrease in contributions to the UI trust fund triggered a plunge in the UI trust fund balance.

Unemployment Insurance – Kentucky Contributions and Benefits Paid per Covered Employee (2000 to 2009)

CHART 29



In 2000, on a per covered employee basis, the benefits paid were higher than the unemployment insurance contributions made. This generated a loss of \$21 per covered employee in 2000. Moreover, since 1999, on a per covered employee basis, the benefits paid have exceeded the unemployment insurance contributions made. This divergence was most prominent in the period between 2001 and 2003 and the time frame from 2008 to 2009. During 2001, and again in 2008 and 2009, the Kentucky economy faced an economic downturn. During recessions, the number of individuals on the unemployment rolls increases due to job cuts and layoffs. As a result, there is a rise in the level of unemployment insurance benefits paid. Concurrently, there are fewer people working and an ensuing reduction in the level of contributions to the UI trust fund. This phenomenon is clearly illustrated during 2001, when Kentucky faced an economic downturn. In 2001, there was a sharp decrease in contributions per covered employee from \$170 in 2000 to \$149 in 2001. At the same time, there was a substantial increase in benefits paid per covered employee from \$191 in 2000 to \$301 in 2001. This engendered a loss of \$152 per covered employee in 2001.

Between 2000 and 2001, there was an uninterrupted rise in the magnitude of the loss per covered employee commencing at \$21 in 2000 and culminating at \$152 in 2001, when the Kentucky economy suffered a recession. In contrast, from 2001 to 2005, there was a steady decline in the magnitude of the loss per covered employee. During this period,

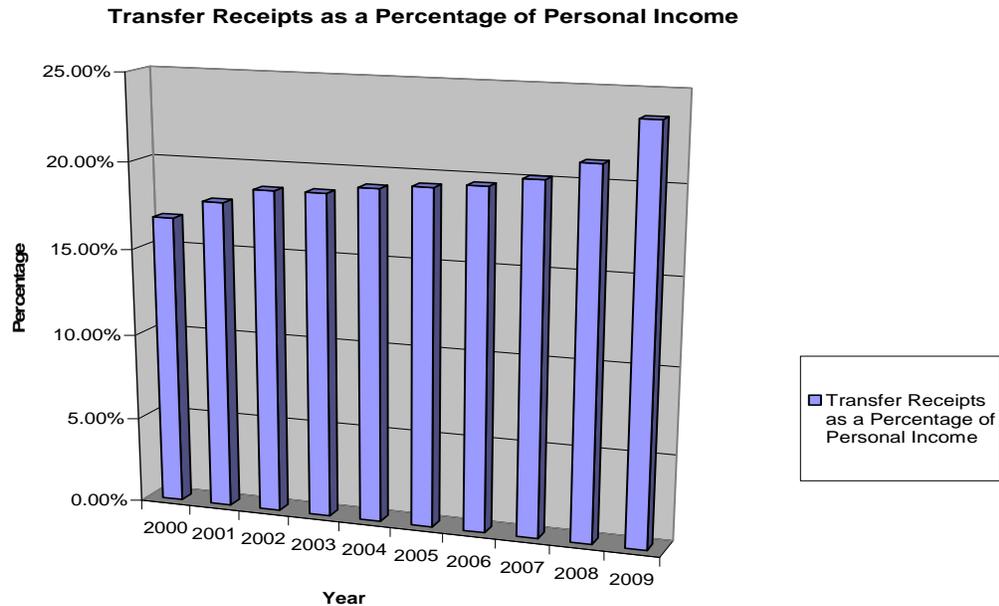
from 2000 to 2005, there was a continual drawdown of the UI trust fund. The decline in the magnitude of the loss per covered employee, after 2001, merely acted to reduce the speed of the depletion of the UI trust fund.

In 2006, there was a slight increase in the magnitude of the loss per covered employee from \$3 in 2005 to \$12 in 2006. This means there was an inflection point, where the curve shifted from decreasing to increasing. This trend continued in 2007, when the loss per covered employee increased to \$41. During 2008, the Kentucky economy faced a severe recession. Despite the economic downturn in 2008, there was a minute increase in contributions per covered employee from \$245 in 2007 to \$261 in 2008. At the same time, there was a significant climb in benefits paid per covered employee from \$286 in 2007 to \$386 in 2008. This generated a loss of \$125 per covered employee in 2008. In 2009, Kentucky's economy continued to spiral downward as a result of the worst recession in modern history. Yet, in 2009, there was a slight rise in contributions per covered employee to \$287. As the adequacy of the unemployment insurance trust fund is diminished, the employer unemployment insurance contribution rates are adjusted higher through the use of a new schedule. Thus, the rise in contributions per covered employee in 2008 and 2009 is a sign of the depletion of the unemployment insurance fund.

Nonetheless, benefits per covered employee ballooned to \$799, a 107% increase. In other words, the benefits per covered employee more than doubled from 2008 to 2009, showcasing the acuteness of the current recession. The surge in the benefits per covered employee is indicative of the climb in the number of individuals receiving unemployment insurance compensation. Consequently, the loss per covered employee stood at a whopping \$512 in 2009. Hence, from 2006 to 2009, there was a widening of the gap between contributions and benefits paid per covered employee. The increasing rate of growth in the loss per covered employee exacerbated the diminution of the UI trust fund until it was completely depleted. As a result, Kentucky has been forced to borrow funds from the federal government and pay unemployment insurance through the Federal Unemployment Account (FUA).

Personal Current Transfer Receipts – Kentucky (Ten-Year Summary)

CHART 30



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts

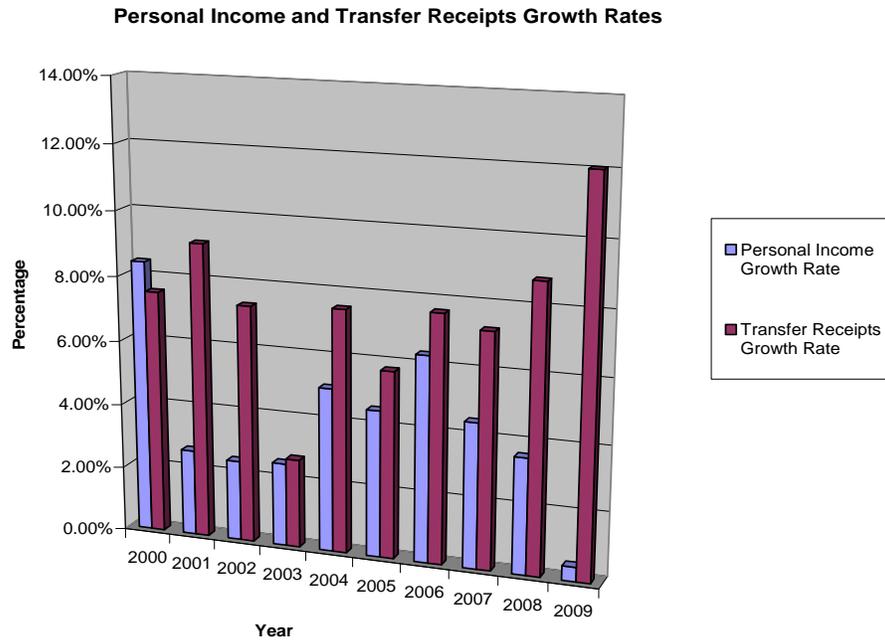
Over the last 10 years, personal current transfer receipts for Kentucky have grown from \$16,848,970,000 in 2000 to \$32,448,844,000 in 2009. During this same time, personal income for Kentucky has grown from \$100,354,332,000 to \$137,545,711,000.

In the last decade, there has been steady growth in personal current transfer receipts for Kentucky as a percentage of personal income. This period began with sharp increases in 2001 and 2002, corresponding to the recession occurring during that period. From 2002 to 2009, there has been a substantial increase in personal current transfer receipts as a percentage of personal income. However, from 2003 to 2007 this increase occurred at significantly smaller rates than in 2001 and 2002. In other words, there was a flattening of the curve representing personal current transfer receipts for Kentucky as a percentage of personal income. In 2008, there was a sharp climb in personal current transfer receipts as a percentage of personal income, concurrent with the economic downturn that year. The rise in personal current transfer receipts as a percentage of personal income is exacerbated in 2009, which is indicative of the severity of the current recession.

Personal income comprises wage and salary disbursements, proprietors' income, rental income, personal dividend income, personal interest income, and personal current transfer receipts. In 2009, personal current transfer receipts represented 23.6% of personal income for Kentucky. This is a significant increase from 2000, when personal current transfer receipts were 16.8% of personal income.

Personal Income and Personal Current Transfer Receipts Growth Rates – Kentucky (Ten-Year Summary)

CHART 31



Source: U.S. Department of Commerce, Bureau of Economic Analysis, Regional Economic Accounts

In 2000, 2003, 2005, and 2006, the growth rates for personal income and personal current transfer receipts for Kentucky were similar. However, in 2001, 2002, 2004, 2007, 2008, and 2009 there were significant variations between these growth rates. In 2000, the growth rate for personal income exceeded the growth rate for personal current transfer receipts for Kentucky. More specifically, the growth rates for personal income and personal current transfer receipts for Kentucky were 8.44% and 7.54%, respectively. Personal current transfer receipts include retirement and disability insurance benefits, medical benefits, income maintenance benefits, unemployment insurance compensation, veterans' benefits, and other transfer receipts. Medical benefits such as Medicaid, income maintenance benefits including food stamps, and unemployment insurance compensation are inversely related to a state's economic health. Therefore, it is not surprising for personal income growth to outpace personal current transfer receipts growth during boom years such as 2000.

During the period between 2001 and 2005, the growth rate for personal income fell short of the growth rate for personal current transfer receipts for Kentucky. This difference was most pronounced in 2001, when the growth rates for personal income and personal current transfer receipts for Kentucky were 2.67% and 9.13%, respectively, and 2002, when the growth rates for personal income and personal current transfer receipts for Kentucky were 2.49% and 7.35%, respectively. These years, when Kentucky's economy

was in the midst of a recession, were mirror images of 1998. Since personal current transfer receipts are inversely related to a state's economic health, it is not surprising for personal income growth to lag behind personal current transfer receipts growth during recession years such as 2001 and 2002.

