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For information about BEA regional statistics, go to www.bea.gov.

Statistics, second quarter of 2009

Personal income increased in the second quarter in 37 states after falling in all states except Maryland in the first quarter.¹ The bulk of the second-quarter increase in all of these states was due to an increase in transfer receipts. For 15 states, this was the first personal income growth in a year. The percent change in second-quarter personal income ranged from 1.5 percent in North Dakota, where the farm sector accounted for a large portion of growth, to -1.0 percent in Wyoming, which had large losses in mining.

In Arizona, California, Nevada, and Michigan, earnings declined severely, ranging from 1.3 percent to 1.7 percent. Regional economists often mention Florida with this group of hard-hit states, but in the second quarter (as in the first quarter), Florida's earnings decline was less than the national average. Arkansas had the largest percentage decline in earnings in the second quarter; lump-sum payments associated with a merger in the information industry in the first quarter caused half of that decline.

Nationally, U.S. personal income grew 0.2 percent, or \$20 billion, in the second quarter, the first quarterly increase since the second quarter of 2008, as rising transfer receipts counterbalanced a continuing decline in income from production (earnings and property income). Net earnings fell 1.0 percent, or \$77 billion, property income fell 2.7 percent, or \$56 billion, and transfer receipts rose 7.7 percent, or \$153 billion.

Inflation exacerbated the declines in earnings and property income. The national price index for personal consumption expenditures rose 0.3 percent in the second quarter after falling in each of the previous two quarters.

For more on the American Recovery and Reinvestment Act of 2009, see page 70. For more on transfer receipts and earnings, see pages 68 and 69.

Comprehensive revision of state personal income

The comprehensive revision of the Bureau of Economic Analysis' state personal income statistics was released on October 16, 2009. The comprehensive revision reflected the comprehensive revision of the national income and product accounts. For more information, see page 71.

1. Personal income is the sum of net earnings by place of residence, property income, and personal current transfer receipts. Net earnings is the sum of wage and salary disbursements, supplements to wages and salaries, and proprietors' income less contributions for government social insurance plus an adjustment to put place of work data on a place-of-residence basis.

Quarterly State Personal Income

Overview

Personal income grew in 37 states in the second quarter of 2009. In almost all of these states, increases in personal current transfer receipts offset declines in earnings and property income combined (table A). In the 13 states where personal income fell in the second quarter, increases in transfer receipts were sufficient to offset lost earnings but not property income losses.

Transfer receipts

Personal current transfer receipts rose more in the second quarter (\$153 billion) than in any previous quarter since the time series began in 1969. On a percentage basis, however, the 7.7 percent growth in the second quarter of 2009 was exceeded by the 8.0 percent growth in the second quarter of 2008. In earlier quarters, transfers occasionally grew by even larger percentages.

The American Recovery and Reinvestment Act (ARRA) of 2009 provided for much of the second-quarter increase (see page 70). The Treasury Department paid \$250 lump sums to persons currently receiving social security, supplemental security income, veterans' pensions, and railroad retirement benefits; the Department of Agriculture boosted weekly benefits \$25 under the Supplemental Nutrition Assistance Program (food stamps); and state employment security agencies boosted weekly unemployment compensation \$25 and lengthened eligibility for the compensation by 13 weeks.

As a result of these actions as well as rising layoffs and trend growth (the steady expansion of entitlement programs from population growth), state unemployment insurance transfers rose \$44 billion in the second quarter of 2009, and all other transfers rose \$109 billion.

