REGIONAL QUARTERLY REPORT

State Personal Income and More . . .

In this report...

- First-quarter 2013 state personal income statistics, page 143
- Preview of the Comprehensive Revision of the State Personal Income Statistics, page 147

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

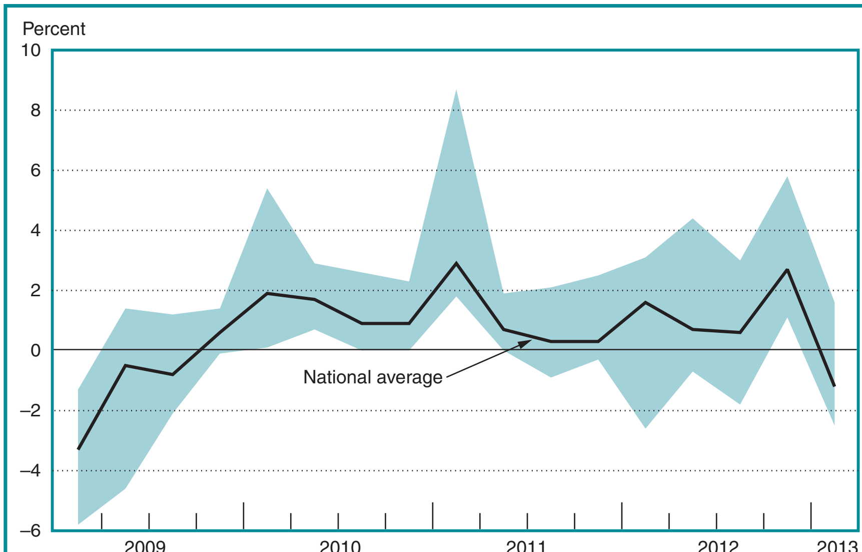
First quarter of 2013

State personal income declined an average 1.2 percent in the first quarter of 2013 after growing 2.7 percent in the fourth quarter of 2012 (chart 1).[1] Personal income declines ranged from 0.1 percent in Iowa to 2.5 percent in Wyoming. In contrast, personal income grew 1.6 percent in South Dakota, the only state with an increase in the first quarter. Inflation, as measured by the national price index for personal consumption expenditures, slowed to 0.2 percent in the first quarter down from 0.4 percent in the fourth quarter of 2012.

The decline in first-quarter personal income reflected the effects of several special factors, including the expiration at the beginning of 2013 of the "payroll tax holiday" (a temporary 2-percentage-point reduction in the personal contribution rate for Social Security), and the acceleration of the receipt of income,

1. Personal income is the sum of net earnings by place of residence, property income, and personal current transfer receipts.

Chart 1. Range of State Personal Income Quarterly Growth Rates



NOTE. Shaded area indicates range of state growth rates.

U.S. Bureau of Economic Analysis

David G. Lenze prepared the report on state personal income.

State Personal Income

especially personal dividends and salary bonuses, into the fourth quarter in anticipation of first-quarter changes in income and payroll tax rates.[2]

Personal contributions for social insurance

Some of the first-quarter personal income decline was the sequel to a surge in personal income 2 years ago (in the first quarter of 2011). At that time, employee and self-employed (personal) contributions for social insurance fell $97 billion as the personal contribution rate for Social Security was cut from 6.2 percent to 4.2 percent. Since these contributions are a subtraction in the derivation of personal income, this was equivalent to a 0.8 percent increase in personal income at the start of the payroll tax holiday. As a result of the expiration of the holiday as well as an increase in the taxable wage base, an increase in the monthly premiums paid by participants in the Supplementary Medical Insurance program, and the implementation of the Additional Hospital Insurance Tax at the start of the first quarter of 2013, personal contributions for social insurance rose $126 billion, reducing personal income 0.9 percent (chart 2).[3]

Personal contributions for social insurance vary substantially across states, from as much as 9.9 percent of wage and salary disbursements in Rhode Island to as little as 7.2 percent in Massachusetts—and 6.3 percent in Washington, DC (chart 3). Contributions (as a percentage of wages) tend to be higher in Rhode Island because it is one of three states in which employees contribute to a temporary disability insurance program. Contributions tend to be lower in Massachusetts because most state and local government employees in that state do not participate in Social Security. Contributions tend to be lower in Washington, DC, because federal employees in the Civil Service Retirement System (CSRS) do not participate in Social Security.