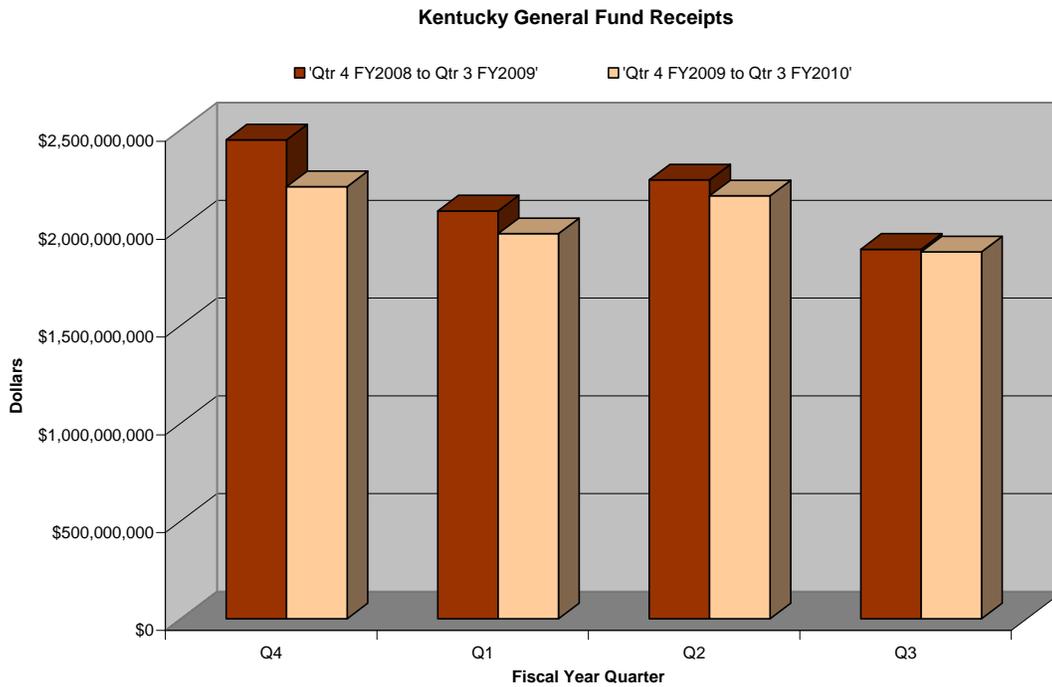
In 2006 and 2007, the growth rates for personal income, 6.35% and 4.48%, respectively, fell short of the growth rates for personal current transfer receipts for Kentucky, 7.64% and 7.24%, respectively. While there were sizable differences in the growth rates, they were not as pronounced as in 2001 and 2002. The growth rates for personal current transfer receipts were in the same range as in 2001 and 2002. However, the growth rates for personal income in Kentucky were significantly higher than in 2001 and 2002. Thus, while this phenomenon is not fortuitous, it is also not dire.

The divergence between the growth rate for personal income and the growth rate for personal current transfer receipts in Kentucky surged in 2008, corresponding to the economic downturn that year. More specifically, the growth rate for personal income and personal current transfer receipts for Kentucky stood at 3.59% and 8.81%, respectively. The marked deviation is of similar magnitude to the conspicuous variations in 2001 and 2002. In 2008, Kentucky suffered a contraction of GDP at -0.1%, a striking decline from the 1.0% rate of economic growth in 2007.

The deviation between the growth rate for personal income and the growth rate for personal current transfer receipts in Kentucky ballooned even further in 2009, reflecting the acuteness of the current recession. In particular, the growth rate for personal income and personal current transfer receipts for Kentucky were reported at 0.44% and 12.04%, respectively. The magnitude of the divergence is nearly double the deviation in 2001, showcasing the gravity of the economic downturn. The meager rate of increase for personal income is a sign of the downward pressure the recession is exerting on wages and income. In contrast, the surge in the transfer receipts growth rate is indicative of the generous unemployment insurance benefits included in the federal stimulus plan, subsequent extensions of unemployment insurance benefits, and the climb in the number of individuals receiving unemployment insurance compensation, medical benefits including Medicaid, and income maintenance benefits such as food stamps.

Tax Receipts – Kentucky General Fund Receipts (Current Year)

CHART 32



Source: Office of State Budget Director, Quarterly Economic and Revenue Reports and Monthly Tax Receipt Reports

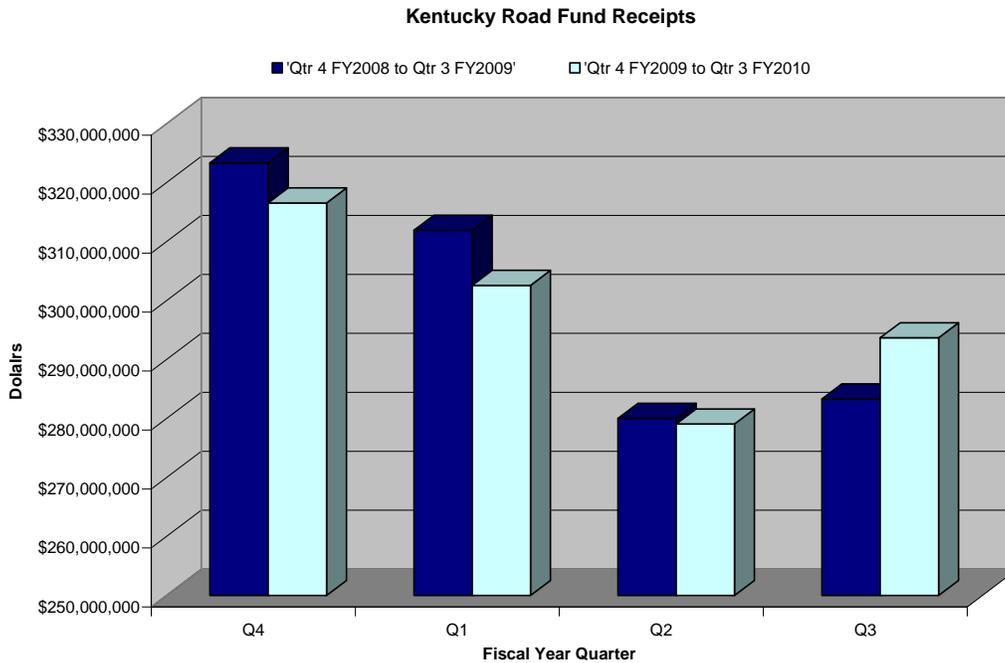
Kentucky General Fund Revenue consists of sales and gross receipts, including general sales taxes and excise taxes on alcohol and cigarettes; license and privileges taxes; income taxes, both corporate and individual; property taxes; inheritance taxes; miscellaneous receipts; and non-tax receipts such as the lottery. In the most recent four quarters, income taxes comprised the largest component of General Fund Receipts, while sales and gross receipts represented the second largest portion. Together these two categories encompassed 82.5% of General Fund Revenue. In the four prior quarters, these two groupings accounted for 82.9% of General Fund Revenue. The continued decline in the fraction of General Fund Revenue attributed to income taxes and sales and gross receipts, is indicative of the toll of the current recession. The slow year-over-year growth in sales and gross receipts, a mere 0.7%, is a sign of retrenchment by consumers. Households are curtailing spending on non-necessities in an effort to make ends meet and as a precaution in the face of job insecurity. Yet, the impingement of the economic downturn is even more severe on income tax revenue. Between the prior four quarters and the current four quarters, income tax receipts plunged by 11.2%. Substantial job losses and pay cuts as a result of furloughs, temporary layoffs, and/or reduced overtime have crippled households incomes. Consequently, income tax receipts barely edged out sales and gross receipts for the largest component of General Fund Revenue in the current four quarters.

General Fund Receipts aggregated to \$8,215.6 for the most recent four quarters. This corresponds to a 5.2% reduction from the \$8,664.9M received in the prior four quarters.

All quarters suffered year-over-year decreases; however, the rate of decline steadily dropped. From Q3 2009 to Q3 2010, the deterioration in General Fund Revenue amounted to a meager 0.7%. Stabilization in Kentucky's economy is engendering a recovery in General Fund Receipts. In each four-quarter period, the fourth quarter exemplified the quarter with the largest total General Fund Receipts. In contrast, the third quarter represented the quarter with the smallest amount of General Fund Receipts. The largest year-to-year difference occurred in the fourth quarter. In the current four-quarter period, fourth quarter General Fund Receipts totaled \$2,209.3M. This represents a 9.7% decrease from the \$2,447.8M collected in the previous fourth quarter.

Tax Receipts – Kentucky Road Fund Receipts (Current Year)

CHART 33



Source: Office of State Budget Director, Quarterly Economic and Revenue Reports and Monthly Tax Receipt Reports

Kentucky Road Fund Revenue consists of sales and gross receipts, including motor vehicle use taxes and motor fuels taxes, use taxes, and surtaxes; license and privileges taxes on motor vehicles; and non-tax receipts such as the department fees and investment income. In the most recent four quarters, sales and gross receipts encompassed the largest component of Road Fund Receipts, accounting for 81.3% of Road Fund Revenue. In the prior four quarters, this category accounted for 80.6% of Road Fund Revenue.

Road Fund Receipts summed to \$1,192.0M for the most recent four quarters. This corresponds to a 0.6% decrease from the \$1,198.8M received in the prior four quarters. In each four-quarter period, the fourth quarter represented the quarter with the largest total Road Fund Receipts. In contrast, the second quarter exemplified the quarter with the smallest amount of Road Fund Receipts. The largest year-to-year difference occurred in the third quarter, which registered the first year-over-year advance in the last 8 quarters. In the current four-quarter period, third quarter Road Fund Receipts totaled \$293.7M. This represents a 3.7% increase from \$283.4M collected in the previous third quarter.

The main culprit for the drop in Road Fund Receipts is plunging automobile sales. Consumers, grappling with layoffs, tighter credit conditions, and declining household wealth due to waning home prices and a plummeting stock market, have developed a reticence to opening their pocketbooks and wallets, choosing instead to postpone purchases of long-lasting manufactured goods such as automobiles. Consequently, there

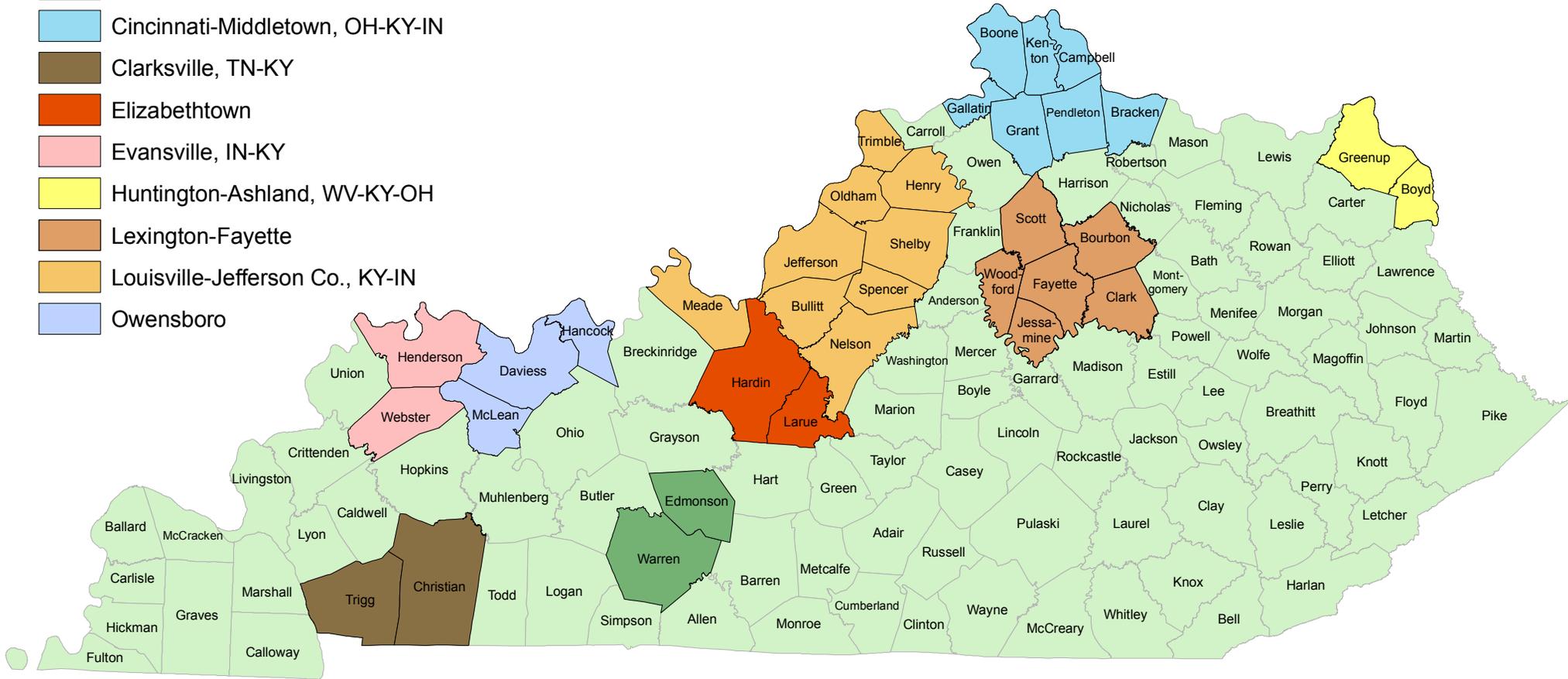
has been a dramatic decline in the Motor Vehicle Sales Receipts, revenue from the 6% sales tax on automobiles. In the current four-quarter period, Motor Vehicle Sales Receipts totaled \$329.2M, plummeting 6.8% from the \$353.1M amassed in the prior four quarters.