Table A. Personal Income Change by Component, 2009:II

	Percent change ¹	Dollar change (Millions of dollars)			
		Personal income	Net earnings ²	Dividends, interest, and rent	Transfer receipts
United States	0.2	19,847	-77,112	-56,071	153,030
Alabama	0.5	753	-960	-631	2,344
Alaska	0.0	6	-116	-135	257
Arizona	-0.1	-149	-1,706	-1,302	2,859
Arkansas	-0.4	-374	-1,319	-705	1,650
California	-0.4	-6,325	-15,734	-7,120	16,529
Colorado	-0.3	-658	-1,637	-1,125	2,104
Connecticut	-0.1	-267	-1,342	-962	2,037
Delaware	0.6	206	-199	-76	481
District of Columbia	0.1	20	-162	-101	283
Florida	-0.2	-1,141	-2,972	-6,810	8,640
Georgia	(L)	-93	-2,205	-1,713	3,825
Hawaii	0.5	277	-61	-261	599
Idaho	0.4	194	-238	-364	796
Illinois	0.1	529	-4,354	-2,189	7,072
Indiana	0.6	1,185	-1,714	-549	3,449
Iowa	1.2	1,291	4	-372	1,659
Kansas	0.2	213	-387	-639	1,239
Kentucky	1.0	1,264	-1,049	-442	2,754
Louisiana	-0.2	-275	-546	-1,690	1,961
Maine	1.0	458	-184	-87	729
Maryland	0.3	702	-795	-889	2,386
Massachusetts	0.3	1,082	-2,132	-1,056	4,270
Michigan	0.8	2,630	-2,770	-711	6,111
Minnesota	0.1	116	-1,659	-980	2,755
Mississippi	0.6	485	-542	-387	1,414
Missouri	0.4	771	-1,264	-837	2,872
Montana	0.4	118	-111	-276	505
Nebraska	-0.3	-213	-573	-333	693
Nevada	-0.5	-552	-1,097	-807	1,352
New Hampshire	0.2	101	-411	-105	616
New Jersey	0.3	1,200	-2,540	-1,030	4,770
New Mexico	0.6	420	-266	-260	946
New York	0.2	1,490	-3,782	-4,995	10,267
North Carolina	0.4	1,350	-2,404	-1,296	5,050
North Dakota	1.5	388	156	-71	302
Ohio	0.6	2,244	-2,633	-1,177	6,053
Oklahoma	0.1	117	-978	-770	1,865
Oregon	0.5	619	-932	-647	2,198
Pennsylvania	0.6	2,744	-3,175	-1,596	7,515
Rhode Island	0.8	328	-225	-53	606
South Carolina	0.7	1,011	-735	-703	2,448
South Dakota	-0.2	-73	-142	-239	308
Tennessee	0.6	1,254	-1,371	-393	3,018
Texas	0.1	641	-5,806	-4,443	10,890
Utah	-0.2	-182	-724	-419	962
Vermont	0.9	220	-96	-72	387
Virginia	0.3	931	-1,034	-1,182	3,146
Washington	0.5	1,349	-406	-1,949	3,704
West Virginia	1.3	727	-243	-100	1,070
Wisconsin	0.5	979	-1,346	-677	3,002
Wyoming	-1.0	-260	-193	-345	278

(L) Less than -0.05 percent

1. Percent changes are expressed at quarterly rates.

2. Net earnings is earnings by place of work—the sum of wage and salary disbursements, 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.

Quarterly State Personal Income

Industry earnings

Overall, the earnings component of personal income subtracted 0.73 percentage point from second-quarter growth, much milder than the 2.35 percentage point subtraction from first-quarter personal income growth. Second-quarter job losses and reduced hours were especially large in construction, durable-goods manufacturing, and finance—the three industries that contributed the most to the earnings decline nationally (table B). These three industries contributed the most to the first-quarter earnings decline as well.

Among private nonfarm industries, only health care contributed to personal income growth—0.07 percentage point (table B). Farms added another 0.03 percentage point to growth; government added 0.18 percentage point. There was no growth in any of the other industries that BEA monitors on a quarterly basis.