Wage and salary disbursements

Wage and salary disbursements fell 0.3 percent in the first quarter of 2013 after rising 2.5 percent in the fourth quarter of 2012. The swing reflected the effects of accelerated bonuses in anticipation of tax rate changes. The largest swings occurred in Delaware where a 5.3 percent fourth-quarter wage increase was followed by a 2.1 percent first-quarter decline and in Connecticut where a 4.9 percent fourth-quarter gain was followed by a 0.9 percent first-quarter loss.

A similar pattern occurred in 1993–94 when the $135,000 cap on the Medicare taxable wage base was

Chart 2. Contributions to Percent Change in Personal Income, U.S.

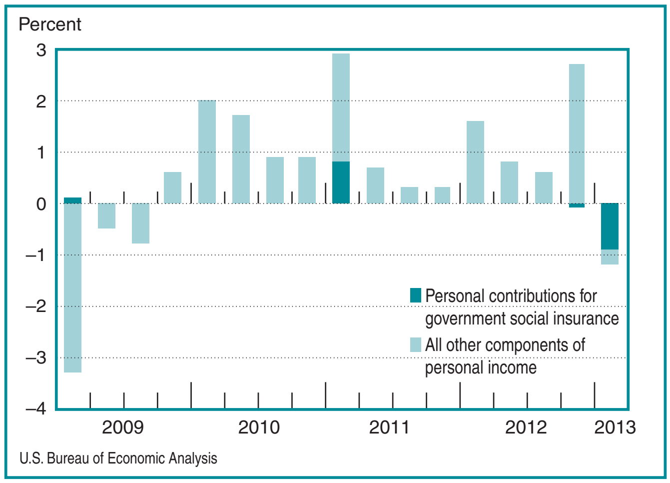
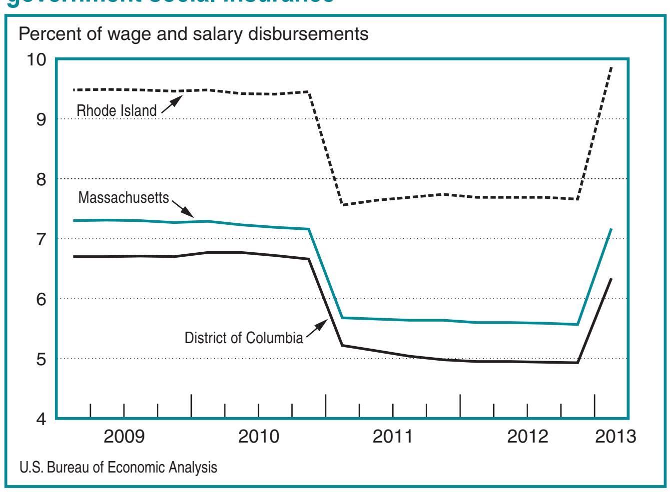


Chart 3. Employer and self-employed contributions for government social insurance



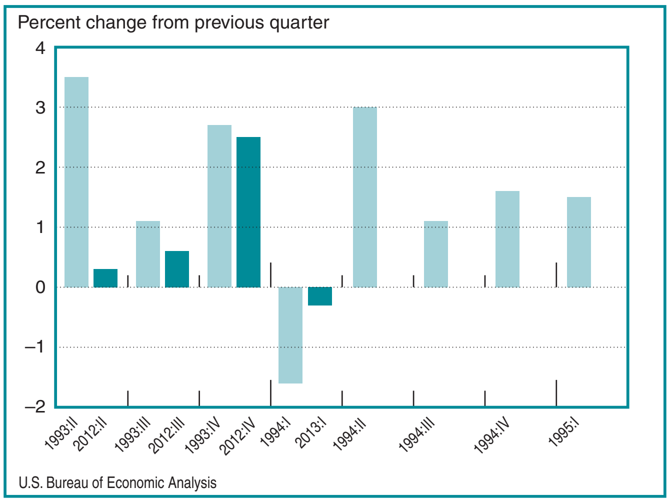
2. Among other income tax law changes effective at the beginning of 2013 were (1) an increase in the top marginal tax rate from 35 percent to 39.6 percent, (2) an increase in the tax rate on dividends and capital gains from 15 percent to 20 percent for high-income individuals, and (3) a new 3.8 percent net investment income tax for high-income individuals. Payroll taxes also changed: (1) the Social Security taxable wage base increased from $110,100 to $113,700 and (2) an Additional Hospital Insurance Tax of 0.9 percent was levied on earnings above certain thresholds.