However, the decline in Road Fund Revenue was mitigated by stabilization in gasoline prices. While the price of gasoline has risen in the current four quarters, it remains well below the record-setting price hit in July 2008. The steady, gradual climb in gasoline prices generated a minimal shock to consumers and allowed households to adapt to higher prices. Driving patterns, curtailed in the face of record-setting prices in 2008, have returned to more normal levels. In addition, stabilization in Kentucky's economy has strengthened gasoline demand. Correspondingly, in the current four-quarter period, Motor Fuel Taxes summed to \$637.5M, a 5.8% rise from the \$602.5M garnered in the prior four quarters.

Appendix

Kentucky's Metropolitan Statistical Areas*

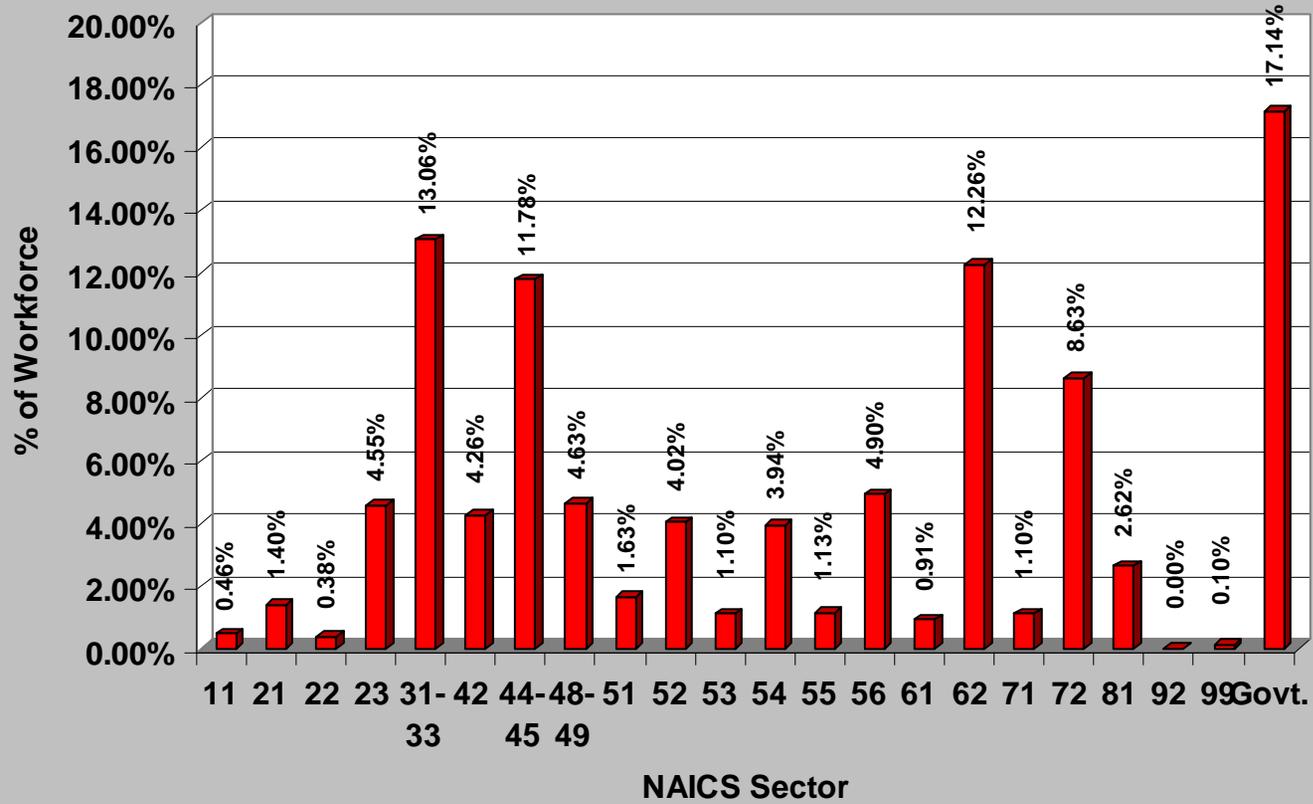
- Bowling Green
- Cincinnati-Middletown, OH-KY-IN
- Clarksville, TN-KY
- Elizabethtown
- Evansville, IN-KY
- Huntington-Ashland, WV-KY-OH
- Lexington-Fayette
- Louisville-Jefferson Co., KY-IN
- Owensboro



* Metropolitan and micropolitan statistical areas (metro and micro areas) are geographic entities defined by the U.S. Office of Management and Budget (OMB) for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics. The term "Core Based Statistical Area" (CBSA) is a collective term for both metro and micro areas. A metro area contains a core urban area of 50,000 or more population, and a micro area contains an urban core of at least 10,000 (but less than 50,000) population. Each metro or micro area consists of one or more counties and includes the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

CHART 34

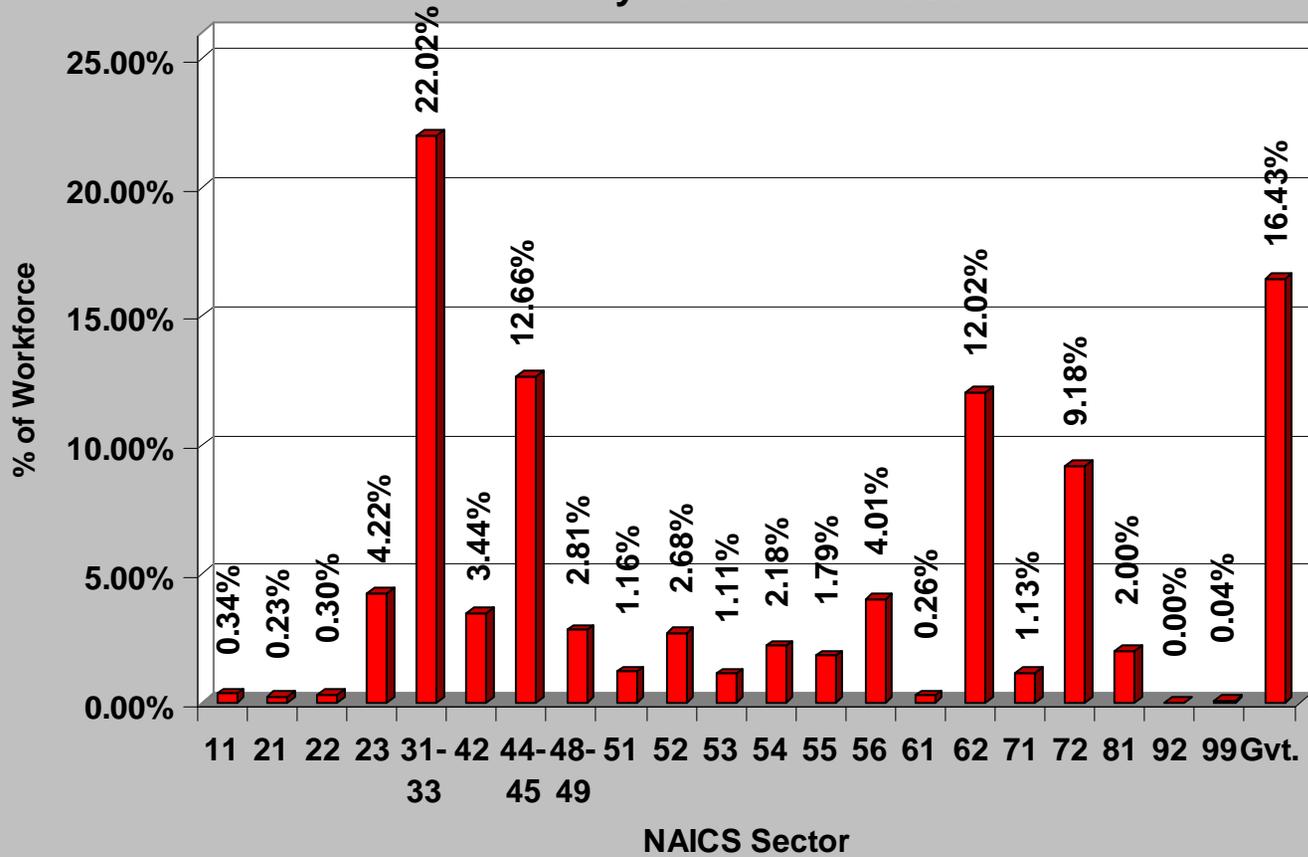
Kentucky Workforce Representation by NAICS Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Census of Employment and Wages (QCEW) Program