Although many states have furloughed employees for a few days in response to falling tax revenue, second-quarter earnings for state and local government workers declined only in Arizona and Nevada. Earnings in this sector declined in 11 states and the District of Columbia in the first quarter—by more than \$1 billion in California and Wisconsin, between \$100–\$200 million in Arizona, the District of Columbia, Maine, Massachusetts, and Vermont, and smaller amounts in Montana, Nebraska, Nevada, New Hampshire, and South Carolina.

Farm earnings grew \$172 million in North Dakota in the second quarter, which more than offset the \$18 million decline in the nonfarm sector. In every other state, total earnings by place of work was lower in the second quarter than in the first quarter.

Table B. Contributions of Earnings by Industry to Percent Change in U.S. Personal Income

[Percentage points, seasonally adjusted]

	2008			2009	
	II	III	IV	I	II
Construction	-0.10	-0.07	-0.14	-0.39	-0.20
Durable goods	-0.01	-0.04	-0.08	-0.39	-0.18
Finance and insurance	-0.10	0.05	-0.03	-0.55	-0.11
Transportation and warehousing	-0.02	0.00	0.02	-0.12	-0.07
Administrative and waste services	-0.02	-0.01	-0.02	-0.17	-0.06
Management of companies and enterprises	0.00	0.03	0.00	-0.11	-0.06
Professional, scientific, and technical services	0.10	0.05	-0.02	-0.11	-0.05
Other services, except public administration	0.01	0.02	0.01	-0.08	-0.05
Mining	0.02	0.04	0.02	-0.07	-0.04
Information	0.02	0.03	-0.07	-0.07	-0.04
Nondurable goods	-0.01	0.00	-0.02	-0.12	-0.03
Retail trade	0.00	-0.04	-0.11	-0.12	-0.02
Wholesale trade	0.02	0.01	-0.07	-0.16	-0.02
Educational services	0.02	0.02	0.02	0.01	-0.01
Real estate and rental and leasing	-0.01	-0.01	-0.03	-0.07	-0.01
Arts, entertainment, and recreation	0.01	0.01	0.00	-0.03	-0.01
Forestry, fishing, and related activities	0.00	0.00	0.00	0.00	-0.01
Utilities	0.00	0.00	0.01	0.02	-0.01
Accommodation and food services	0.00	0.00	-0.02	-0.06	0.00
Farm earnings	-0.15	0.04	-0.10	-0.06	0.03
Military	0.02	0.03	0.02	0.08	0.03
Federal, civilian	0.01	0.01	0.01	0.11	0.05
Health care and social assistance	0.10	0.11	0.13	0.00	0.07
State and local	0.10	0.09	0.06	0.09	0.10
Total	0.01	0.35	-0.42	-2.35	-0.73

NOTE: An industry's contribution to percent change in personal income equals the dollar change in that industry's earnings divided by personal income in the previous quarter times 100.

American Recovery and Reinvestment Act of 2009

The Bureau of Economic Analysis allocated to states the national estimates of payments to social security and supplemental security income recipients under the American Recovery and Reinvestment Act (ARRA) of 2009 in proportion to the number of beneficiaries in these programs in 2008. The national estimate of the additional Supplemental Nutrition Assistance Program (SNAP) benefits provided by ARRA was allocated to states in proportion to BEA state estimates of SNAP benefits for 2008. The amounts by state are presented in the table below.

Nationally, these payments amounted to \$60 billion and contributed 0.5 percentage point to second-quarter personal income growth. The contributions ranged from 0.3 percentage point in Colorado, Maryland, and the District of Columbia to 0.9 percentage point in Mississippi and West Virginia. Separate estimates of payments by state under ARRA to recipients of veterans' pensions, railroad retirement, and unemployment compensation (approximately \$23 billion nationally) were not made; they are combined with other personal current transfer receipts.