3. The largest social insurance programs to which employees and self-employed workers contribute are Old-age, Survivors, and Disability Insurance (Social Security) and Hospital Insurance (Medicare part A). The railroad employee retirement insurance program is much smaller. Several states also require employees to contribute to state unemployment insurance programs (Alaska, New Jersey, and Pennsylvania) and state temporary disability insurance programs (California, New Jersey, and Rhode Island). Personal social insurance contributions for Supplementary Medical Insurance (Medicare parts B and D) are largely from persons age 65 and above or disabled persons; personal contributions for veterans' life insurance are largely from veterans.

State Personal Income

removed (chart 4); at that time, the largest swings occurred in New York, Illinois, and New Jersey where wages increased 4.8 percent, 3.4 percent, and 2.5 percent, respectively, in the fourth quarter of 1993 followed by 6.1 percent, 2.1 percent, and 2.7 percent declines in the first quarter of 1994.

Chart 4. U.S. Wage and Salary Disbursements



Earnings by industry

Overall, the growth of earnings—which in addition to wage and salary disbursements, includes proprietors' income, employer contributions to employee pension and insurance funds, and employer contributions for social insurance—slowed to $24.4 billion (0.2 percent) in the first quarter of 2013, down from a $213.1 billion (2.2 percent) increase in the fourth quarter of 2012 (table A).

Earnings increased in 17 of the 24 industries for which the Bureau of Economic Analysis (BEA) prepares quarterly estimates, with the largest increases in professional services ($15.3 billion) and construction ($15.0 billion). Construction earnings growth exceeded the 2.8 percent national average in New York (4.9 percent), Texas (3.4 percent), and California (3.3 percent) in the first quarter.

U.S. farm earnings increased $5.5 billion (5.3 percent) in the first quarter after growing $2.8 billion (2.7 percent) in the fourth quarter. Illinois, Iowa, and South Dakota accounted for the entire increase in the first quarter.[4] Crop output, particularly of corn, in these states is rebounding from the drought-induced losses of 2012.[5]

First-quarter earnings fell in seven industries, with the largest decreases in finance ($39.9 billion) and durable-goods manufacturing (11.7 billion).

4. Because crop production takes place throughout the year, even if crops are harvested only once a year, BEA spreads the estimated value of crop output (and farm income) throughout the year. Until harvest data are available, this requires a forecast of production. BEA used the national forecast produced by the U. S. Department of Agriculture (USDA) in February 2013. The USDA forecasted an 11 percent rise in the value of crop production in 2013 and a 38 percent rise in corn production. BEA allocated the USDA forecast of the value of crop output to states based on the value of production in previous years and current monthly estimates of cash receipts from farm marketings from USDA.

5. Severe heat and drought in the Midwest region of the country adversely affected agricultural production in 2012; however, indemnity payments from crop insurance partly offset the value of lost production and buffered the effect on farm proprietors' income. Nationwide, the reduction in farm production caused by the drought reduced farm inventories by $12 billion in the second quarter of 2012, $28 billion in the third quarter, and $25 billion in the fourth quarter. Crop insurance indemnity payments offset about $6 billion of the crop losses related to the drought in the second quarter and about $15 billion in losses in both the third and fourth quarters. To estimate both the crop losses and indemnities for affected states, BEA used biweekly data on crop indemnities by county from the USDA Risk Management Agency (RMA). Since the indemnities are recorded in personal income when payments are made to farmers, the RMA data were shifted back one quarter to approximate when the losses occurred. The states most affected were Illinois, Indiana, Iowa, Kansas, Kentucky, Missouri, Nebraska, South Dakota, and Texas.