CHART 35

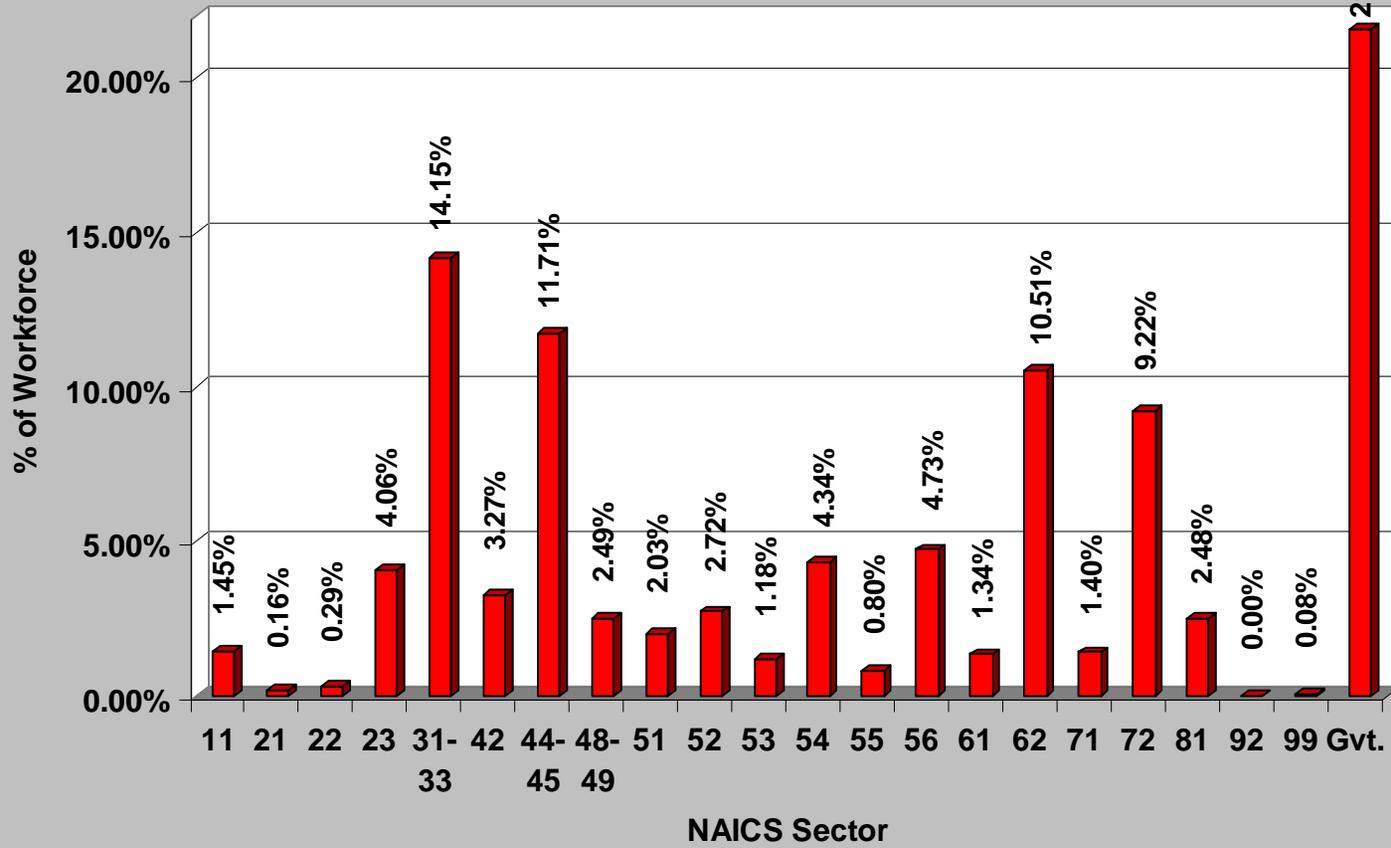
Barren River Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Census of Employment and Wages (QCEW) Program

CHART 36

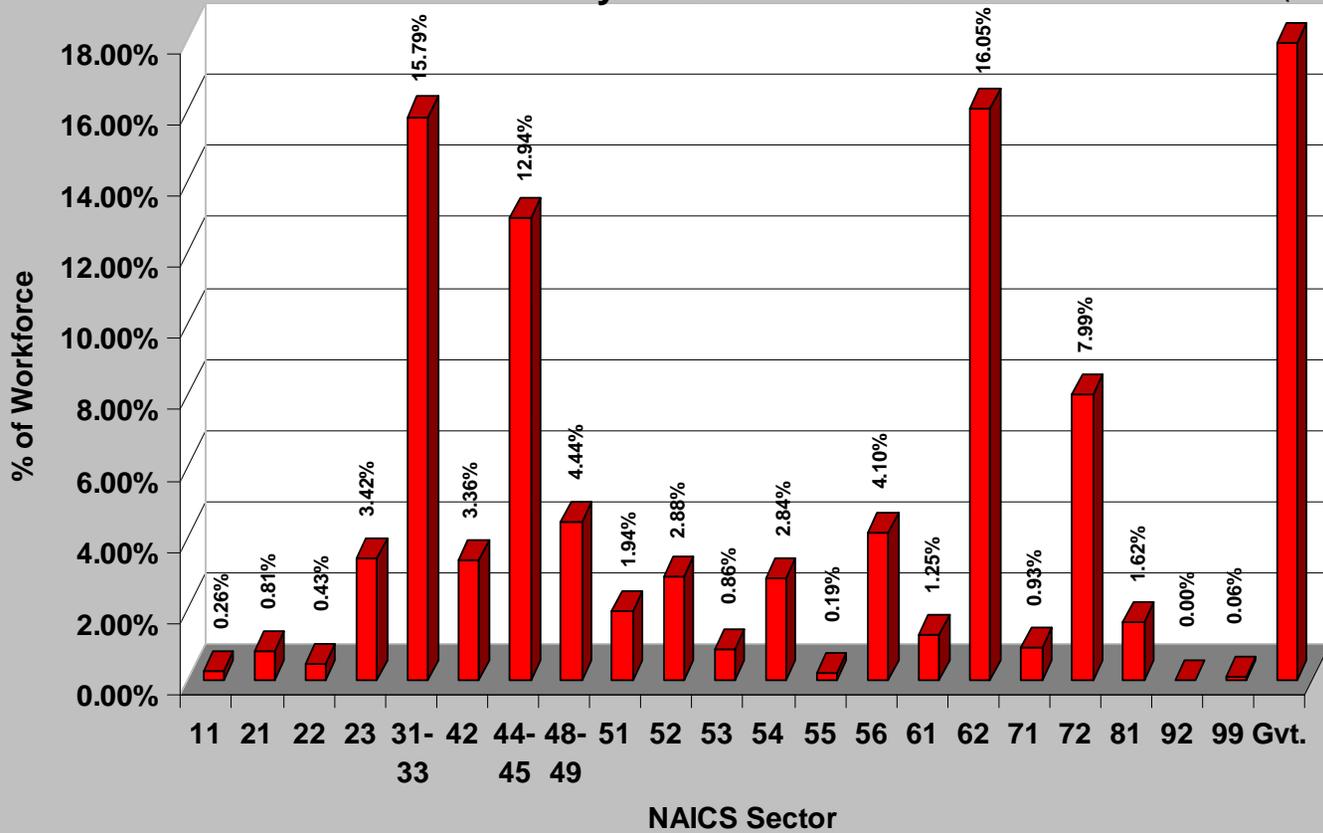
Bluegrass Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Employment and Wages (QCEW) Program

CHART 37

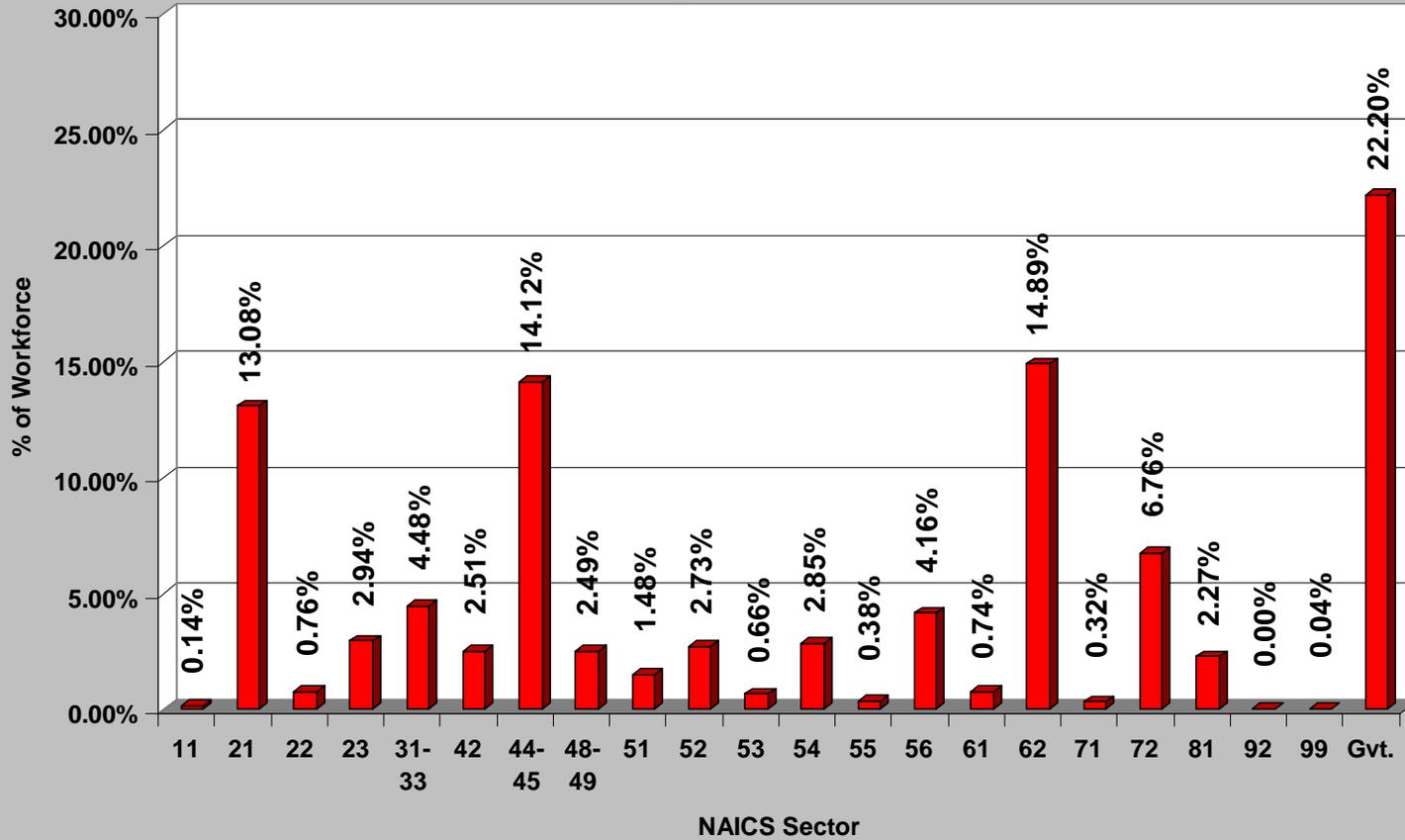
Cumberlands Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Census of Employment and Wages (QCEW) Program