American Recovery and Reinvestment Act Payments by State, 2009:II

	Payments			Payments	
	Millions of dollars	Contribution to personal income growth Percentage points		Millions of dollars	Contribution to personal income growth Percentage points
United States	60,400	0.5	Missouri	1,313	0.6
Alabama	1,182	0.8	Montana	201	0.6
Alaska	116	0.4	Nebraska	325	0.5
Arizona	1,178	0.5	Nevada	415	0.4
Arkansas	739	0.8	New Hampshire	248	0.4
California	6,171	0.4	New Jersey	1,554	0.4
Colorado	710	0.3	New Mexico	423	0.6
Connecticut	664	0.4	New York	4,102	0.5
Delaware	181	0.5	North Carolina	1,941	0.6
District of Columbia	113	0.3	North Dakota	128	0.5
Florida	4,072	0.6	Ohio	2,439	0.6
Georgia	1,731	0.5	Oklahoma	803	0.6
Hawaii	260	0.5	Oregon	790	0.6
Idaho	277	0.6	Pennsylvania	2,899	0.6
Illinois	2,424	0.5	Rhode Island	234	0.5
Indiana	1,303	0.6	South Carolina	1,041	0.7
Iowa	627	0.6	South Dakota	164	0.5
Kansas	510	0.5	Tennessee	1,482	0.7
Kentucky	1,119	0.8	Texas	4,184	0.5
Louisiana	1,089	0.7	Utah	332	0.4
Maine	339	0.7	Vermont	138	0.6
Maryland	927	0.3	Virginia	1,376	0.4
Massachusetts	1,311	0.4	Washington	1,194	0.4
Michigan	2,244	0.7	West Virginia	538	0.9
Minnesota	907	0.4	Wisconsin	1,104	0.5
Mississippi	751	0.9	Wyoming	89	0.4

NOTE: The contribution of the ARRA payments to state personal income growth equals the amount of those payments divided by personal income in the previous quarter times 100.

David G. Lenze

Comprehensive Revision

On October 16, 2009, the Bureau of Economic Analysis (BEA) released the results of the latest comprehensive revision of quarterly and annual statistics of state personal income; the results of the previous comprehensive revision were released in May 2004.

As part of the 2009 revision, BEA released revised annual estimates of state personal income and per capita personal income for 1969–2008 and revised quarterly estimates of personal income for 1969 through the first quarter of 2009. Additional revisions, covering 1929–1968, are scheduled to be released in 2010.

Comprehensive revisions in general adopt various changes—in methodologies, classifications, definitions and concepts—that allow BEA economic accounts to better capture the dynamic U.S. economy.

The 2009 state personal income comprehensive revision incorporated the changes that were adopted as part of the 2009 comprehensive revision of the national income and product accounts (NIPAs), which was released in July 2009. The release of the state personal income comprehensive revision followed the NIPA comprehensive revision by just 21/2 months. That represents an acceleration from the previous release in 2004, when the state personal income comprehensive revision was released 4 months after the NIPA comprehensive revision.

The picture of state personal income that is shown by the revised estimates is similar to the picture shown by the previous estimates.

- The revisions to state personal income were generally small and fell within a relatively narrow range. In 2008, the revisions in level from the previously published estimates of personal income ranged from 5.5 percent to –2.5 percent. The revision to U.S. personal income was 1.2 percent.
- The largest revision to personal income, 22.1 percent for Louisiana in 2005, was primarily due to the change in the treatment of disasters in the personal income account.
- The effect of the comprehensive revision on the growth rates of state personal income was generally small. For 1992–2008, the average annual growth rate of U.S. personal income was 5.3 percent, 0.1 percentage point higher than in the previously published estimates. The revision to growth in all but two states ranged from –0.1 to 0.3 percentage point.
- The effect on the rankings of state per capita personal income in 2008 was generally small. Most states

changed no more than two positions in rank. The 10 states with the lowest per capita personal income in the revised estimates were also the 10 states with the lowest per capita personal income in the previously published estimates. Nine of the ten states with the highest per capita personal income in the revised estimates were also in the 10 highest per capita personal income states in the previously published estimates. Minnesota dropped in rank from 10 to 11, and California rose from 11 to 9.