Table A. Growth of U.S. Earnings by Industry

	Percent change		Dollar change (millions of dollars)	
	2012:IV	2013:I	2012:IV	2013:I
All industries	2.2	0.2	213,137	24,425
Private sector	2.7	0.2	217,890	16,351
Farm	2.7	5.3	2,779	5,504
Forestry, fishing, and related activities	0.2	–3.1	61	–981
Mining	6.4	–4.2	7,651	–5,364
Utilities	4.4	–1.5	3,810	–1,341
Construction	2.8	2.8	14,622	15,004
Durable-goods manufacturing	4.9	–1.7	31,489	–11,693
Nondurable-goods manufacturing	3.6	–1.3	12,585	–4,861
Wholesale trade	1.2	1.2	6,126	5,970
Retail trade	1.2	0.9	6,939	5,743
Transportation and warehousing	1.9	0.7	6,063	2,166
Information	2.5	0.5	8,118	1,811
Finance and insurance	8.7	–5.4	59,679	–39,920
Real estate and rental and leasing	1.0	1.7	1,705	2,908
Professional, scientific, and technical services	1.8	1.5	17,335	15,259
Management of companies and enterprises	3.4	–1.0	8,916	–2,705
Administrative and waste management services	1.1	2.4	4,316	9,282
Educational services	1.0	0.7	1,624	1,108
Health care and social assistance	1.4	0.7	15,540	8,026
Arts, entertainment, and recreation	0.9	1.2	984	1,288
Accommodation and food services	1.3	1.5	3,792	4,465
Other services, except public administration	1.1	1.3	3,758	4,681
Government sector	–0.3	0.5	–4,753	8,075
Federal government, civilian	–0.1	0.1	–485	287
Military	–1.0	1.6	–1,855	2,962
State and local government	–0.2	0.4	–2,413	4,825

State Personal Income

The 5.4 percent first-quarter earnings decline in the finance industry followed an 8.7 percent boost in the fourth quarter. The swing reflected the effects of accelerated bonuses in anticipation of changes to individual income tax rates. Finance earnings fell in every state in the first quarter.

Earnings in the management of companies industry displayed a similar pattern in many states. In Colorado, for example, earnings fell 22.6 percent in the first quarter and rose 44.6 percent in the fourth quarter.

Manufacturing earnings grew 2.4 percent in Washington State, the only state with an increase. The largest decline was in Oklahoma, where manufacturing earnings fell 3.8 percent.

Property income

Property income (dividends, interest, and rent) fell $96.1 billion in the first quarter of 2013 after growing $156.3 billion in the fourth quarter of 2012. Dividends accounted for the entire decline in the first quarter. In anticipation of changes to individual income tax rates, companies accelerated the payment of $105.6 billion of dividends into the fourth quarter of 2012.

First-quarter property income fell the most in California ($10.9 billion) and Florida ($9.3 billion). For 22 states, with Florida and Wyoming the most prominent among them, the decline in property income contributed more to first-quarter personal income losses than the decline in earnings (table B). Property income accounted for 25 percent of 2012 personal income in Florida and 24 percent in Wyoming, compared with 16 percent for the nation.

Personal current transfer receipts

State personal current transfer receipts rose 1.3 percent on average in the first quarter of 2013 after rising 0.5 percent in the fourth quarter of 2012. Except in New York, transfer receipt growth accelerated in all states, boosted by a 1.7 percent cost-of-living adjustment to Social Security benefits and to several other federal transfer payment programs. In New York, the growth of transfers slowed to 0.3 percent, down from 0.5 percent in the fourth quarter. In that state, unemployment insurance benefits fell 26.6 percent and offset the acceleration in all other transfer receipts.

Table B. Personal Income and Major Components, Dollar Change

[Millions]