CHART 38

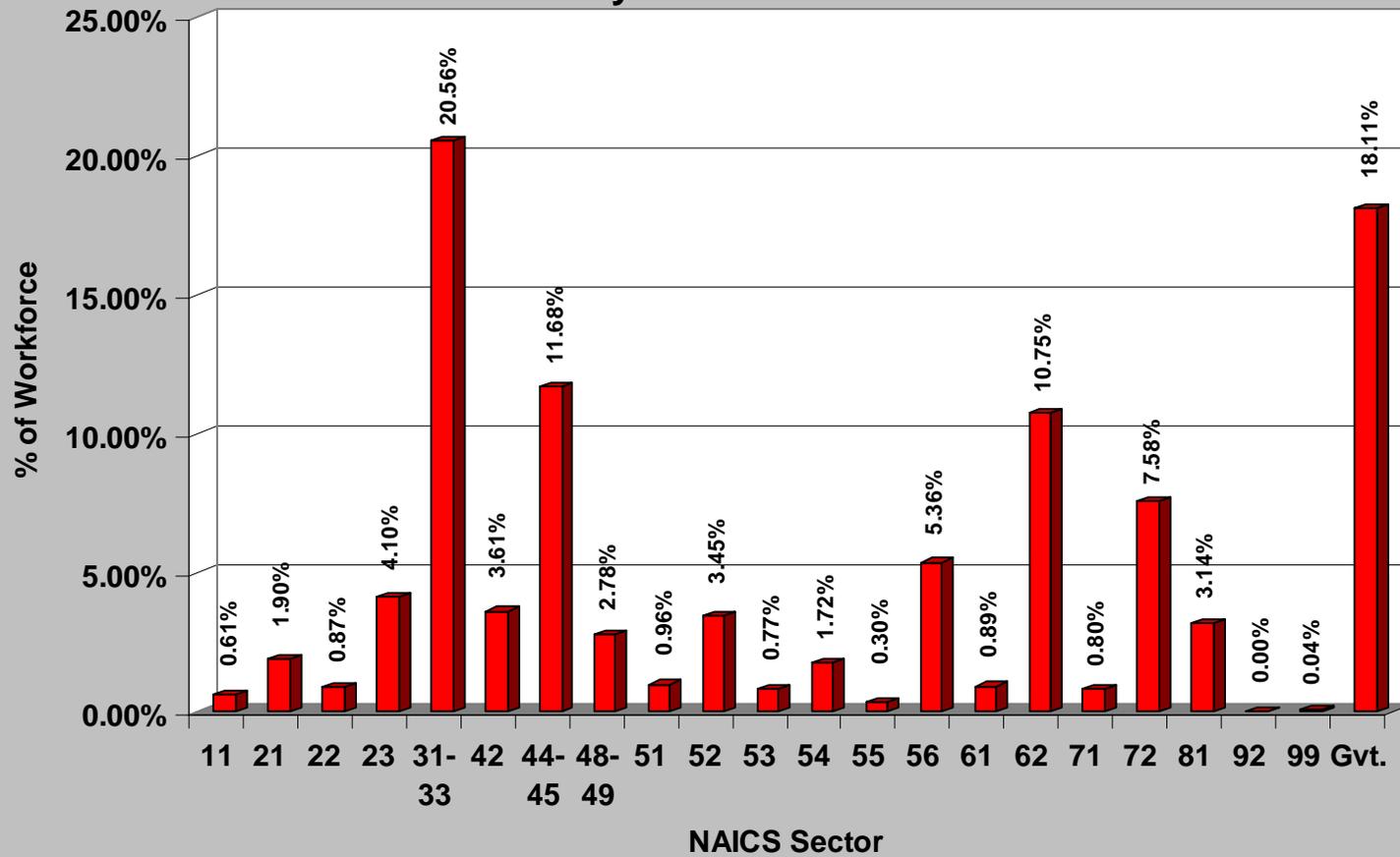
EKCEP Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Census of Employment and Wages (QCEW) Program

CHART 39

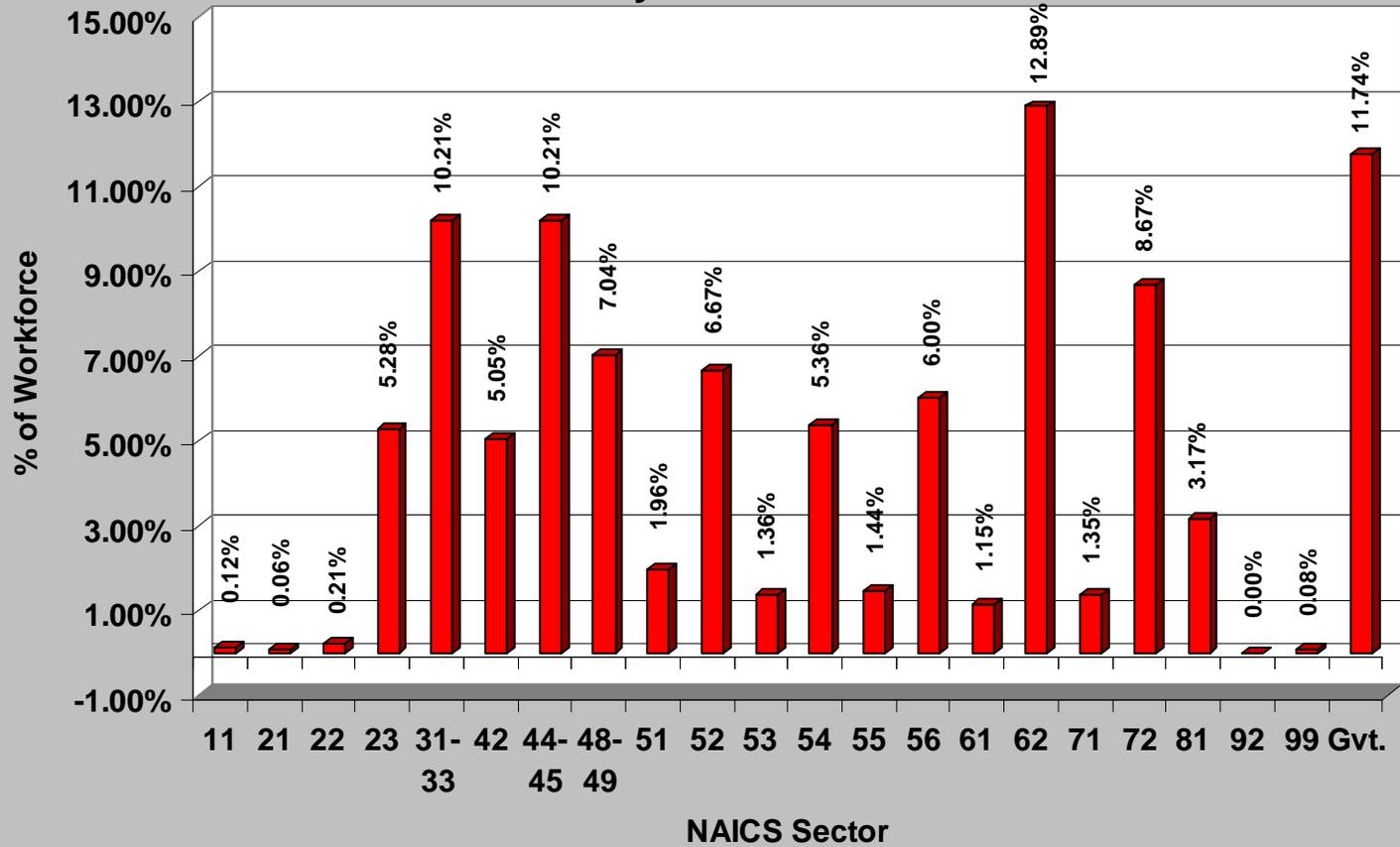
Green River Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Census of Employment and Wages (QCEW) Program

CHART 40

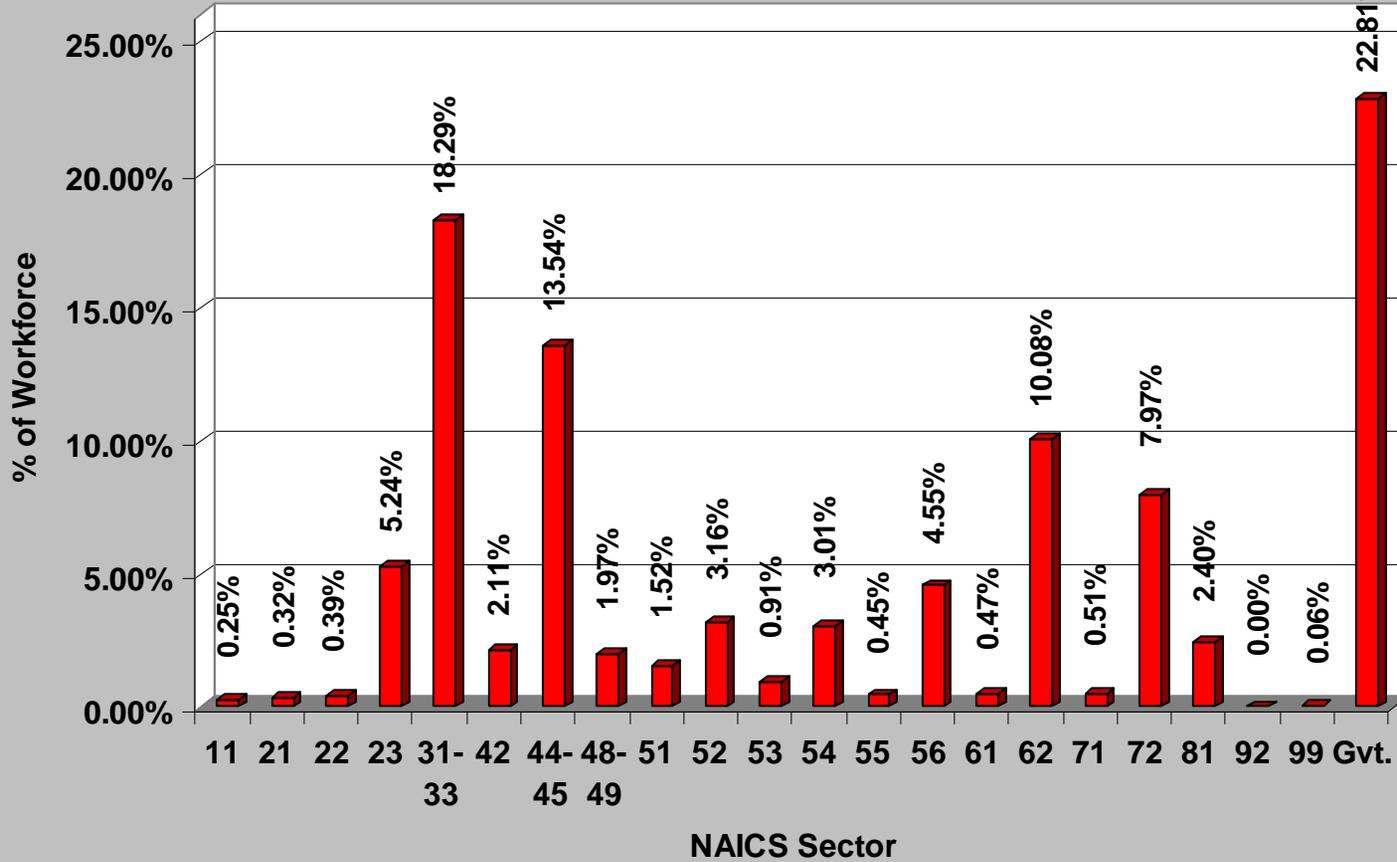
Kentuckiana Works Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Census of Employment and Wages (QCEW) Program