The revised estimates of state personal income incorporated two changes in classifications and definitions as well as several statistical improvements, both nationally and by state.

Changes in classifications and definitions

- **New treatment of disasters.** The treatment was changed to better reflect the distinctions between current transactions and capital transactions regarding disasters. Under the new treatment, disaster-related damages to fixed assets, which were previously treated as depreciation and thus an expense to proprietors' income and rent, are recorded as "other changes in the volume of assets." Disaster-related insurance payouts are removed from personal current transfer receipts and now recorded as capital transfers.¹
- **New treatment of wages of U.S. workers in international organizations.** The treatment of wages earned by U.S. residents from employment at international organizations, foreign embassies, and foreign consulates in the United States was changed to improve consistency with NIPA private wage and salary disbursements and the treatment of other border workers. These wages have been classified as outside of the private domestic economy and therefore removed from private domestic wages in the state personal income accounts. Those wages have been added as an adjustment for residence from outside the United States into the appropriate state of residence of those employees. The change reduces state wages and salaries, but the adjustment for residence is increased by the same amount. State personal income totals are not affected.

1. See Eugene P. Seskin and Shelly Smith, "Preview of the 2009 Comprehensive Revision of the NIPAs: Changes in Definitions and Presentations," *SURVEY* 89 (March 2009): 10–27.

Comprehensive Revision

National and state statistical improvements²

- **Improved estimates of wages and salaries that incorporate new information on employee “cafeteria plans.”** Under these plans, employees may use a portion of their salaries on a pretax basis to pay for health insurance and to contribute to “flexible spending arrangements,” which reimburse them for medical care and dependent care expenses. The national estimates for 1985 forward were developed from state

2. See Clinton P. McCully and Steven Payson, “Preview of the 2009 Comprehensive Revision of the NIPAs: Statistical Changes,” SURVEY 89 (May 2009): 6–16.

estimates for the 28 states that did not report employees’ contributions to these plans as wages in the Bureau of Labor Statistics (BLS) Quarterly Census of Employment and Wages (QCEW). The primary source data for the improvement are the Agency for Healthcare Research and Quality Medical Expenditure Panel Survey-Insurance Component.

- **Improved estimates of the industry distribution of private employer contributions for old age, survivors, and disability insurance (OASDI).** The improved estimates now incorporate state- and industry-level data on the distribution of employment by

Personal Income in the NIPAs and State Personal Income

The level of personal income in the national income and product accounts (NIPAs), also known as the GDP accounts, differs from the national total in the state personal income statistics because of differences in coverage and the timing of the availability of source data.

The differences in coverage stem from different concepts of residence. For NIPA personal income, a U.S. resident has a center of economic interest in the country and resides, or expects to reside, in the country for a year or more. For state personal income, a resident is a participant in a U.S. regional economy, regardless of the individual’s national citizenship or duration of residence.¹

In general, the NIPA measure of personal income is broader than state personal income. Some key coverage differences are:

- NIPA personal income includes the earnings of federal civilian and military personnel stationed abroad and the investment income received by the federal retirement plans of these workers. The regional measure of personal income does not include this income.²
- NIPA personal income includes all income earned by U.S. citizens living abroad for less than a year. State Personal Income excludes the portion earned while an individual lives abroad.
- NIPA personal income includes the income of foreign nationals only if they live and work in the United States for a year or more. State personal income includes the income of resident foreign nationals working in the United States—including migrant workers—regardless of length of residency.

1. See “State Personal Income and Employment Methodology” at www.bea.gov/regional/docs/spi2008.

2. For a description of military coverage, see “New Treatment of State Estimates of Military Compensation,” SURVEY 85 (October 2005):116.