	Personal income		Net earnings		Dividends, interest, and rent		Transfer receipts	
	2012:IV	2013:I	2012:IV	2013:I	2012:IV	2013:I	2012:IV	2013:I
Alabama	4,749	–2,062	2,901	–1,582	1,676	–1,048	173	566
Alaska	384	–247	18	–131	333	–205	33	91
Arizona	6,347	–3,715	3,218	–2,643	2,907	–1,808	221	736
Arkansas	3,069	–1,959	1,509	–1,321	1,371	–976	190	337
California	65,392	–31,514	43,580	–24,417	20,874	–10,913	938	3,816
Colorado	8,693	–3,752	5,547	–2,307	3,021	–1,909	125	464
Connecticut	9,186	–3,739	5,784	–2,237	3,168	–1,958	232	457
Delaware	1,454	–699	1,020	–615	408	–198	27	113
District of Columbia	747	–318	269	–136	461	–264	18	83
Florida	20,101	–11,764	6,080	–4,791	13,237	–9,299	784	2,327
Georgia	9,530	–3,437	5,177	–1,920	3,971	–2,532	382	1,015
Hawaii	1,312	–512	575	–310	723	–344	13	141
Idaho	1,186	–490	471	–267	671	–408	44	185
Illinois	12,108	–5,290	4,557	–1,886	7,320	–4,664	232	1,260
Indiana	4,253	–2,166	1,942	–1,461	2,187	–1,285	124	579
Iowa	3,095	–86	1,644	304	1,320	–802	131	412
Kansas	4,029	–1,501	2,343	–654	1,631	–1,128	54	281
Kentucky	2,443	–1,071	896	–760	1,412	–849	135	538
Louisiana	5,054	–2,529	2,990	–1,662	1,930	–1,340	133	473
Maine	962	–525	386	–413	498	–269	79	158
Maryland	3,803	–2,674	323	–1,347	3,225	–1,738	254	410
Massachusetts	9,515	–4,317	4,879	–2,240	4,536	–2,786	100	709
Michigan	8,707	–3,640	4,389	–2,618	3,694	–2,353	625	1,331
Minnesota	5,077	–3,593	2,030	–2,441	2,722	–1,751	324	600
Mississippi	2,180	–1,372	1,194	–1,179	825	–512	160	320
Missouri	6,083	–1,830	3,254	–702	2,693	–1,774	135	647
Montana	1,220	–628	620	–368	549	–359	51	99
Nebraska	2,686	–748	1,664	–253	972	–644	49	149
Nevada	2,554	–1,103	1,145	–403	1,431	–963	–22	263
New Hampshire	2,313	–831	1,622	–619	646	–354	45	142
New Jersey	8,963	–6,527	3,324	–4,299	5,423	–2,869	214	642
New Mexico	1,256	–690	384	–463	787	–455	85	227
New York	36,270	–18,459	22,139	–10,380	13,151	–8,740	980	659
North Carolina	5,700	–5,127	997	–3,395	4,007	–2,456	696	724
North Dakota	954	–873	592	–787	308	–156	56	69
Ohio	9,635	–4,043	4,490	–2,562	4,502	–2,804	643	1,323
Oklahoma	5,350	–2,529	3,674	–1,924	1,554	–1,013	122	408
Oregon	2,084	–1,747	190	–1,204	1,841	–1,049	54	505
Pennsylvania	9,865	–7,432	3,064	–4,413	6,280	–3,739	521	721
Rhode Island	804	–611	292	–455	486	–251	27	93
South Carolina	2,833	–1,633	1,033	–1,166	1,703	–1,011	96	544
South Dakota	2,082	610	1,570	848	476	–326	36	87
Tennessee	4,934	–2,187	3,083	–2,051	1,935	–985	–85	849
Texas	31,818	–9,979	20,954	–5,981	9,839	–6,938	1,025	2,940
Utah	3,482	–1,035	2,180	–585	1,182	–679	121	228
Vermont	686	–304	320	–187	335	–202	31	85
Virginia	6,699	–2,855	2,374	–1,518	4,057	–2,181	267	845
Washington	7,206	–3,234	2,568	–1,349	4,449	–2,687	189	802
West Virginia	858	–645	234	–607	475	–246	151	207
Wisconsin	8,275	–2,837	5,554	–2,002	2,525	–1,430	195	596
Wyoming	1,142	–717	546	–334	574	–439	22	56
United States	359,130	–170,966	191,592	–106,194	156,299	–96,089	11,239	31,317

NOTE. 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.

Preview of the Comprehensive Revision of the State Personal Income Statistics

In September 2013, the Bureau of Economic Analysis (BEA) will begin releasing a comprehensive revision of its state personal income statistics. The purpose is to introduce data revisions, changes in definitions, and updated statistical methods from the comprehensive revision of the national income and product accounts (NIPAs); to incorporate new and revised regional source data; and to introduce improvements in regional statistical methods. Initially, revised annual and quarterly statistics from the first quarter of 2001 to the first quarter of 2013 will be released; these statistics were compiled according to the North American Industry Classification System (NAICS). In the spring of 2014 revisions will be made to statistics covered by the Standard Industrial Classification: quarterly revisions will be carried back to the first quarter of 1948 and annual revisions back to 1929.