CHART 41

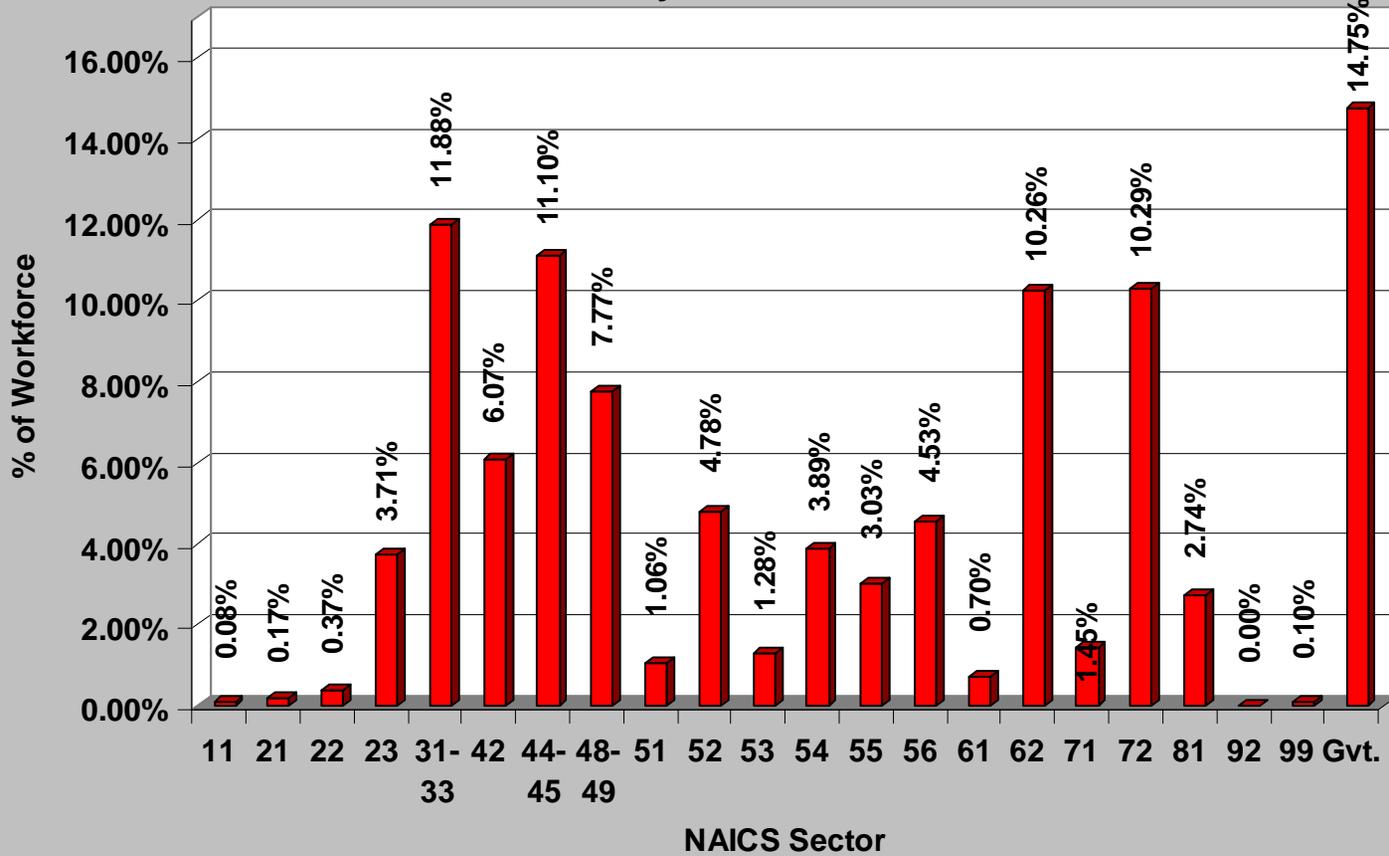
Lincoln Trail Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Census of Employment and Training (QCEW) Program

CHART 42

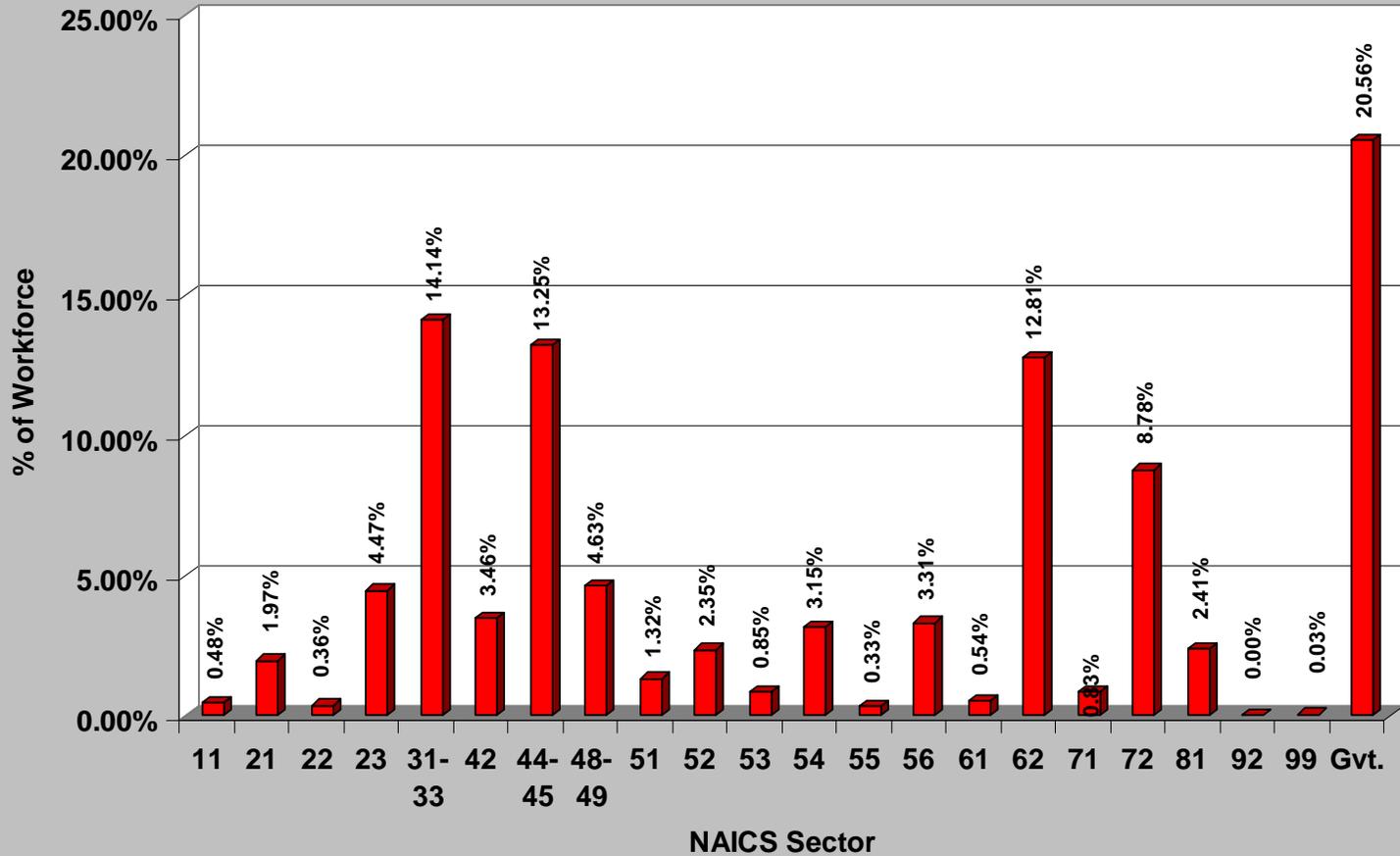
Northern Kentucky Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Census of Employment and Wages (QCEW) Program

CHART 43

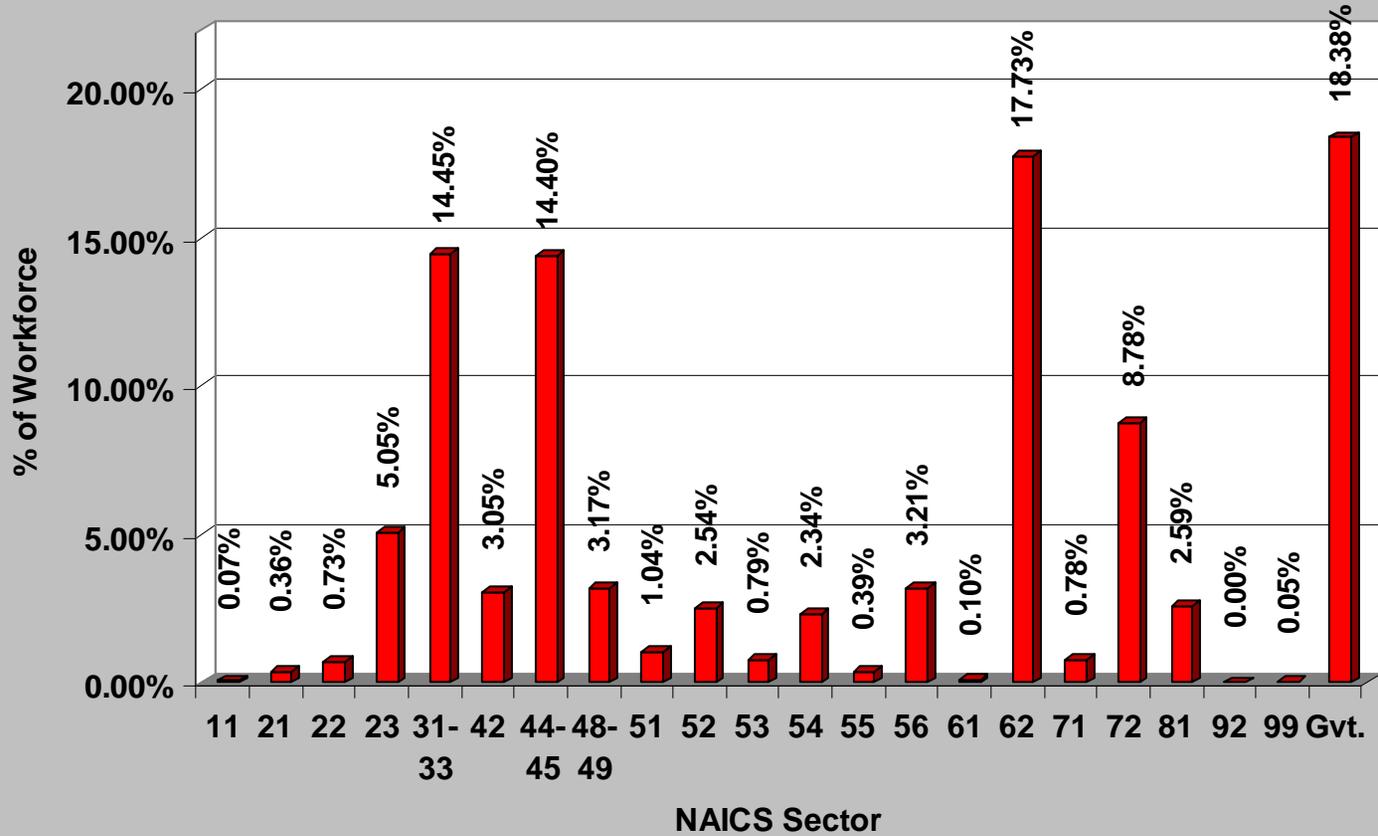
Purchase/Pennyrile Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quaterly Census of Employment and Wages (QCEW) Program

CHART 44

TENCO Workforce Representation by Sector July 2008 - June 2009



Source: Office of Employment and Training, Quarterly Census of Employment and Wages (QCEW) Program

TABLE 1**NAICS Sector Coding Key**

NAICS Sector	NAICS Code
Ag, Forestry, Fishing & Hunting	11
Mining, Quarrying, & Oil & Gas Extraction	21
Utilities	22
Construction	23
Manufacturing	31-33
Wholesale Trade	42
Retail Trade	44-45
Transportation & Warehousing	48-49
Information	51
Finance & Insurance	52
Real Estate & Rental & Leasing	53
Professional, Scientific & Technical Services	54
Mgmt of Companies & Enterprises	55
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Glossary

Annual initial claims – Yearly average of the number of initial or first-time jobless claims filed by individuals seeking to receive state jobless benefits.