The annual estimates of personal income in the NIPAs also diverge from the national totals of state personal income because of differences in the timing of the availability of source data. For example, farm proprietors’ income in the NIPAs for 2008 was \$3.2 billion lower than in state personal income, because the state estimates of farm proprietors’ income incorporated revised Department of Agriculture data that were not available until after the national estimate was released.

Both NIPA and state personal income include the income of U.S. residents employed by international organizations or by other countries while living in the United States and exclude the income of foreign nationals employed by their home governments or by international organizations in the United States. In addition, both measures exclude the income of private U.S. citizens living outside the country for a year or more.

State and National Estimates of Personal Income

[Billions of dollars]

	2006	2007	2008
Personal income in the NIPAs	11,268.1	11,894.1	12,238.8
Plus adjustments for:			
Coverage differences			
Federal workers abroad.....	-15.4	-15.5	-15.6
Wage and salary disbursements.....	-22.6	-23.0	-23.5
Supplements to wages and salaries ¹	-14.4	-14.4	-14.7
Dividends, interest, and rent ²	-8.6	-8.9	-9.2
Less: Contributions for government social insurance.....	-1.0	-1.1	-1.0
Rest-of-the-world difference.....	-1.4	-1.4	-1.4
Wages of private foreign nationals in U.S.	7.2	7.5	7.9
Wages of private U.S. nationals abroad.....	8.1	8.5	8.8
Use of more current source data.....	-0.9	-1.0	-0.9
Wage and salary disbursements.....	3.8	1.2	2.4
Proprietors’ income.....	-0.9	-0.8	-0.5
Personal current transfer receipts.....	4.9	2.5	3.2
Personal current transfer receipts.....	-0.2	-0.5	-0.3
Equals: State personal income	11,256.5	11,879.8	12,225.6

1. Employer contributions for government social insurance and for employee pension and insurance funds for federal workers stationed abroad.

2. Investment income received by federal retirement plans that is attributed to federal workers stationed abroad.

Tina C. Highfill

Comprehensive Revision

hourly wage rate intervals from the BLS Occupational Employment Survey (OES) and data on the distribution of employment by hours worked per week by industry from the Current Population Survey (CPS). This procedure was designed to adjust the industry distribution of employer contributions to OASDI to account for the annual limit of taxable wages set by law, which in 2008 was \$102,000. Wages above this limit are not taxed. This change lowered compensation in high-wage industries and raised compensation in low-wage industries for 1998 forward. This change, however, did not affect personal income as contributions to government social insurance are subtracted in the calculation of personal income.

● **Improved estimates of proprietors' income and wages and salaries.** These estimates now incorporate updated "misreporting adjustments"—adjustments for underreporting and nonreporting of income—using recent national data from the Internal Revenue Service (IRS) and the Census Bureau.

● **Updated source data for farm proprietors' income.** These source data now incorporate national and state data prepared by the Economic Research Service of the U.S. Department of Agriculture (USDA). In addition, 2007 Census of Agriculture data, including a tab-

ulation of data by legal form of ownership that is used to remove corporate farm income, are incorporated into the farm proprietors' income estimates.

● **Updated national source data for rental income of persons with the capital consumption adjustment for 1992 forward, specifically imputed rent.** These source data now incorporate newly available data from the 2001 Residential Finance Survey (RFS), which are extrapolated using the data from the BLS Consumer Expenditure Survey.

Some of the statistical changes that were incorporated into the national estimates of personal income in the NIPAs (such as for misreported income and for rental income of persons) involve detailed estimation that cannot be replicated at the state level, because the underlying source data are not available for states. However, these changes are implicitly incorporated into the state estimates through the use of the national estimates as control totals.³

3. A state series is made to sum, or control, to a national estimate using an allocation procedure. For a complete description of statistical changes in the national statistics, see Eugene P. Seskin and Shelly Smith, "Improved Estimates of the National Income and Product Accounts: Results of the 2009 Comprehensive Revision," *SURVEY* 89 (September 2009): 15–41.

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