Several definitional and statistical changes in the upcoming 2013 comprehensive revision of the NIPAs, listed in table C, will affect state personal income.[1] In most cases, state-level source data are lacking to replicate the changes that will be made to NIPA estimation methods. In these cases, a revised national estimate from the NIPAs will control the sum of the state estimates, but state estimation methods will remain largely unaltered. In two cases, the new accrual treatment of defined benefit (DB) pension plans and the improved statistical methods for estimating employer contributions to state and local government-sponsored defined contribution (DC) pension plans, some state-level data exist and state estimation methods will change to use these data.

Employer contributions to DB pension funds. As part of the comprehensive revision of the NIPAs and the state personal income accounts, BEA will begin measuring the transactions of DB pension plans on an accrual

1. See "Preview of the 2013 Comprehensive Revision of the National Income and Product Accounts; Changes in Definitions and Presentations," SURVEY OF CURRENT BUSINESS 93 (March 2013): 13–39 and Nicole M. Mayerhauser and Sarah J. Pack, "Preview of the 2013 Comprehensive Revision of the National Income and Product Accounts: Statistical Changes," SURVEY 93 (May 2013): 6–14.

Table C. Major Definitional and Statistical Changes in the National Income and Product Accounts Affecting State Personal Income

Changes	Major components affected
Definitional changes	
Recognize expenditures by business, on research and development as fixed investment	Proprietors' income.
Recognize expenditures by business on entertainment, literary, and other artistic originals as fixed investment	Proprietors' income.
Expand the ownership transfer costs of residential fixed assets that are recognized as fixed investment and improve the accuracy of the associated asset values and services lives.	Proprietors' income and rental income of persons
Measure transactions of defined benefit (DB) pension plans on an accrual-accounting basis by recognizing the costs of unfunded liabilities	Compensation of employees, supplements to wages and salaries, and personal interest income
Harmonize the treatment of wages and salaries by using accrual-based estimates consistently throughout the accounts	Compensation of employees and wage and salaries.
Statistical changes	
Improve estimates of implicit services of commercial banks	Personal interest income
Improve estimates of employers' contributions to state and local government-sponsored defined contribution (DC) pension plans	Compensation of state and local government employees
Improve methodology for estimating the corporate partners' adjustment made to nonfarm proprietors' income.	Nonfarm proprietors' income.
Update measures of misreporting	Wages and salaries and nonfarm proprietors' income.
Improve methodology for distributing the income of regulated investment companies by type	Personal dividend income and personal interest income.
Improve measures of wages paid by Indian tribal governments	Compensation of state and local government employees
Incorporate new data on supplemental unemployment insurance.	Compensation of employees

Preview of the Comprehensive Revision of the State Personal Income Statistics

accounting basis by recognizing the costs of unfunded liabilities. An employer who offers a defined benefit pension plan promises that an employee will receive a specified amount of future benefits that usually increases with each year of service. Claims to benefits accrued through service (also referred to as normal cost by pension actuaries) represent the present value of the additional benefits that plan participants earn from employment during the accounting period. Normal cost provides a more accurate measure of the compensation of employees than the employers' cash contributions to the pension plans, which may have little relationship year by year with the benefits that employees are accruing. To measure pension entitlements when they are accrued, BEA will adopt the accrual accounting approach for measuring pension income, relying on actuarial estimates of pension costs.

For the private sector and for the federal civilian and military sectors, state-level source data are lacking to replicate the changes that will be made to NIPA estimation methods. In these cases, a revised national estimate from the NIPAs will control the sum of the state estimates, but state estimation methods will remain largely unaltered.

For the state and local government sector, state-level data exist and will be used as follows.[2] Estimates of normal costs for state and local government sponsored plans will be drawn from a sample of actuarial valuation reports for the plans beginning for 2000. BEA will adjust these data to reflect an accumulated benefit obligation (ABO) actuarial cost method and a common discount rate. The discount rate assumption will be based on the AAA corporate bond rate published by the Federal Reserve Board.[3]

2. Currently, employer contributions to state and local government DB pension funds are estimated using state-level cash contributions data from the Census Bureau's Survey of Public Pension Plans.