Annual unemployment rate – Yearly average of the unemployment rate calculated at the end of the calendar year using revised monthly unemployment rates and new Census population controls. The unemployment rate represents the number unemployed as a percent of the labor force. Population controls refers to population data developed from various independent sources, such as vital statistics on births, deaths, migration, school enrollment, persons living in group quarters, inmates in institutions, etc., which are used in the Current Population Survey estimation procedures to independently adjust sample-based labor force levels.

Average monthly wages – Average earnings of employees estimated by totaling the unemployment insurance (UI) wage records for all individuals in a particular industry or area in a given year. Then, the total is divided by the number of employees for that industry or area and year. The yearly average is divided by 12 to obtain a monthly average. Wages means all remuneration for services, including commissions, bonuses, tips, and except for services provided in agriculture and domestic employment, the cash value of all remuneration in any medium other than cash. Wages do not include the amount of any payment made to, or on behalf of, a worker under a plan or system established by an employing unit than makes provision for its workers, including any amount paid on account of retirement, sickness or accident disability, medical and hospitalization expenses in connection with accident or sickness disability, or death.

Average weekly Unemployment Insurance (UI) beneficiaries – Yearly average of the number of individuals receiving unemployment insurance benefits in a given week.

Benefits – Non-wage compensation provided to employees. The National Compensation Survey groups benefits into five categories: paid leave (vacations, holidays, sick leave); supplementary pay (premium pay for overtime and work on holidays and weekends, shift differentials, nonproduction bonuses); retirement (defined benefit and defined contribution plans); insurance (life insurance, health benefits, short-term disability, and long disability insurance); and legally require benefits (Social Security and Medicare, Federal and State unemployment insurance taxes, and workers' compensation).

Business cycle – Economy-wide fluctuations in production or economic activity over several months or years. These fluctuations occur around a long-term growth trend, and typically involve shifts over time between periods of relatively rapid economic growth (expansion or boom), and periods of relative stagnation or decline (contraction or recession). Economic growth tends to exhibit a pattern of (1) an expansion or above-average growth, (2) a peak, (3) a contraction of below-average growth, and (4) a trough or low point. The troughs then are followed by periods of expansion and the cycle generally repeats, though not in a regular manner. The National Bureau of Economic Research (NBER) is responsible for dating business cycles, including the start and end dates for recessions.

Civilian labor force – All persons in the civilian non-institutional population classified as either employed or unemployed. The civilian non-institutional population is the sum of individuals who are 16 years of age and older residing in a particular area who are not inmates of institutions (for example, penal and mental facilities, homes for the aged), and who are not on active duty in the Armed Forces.

Covered Employee – A person who works for a covered employer.

Covered Employer – An employer whose length and conditions of employment meet the criteria for tax liability under state or federal Unemployment Insurance (UI) law.

Coincident indicator – An economic indicator or statistic about the economy which changes at the same time and in the same direction as the whole economy, thereby providing information about the current state of the economy. Personal income, gross domestic product (GDP), industrial production, and retail sales are coincident indicators. A coincident index may be used to identify the dates of peaks and troughs in the business cycle.

Current Employment Statistics (CES) Program – A monthly survey conducted by State employment security agencies in cooperation with the Bureau of Labor Statistics. The survey provides employment, hours, and earnings estimates by industry for the nation as a whole, all States, and major metropolitan areas based on payroll records of business establishments.

Current Population Survey (CPS) – A monthly sample of approximately 60,000 households (nationally) conducted by the Census Bureau for the Bureau of Labor Statistics. It is the source of key labor market data, including the U.S. unemployment rate.

Dislocated worker – An individual who has been laid off or terminated, or received notice of such, and is unlikely to return to the previous industry or occupation; has been terminated or laid off, or received notice of such, as a result of a permanent closure or layoff at a plant or facility; was self employed and now unemployed because of a natural disaster or as a result of general economic conditions in the community caused by a natural disaster; or is a displaced homemaker.

Double-Dip Recession – Occurs when the economy has a recession, emerges from the recession with a short period of growth, but quickly falls back into recession.

Educational attainment – The highest diploma or degree, or level of work towards a diploma or degree, an individual has completed.

Employment level – All persons in the civilian non-institutional population who, during the reference week (the week including the 12th day of the month), (a) did any work at all (at least 1 hour) as paid employees, worked in their own businesses or profession or on their own farm, or worked 15 hours or more as unpaid workers in an enterprise operated

by a member of their family; or (b) were not working but had jobs from which they were temporarily absent because of vacation, illness, bad weather, childcare problems, maternity or paternity leave, labor management dispute, job training, or other family or personal reasons, whether or not they were paid for the time off or were seeking other jobs. Each employed persons is counted only once, even if he holds more than one job. Excluded are persons whose only activity consisted of work around their own house (painting, repairing, or own home housework) or volunteer work for religious, charitable, and other organizations.

Employer - A person or business employing one or more persons for wages or salary; the legal entity responsible for payment of quarterly unemployment insurance taxes or for reimbursing the state fund for unemployment insurance benefits costs in lieu of paying the quarterly taxes.

Extended mass layoff event - A situation involving a layoff of at least 31 days in duration and involving 50 or more individuals from a single establishment filing initial claims for unemployment insurance during a consecutive five-week period.

Goods-producing industries – A taxonomy of the North American Industry Classification System (NAICS) that includes the Manufacturing, Construction, and Mining & Logging supersectors.

Gross Domestic Product (GDP) – The market value of all final goods and services made within the borders of a nation in a year. It is equal to the expenditures for all final goods and services produced within a country in a year and is defined as private consumption + gross investment + government spending + net exports. Private consumption includes personal expenditures of households such as food, rent, medical expenses, but does not include new housing. Gross investment is defined as investments by business or households in capital and increases in business inventory. Examples of investment include construction of a new mine, purchase of software, or purchase of machinery and equipment for a factory. Spending by households (not government) on new houses is also included in investment. Investment does not mean purchases of financial products, which are classified as saving. Government spending is the sum of government expenditures on final goods and services. It includes salaries of public servant, purchase of weapons for the military, and any investment expenditure by the government. It does not include any transfer payments, such as social security or unemployment benefits. Net exports equals exports – imports. Exports are goods and services provided to foreign consumers by domestic producers. Imports are goods or services provided to domestic consumers by foreign producers.

Gross Domestic Product (GDP) by state – A measurement of a state's output. It is the sum of the value added from all industries in the state. GDP by state is the state counterpart to the nation's Gross Domestic Product (GDP). It is calculated as the sum of incomes earned by labor and capital and the costs incurred in the production of goods and services. It includes the wages and salaries that workers earn, the income earned by

individual or joint entrepreneurs as well as by corporations, and business taxes such as sales, property, and Federal excise taxes – that count as a business expense

Industry – A group of establishments that produce similar products or provide similar services. For example, all establishments that manufacture automobiles are in the same industry. A given industry, or even a particular establishment in that industry, might have employees in dozens of occupations. The North American Industry Classification System (NAICS) groups similar establishments into industries.

Industry sector employment – Estimate of the total number of jobs in a given sector based on wage records in the Unemployment Insurance (UI) system and information from the Quarterly Census of Wages and Earning (QCEW) program. UI-covered earnings excludes federal government employment and many farmers and agricultural employees, domestic workers, self-employed non-agricultural workers, member of the Armed Services, some state and local government employees, as well as certain types of non-profit employers and religious organizations.

Inflation – A rise in the general level of prices of goods and services in an economy over a period of time. When the price level rises, each unit of currency buys fewer goods and services; consequently, inflation is also an erosion in the purchasing power of money.

Inflection point – A point on a curve at which the curvature changes sign. It is the point where the curve changes from being concave upwards (positive curvature) to concave downwards (negative curvature), or vice versa.

Initial claim – The initial notice of unemployment (or initial application) a person files with the State Unemployment Insurance (UI) agency to initiate a request either for determination of entitlement to and eligibility for compensation, or for a subsequent period of unemployment within a benefit year or period of eligibility.

Initial claimant – A person who files any notice of unemployment to initiate a request either for a determination of entitlement to and eligibility for compensation, or for a subsequent period of unemployment within a benefit year or period of eligibility.

Inverse relationship – A mathematical relationship between two variables in which an increase in the value of one variable corresponds to a decrease in the value of the other variable.

Kentucky General Fund Revenue – Consists of sales and gross receipts including general sales taxes and excises taxes on alcohol and cigarettes; license and privileges taxes; income taxes, both corporate and individual; property taxes; inheritance taxes; miscellaneous receipts; and non-tax receipts such as the lottery.

Kentucky Road Fund Revenue – Consists of sales and gross receipts, including motor vehicle use taxes and motor fuels taxes, use taxes, and surtaxes; license and privileges

taxes on motor vehicles; and non-tax receipts such as the department fees and investment income.

Labor Market Area – An economically integrated geographic area within which individuals can reside and find employment within a reasonable distance and can readily change employment without changing their place of residence. The Metropolitan and Micropolitan Areas defined by the Office of Management and Budget are the major labor market areas. The small labor market areas are defined independently by the U.S. Department of Labor, Bureau of Labor Statistics using commuting data to determine the degree of economic integration among the cities, towns, and unincorporated areas not included in the major labor market areas.

Local area personal income – Income that is received by, on behalf of, all persons who live in the local area. It is calculated as the sum of wage and salary disbursements, supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCadj), rental income of persons with CCadj, personal dividend income, personal interest income, and personal current transfer receipts less contributions for government social insurance. Estimates of local area personal income are presented by the place of residence of the income recipients. All estimates of local area personal income are in current dollars (not adjusted for inflation).

Local Area Unemployment Statistics (LAUS) – A Federal-State cooperative program which produces employment, labor force, and unemployment estimates for States and local areas based on the Current Population Survey (CPS).

Local Employment Dynamics (LED) – A time data series created under the Federal-State Local Employment Dynamics Partnership to provide details about America's jobs, workers, and local economies and communities. The partnership between state labor market information agencies and the Census Bureau integrates existing data from state-supplied administrative records on workers and employers with existing censuses, surveys, and other administrative records to produce new measures known as Quarterly Workforce Indicators (QWIs). QWIs supply data on labor markets that is local (at the state, county, and sub-county level); generate statistics on employment, job creation, turnover, and earnings by industry, age, and gender; and provide dynamic information on the rapidly changing economy.

Loss per covered employee – The difference between Unemployment Insurance (UI) benefits paid and UI contributions made on a per covered employee basis. UI benefits paid per covered employee equals total UI benefits paid divided by the number of covered employees, while UI contributions made per covered employee is defined as total UI contributions made divided by the count of covered employees. A loss occurs when UI benefits paid exceed UI contributions made on a per covered employee basis.

Mass layoff event – A situation in which 50 or more persons have filed initial claims for unemployment insurance benefits against an establishment during a consecutive five-week period prior to employer contract and regardless of duration.

Mass Layoff Statistics (MLS) Program – A Federal-State cooperative statistical effort which uses a standardized, automated approach to identify, describe, and track the effects of major jobs cutbacks using data from each State’s unemployment insurance database. Information is obtained on the total number of persons separated, the reasons for these separations, and recall expectations.

Metropolitan Statistical Area (MSA) – A geographic entity defined by the U.S. Office of Management and Budget (OMB) for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics. A MSA consists of a core urban area of 50,000 or more population and contains one or more counties including the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

Micropolitan Statistical Area – A geographic entity defined by the U.S. Office of Management and Budget (OMB) for use by Federal statistical agencies in collecting, tabulating, and publishing Federal statistics. A Micropolitan Statistical Area consists of a core urban area of at least 10,000 (but less than 50,000) population and contains one or more counties including the counties containing the core urban area, as well as any adjacent counties that have a high degree of social and economic integration (as measured by commuting to work) with the urban core.

Motor Fuel Taxes – A tax imposed on the sale of gasoline, liquefied petroleum and special fuels (all combustible gases and liquids capable of being used in motor vehicles except gasoline and liquefied petroleum). The gasoline tax is levied on the average wholesale price per gallon with a minimum wholesale price of \$1.342 per gallon.

Motor Vehicle Usage Tax – A tax on the privilege of using a motor vehicle upon the public highways of Kentucky. Motor Vehicle Usage Tax is levied at 6% and is collected upon the transfer of ownership or when a vehicle is registered for the first time in Kentucky.

Nominal – Refers to any price or value expressed in current dollars (i.e., not adjusted for inflation). The term “real” denotes a price or value that has been adjusted for the effect of inflation.

Nominal income growth – The rate of change of nominal income over time. Nominal income refers to income expressed in current dollars (i.e., not adjusted for inflation).

Nominal per capita personal income – Per capita personal income expressed in current dollars (i.e., not adjusted for inflation).

Nominal wage growth – The rate of change of nominal wages over time. Nominal wages refers to wages expressed in current dollars (i.e., not adjusted for inflation).

Non-farm employment – A subset of domestic employment which excludes proprietors, self-employed, unpaid family or volunteer workers, farm workers, and domestic workers. Employment is the total number of persons on establishment payrolls full- or part-time who received pay for any part of the pay period which includes the 12th day of the month. Temporary and intermittent employees are included, as are any workers who are on paid sick leave, on paid holiday, or who work during only part of the specified pay period. A striking worker who only works a small portion of the survey period, and is paid, would be included as employed. Persons on the payroll of more than one establishment are counted in each establishment (i.e., it provides a count of the number of jobs). Persons on layoff the entire period, on leave without pay, on strike for the entire period, or who have not yet reported for work are not counted as employed. Government employment covers only civilian workers.

North American Industry Classification System (NAICS) – The standard system of classifying business establishments developed through a cooperative effort between the U.S., Canada and Mexico. NAICS groups establishments into industries based on the activity in which they are primarily engaged. Establishments using similar raw material inputs, similar capital equipment, and similar labor are classified in the same industry. NAICS uses a six-digit hierarchical coding system to classify all economic activities into twenty industry sectors, which are subcategorized into subsectors, industry groups, NAICS international industries, and national industries. Amalgamations of related sectors are classified as supersectors.

Not seasonally adjusted data – Term used to describe data series that have not been subjected to the seasonal adjustment process. In other words, the effects of regular or seasonal patterns have not been removed from these series.

Occupation – A set of activities or tasks that employees are paid to perform. Employees that perform essentially the same tasks are in the same occupation, whether or not they work in the same industry. Some occupations are concentrated in a few particular industries; other occupations are found in many industries.

Occupation Employment Statistics (OES) Survey Program – A Federal-State cooperative program that produces employment and wage estimates for over 800 occupations. Self-employed persons are not included in the estimates. The estimates of the number of people employed in certain occupations and the wages paid to them are available for the nation as a whole, for individual States, and for metropolitan and non-metropolitan areas.

Occupational group - A group of related occupations.

Per capita personal income – The average income computed for every man, woman, and child in a geographic area. The Census Bureau derives per capita income by dividing the total income of all people 15 years old and over in a geographic area by the total population in that area (excluding patients or inmates in institutional quarters).

Personal current transfer receipts – Income payments to persons for which no services are performed and net insurance settlements. It is the sum of government social benefits and net current transfer receipts from business. Included in personal income is retirement and disability insurance benefits, medical benefits such as Medicaid, income maintenance benefits such as food stamps, unemployment insurance compensation, and veteran’s benefits.

Personal income – Compensation received by all persons from all sources. Personal income is the sum of net earning by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts. Net earnings is earning by place of work (the sum of wage and salary disbursements (payrolls), supplements to wages and salaries, and proprietors’ income) less contributions for government social insurance, plus an adjustment to convert earnings by place of work to a place-of-residence basis. Personal income is measured before the deduction of personal income taxes and other personal taxes and is reported in current dollars (no adjustment is made for price changes).

Population – The total number of inhabitants occupying an area.

Poverty – Defined by the Office of Management and Budget using a set of money income thresholds that vary by family size and composition. If a family’s total income is less than the family’s threshold, then that family and every individual in it is considered in poverty. The official poverty definition uses money income before taxes and does not include capital gains or non-cash benefits such as public housing, Medicaid, and food stamps. The official poverty thresholds do not vary geographically, but are updated for inflation using the Consumer Price Index (CPI).

Poverty rate – The percentage of people (or families) who are below poverty.

Quarterly Census of Employment and Wages (QCEW) Program – A cooperative program involving the Bureau of Labor Statistics and State employment security agencies that produces employment and wage data for workers covered by State Unemployment Insurance (UI) laws and Federal workers covered by the Unemployment Compensation for Federal Employees Program (UCFEP). Data is available on the number of establishments, monthly employment, and quarterly wages, by NAICS industry, by county, by ownership sector, for the entire United States. Data is aggregated to annual levels, to higher industry levels (NAICS industry groups, sectors, and supersectors), and to higher geographic levels (Metropolitan Statistical Area (MSA), state, and national).

Quintile – The portion of a frequency distribution containing one-fifth of the total sample.

Rapid Response Team (RRT) – Group who coordinates on-site services involving dislocated workers, employers, the community, and other local Workforce Investment Area (WIA) resources and services available to help the employer manage a layoff and identify the specific needs of the affected employees.

Recession – A significant decline in economic activity spread across the economy, lasting more than a few months, normally visible in real Gross Domestic Product (GDP), real income, employment, industrial production, and wholesale-retail sales.

Seasonally adjusted data – Data series that has been adjusted in order to remove the effect of events that follow a more or less regular pattern each year, making it easier to observe the cyclical and other non-seasonal movements in the series.

Sector – A composite of related subsectors as defined by the North American Industry Classification System (NAICS).

Service-providing industries – A nomenclature of the North American Industry Classification System (NAICS) that includes the Trade, Transportation, and Utilities; Information; Financial Services; Professional and Business Services; Education and Health Services; Leisure and Hospitality; Other Services; and Government and Public Education supersectors.

Separation – Occurrence where a worker’s employment with a given employer ends either temporarily or permanently.

Standard Occupational Classification (SOC) – System adopted by Federal statistical agencies to classify workers into occupational categories for the purpose of collecting, calculating, or disseminating data. All workers are classified into one of more than 800 occupations according to their occupational definition. To facilitate classification, occupations are combined to form 23 major groups, 96 minor groups, and 449 broad occupations. Each broad occupation includes detailed occupations requiring similar job duties, skills, education, or experience.

Supersector – An amalgamation of related sectors as defined by the North American Industry Classification System (NAICS).

Trend – A persistent underlying movement that takes place over a period of time. It is the basic growth or decline that would occur if no variation in activity existed.

Unemployment level – All persons in the civilian non-institutional population who had no employment during the reference week, were available for work, except for temporary illness, and had made specific efforts to find work some time during the four week period ending with the reference week. Persons who were waiting to be recalled to a job from which they were laid off need not have been looking for work to be classified as unemployed.

Unemployment Compensation for Federal Employees (UCFE) Program – A program administered by States as agents of the Federal government which provides benefits for eligible unemployed former civilian Federal employees. It is operated under the same terms and conditions that apply to regular State Unemployment Insurance (UI). In

general, the law of the State in which one's last official duty station in Federal civilian service was located is the State law that determines eligibility for UI benefits. There is no payroll deduction from a Federal employee's wages for UI protection. Benefits are paid for by various Federal agencies.

Unemployment rate – The ratio of the unemployed to the civilian labor force expressed as a percent. In other words, it represents the percentage of the civilian labor force that is seeking a job but does not have one. It is calculated by dividing the unemployment level by the civilian labor force and multiplying by 100.

Unemployment Insurance (UI) benefits – Short-term monetary benefit available to workers who become unemployed through no fault of their own. The weekly benefit rate payable to an eligible worker is calculated based on Unemployment Insurance (UI) law. Funding for UI benefits comes from employers through UI Trust Fund contributions.

Unemployment Insurance (UI) claim – A notice of unemployment (or application) a person files with the State Unemployment Insurance (UI) agency for UI benefits. UI claims are classified as initial claims or continuing claims. Continuing claims represent the number of people remaining on the unemployment rolls after drawing an initial week of UI benefits.

Unemployment Insurance (UI) claimant – A person who files any notice of unemployment with the State Unemployment Insurance (UI) agency seeking UI benefits.

Unemployment Insurance (UI) Trust Fund – Fund to which all Unemployment Insurance (UI) contributions and from which all UI benefits are paid.

Unemployment Insurance (UI) Trust Fund contributions – Monetary payments, exclusive of interest and penalties, required to be paid into the Unemployment Insurance (UI) Trust Fund by an employer based on the wages paid to covered employees and the employer's contribution rate set by UI law.

Wages – Compensation, usually financial, in exchange for labor or service performed during a specific period of time.

Workforce Investment Act – Legislation providing the framework for a unique national system focusing on meeting the needs of businesses for skilled workers and the training, education, and employment needs of individuals. Key components of the Act are enabling customers to easily access information and services they need through the "One-Stop" system, empowering adults to obtain the training they find most appropriate through Individual Training Accounts, and ensuring that all State and local programs meet customer expectations.

Workforce Investment Area (WIA) – Regional entities designated by the Governor, in compliance with the Workforce Investment Act of 1998, taking into consideration geographic areas served by local educational agencies and intermediate educational

agencies, geographic areas served by postsecondary educational institutions and area vocational education schools, the extent to which such local areas are consistent with labor market areas, the distance that individuals need to travel to receive services provided in such local area, and the resources of such local areas that are available to effectively administer the activities of the Workforce Investment Act of 1998.

Worker Adjustment and Retraining Notification (WARN) notice – A notice, required by the Worker Adjustment and Retraining Notification (WARN) Act, that employers are required to provide 60 days prior to a covered plant closing or covered mass layoff. This notice must be provided to either the affected workers or their representative (i.e., a labor union); to the State dislocated worker unit; and to the appropriate unit of local government. Employers are covered by the WARN Act if they have 100 or more employees, not counting employees who have worked less than 6 months in the last 12 months and not counting employees who work an average of less than 20 hours a week. Private, for-profit employers and private, nonprofit employers are covered, as are public and quasi-public entities which operate in a commercial context and are separately organized from the regular government. Regular Federal, State, and local government entities which provide public services are not covered.