3. In addition, the estimate for the District of Columbia will reflect the inclusion of the DB pension funds of the Washington Metropolitan Area Transportation Authority, which were recently added to the Census Bureau Survey of Public Pensions. BEA will distribute employer contributions by the Authority to the District of Columbia, Maryland, and Virginia in proportion to Quarterly Census of Employment and Wages data for local government establishments classified in NAICS industry 485111—Mixed Mode Transit Systems. In addition, the estimate for the District of Columbia will reflect employer contributions by the District to the Civil Service Retirement System (CSRS), a DB pension plan administered by the federal government. CSRS was closed to employees of the District of Columbia hired after September 30, 1987.

Employer contributions to DC pension funds for state and local government employees. Currently, BEA uses state-level data from the Teachers Insurance and Annuity Association - College Retirement Equities Fund (TIAA-CREF) to estimate state and local government employer contributions to defined contribution pension funds. There are many administrators of DC pension funds for state and local government employees besides TIAA-CREF, but a comprehensive data source for this sector remains elusive. As part of the comprehensive revision of the state personal income accounts, BEA will supplement the TIAA-CREF data with data compiled from the comprehensive annual financial reports (CAFRs) of the District of Columbia and 9 states that administer some of the largest public DC pension funds in the country: Alaska, California, Florida, Michigan, Nebraska, North Carolina, Ohio, South Carolina, and West Virginia. Employer contributions to the DC plans that can be identified in the CAFRs of these 9 states and the District of Columbia will be assigned to them; employer contributions to plans administered by TIAA-CREF will continue to be estimated as they currently are; and the remainder of the national estimate will be distributed to states and local governments in proportion to their wages and salaries.

Employer contributions for health insurance. Currently, national estimates of employer contributions for health insurance by industry are distributed to states in proportion to wages and salaries. As part of the comprehensive revision of the state personal income accounts, BEA will estimate employer contributions for health insurance by industry (excepting the civilian federal government and the military, for which no data sources have changed) using state-level data from the Medical Expenditure Panel Survey of the Agency for Healthcare Research and Quality, the same data source used for the national estimate.

Contributions for government social insurance for state and local government employees. Currently, the state estimates of contributions for Old Age, Survivors, and Disability Insurance (OASDI or Social Security) and for Hospital Insurance (HI or Medicare) for the state and local government sector are based on data from the 1987 Census of Governments. The data are extrapolated forward using wage and salary disbursements. As part of the comprehensive revision of the state personal income accounts, BEA will begin using Social Security taxable wages and Medicare taxable wages by state from the Social Security 1 Percent Continuous Work History Sample (derived from W-2 wage reports) to estimate contributions to these government social insurance programs. Most state and local government employees in Massachusetts, Ohio, and Nevada, and many state and local government employees in other states do not contribute to OASDI, but all contribute to HI. Using separate taxable wage estimates for the two programs and the statutory contribution rates for the two programs, an effective contribution rate will be calculated and multiplied by the BEA estimate of wages and salaries to estimate contributions.

Personal current transfer receipts—quarterly statistics. Currently, in the quarterly state personal income statistics, BEA publishes estimates of state unemployment insurance (UI) benefits and personal current transfer receipts excluding state UI benefits. As part of the comprehensive revision of the state personal income accounts, BEA will begin publishing quarterly estimates of five components of transfer receipts: (1) Social Security, (2) Medicare, (3) Medicaid, (4) state UI benefits, and (5) all other personal current transfer receipts. State estimates of personal current Medicaid transfer receipts will be based on quarterly payments data by state from the *Medicaid Financial Management Report* of the Centers for Medicare & Medicaid Services (CMS), the same data source used for the NIPA estimates. The CMS data will be seasonally adjusted by BEA using the Census Bureau X-11 ARIMA procedure. Quarterly state estimates of Social Security, Medicare, and all other personal current transfer receipts will be estimated based on trend distribution and extrapolation of the annual estimates, the method currently used for personal current transfer receipts excluding state UI benefits.[4]

Personal current transfer receipts—other income maintenance benefits. Currently, BEA distributes a national estimate of the child tax credit to states in proportion to state estimates of the earned income tax credit. The tax credit estimates are not published, but they are included in other income maintenance benefits, one of the published components of personal current transfer receipts. Beginning with 1999, when the credit was first introduced, BEA will estimate the tax credit using refundable child tax credit data by state from the Statistics of Income Division of the Internal Revenue Service.

Private sector and local government sector wages and salaries in Alaska. Currently, the Quarterly Census of Employment and Wages (QCEW) from the Bureau of Labor Statistics is the primary data source for wages and salaries in Alaska (and for all other states). The QCEW is based on data collected by the state employment agencies that administer unemployment insurance programs. However, Alaska's definition of wages and salaries subject to taxation for unemployment insurance purposes differs significantly from the definition used by other states. Because of a court decision, employee contributions to retirement plans are excluded from wages and salaries reported for QCEW purposes in Alaska.[5] In the upcoming comprehensive revision of the state personal income accounts, BEA will add to the QCEW wages for Alaska an estimate of employee contributions to retirement plans, improving the comparability of wages and salaries across states.

For local government employees, the estimate will be based on employee contributions as reported in the CAFRs of the retirement plans to which they contribute and data from the Census Bureau's Survey of Public Pension Plans. For industries in the private sector, BEA will estimate employee retirement contributions using rates of employee participation in retirement plans by industry (based on data from the March Current Population Survey) and the percentage of wages employees contribute to retirement plans (based on data from the Employee Benefit Research Institute).

Private household industry wages and salaries. Currently, state estimates of cash wages and of pay-in-kind in the private household industry are based on wages and employment in this industry from the 2000 Census of

4. See Chapter X of the *State Personal Income and Employment Methodology* available on BEA's Web site at www.bea.gov.

5. Employee contributions for health insurance are also excluded from QCEW wages in Alaska. BEA already adds an estimate of those contributions to the wages and salaries of Alaska and the other states that exclude them. See Clinton P. McCully and Steven Payson, "Preview of the 2009 Comprehensive Revision of the NIPAs: Statistical Changes," SURVEY 89 (May 2009): 6–16. In addition, BEA already adds an estimate of employee contributions to retirement plans to the QCEW wages of state government employees in Alaska. No adjustment is made to federal civilian and military wages because the data sources for those employees do not exclude employee contributions to retirement plans.

Preview of the Comprehensive Revision of the State Personal Income Statistics

Population because QCEW coverage of the private household industry is incomplete in most states. The estimates are extrapolated forward by the civilian population. In the upcoming comprehensive revision of the state personal income accounts, the "3-year estimates" of private household wages from the American Community Survey (ACS) will be used to distribute to states a national estimate of the cash portion of wages and salaries, and the ACS private household employment estimates will be used to distribute the national pay-in-kind estimates.[6]

Residence adjustment. Estimates of wage and salary flows across the borders of the United States were substantially revised in 2011 as part of the annual revision of the international transactions accounts.[7] These wage flows are part of the residence adjustment in the state personal income accounts, and they account for wage and salary flows between Canada, Mexico, and the United States and for the inflows of wages and salaries earned by U.S. residents employed by certain international organizations (such as the United Nations, the International Monetary Fund, and the World Bank) and by foreign embassies and consulates located within the geographic borders of the United States. No methodological changes will be made.

6. Estimates of proprietors' income and proprietors' employment for the private household industry (NAICS 814) will also be eliminated because BEA has determined that amounts appearing in the source data are coding errors. Typically, establishments in this industry are private households that employ domestics for the household itself. Sole proprietorships and partnerships that provide services to households (such as maid service) are generally in other industries (for example, NAICS 561720 Janitorial Services).

7. See Mai-Chi Hoang and Erin M. Whitaker "Annual Revision of the U.S. International Transactions Accounts," SURVEY 91 (July 2011): 58.

Dividends, interest, and rent. Currently, a portion of the dividends and interest received by federal civilian and military retirement funds is distributed to states on the basis of retirement and disability payments from the *Consolidated Federal Funds Report*. The *Report* ceased publication in 2010. As part of the comprehensive revision of the state personal income accounts, BEA will begin using similar data on payments to annuitants available from the Office of Personnel Management (for federal civilian employees) and from the Department of Defense (for the military).

Changes in presentation. Two major changes will be made in the presentation of the state quarterly personal income statistics. First, the data will be presented in thousands of dollars, consistent with the presentation of all other state and county statistics from BEA. Second, a new table will be published: "SQ35 Quarterly Personal Current Transfer Receipts." This table will present quarterly statistics for five components of transfer receipts by state: Social Security, Medicare, Medicaid, state unemployment insurance benefits, and all other personal current transfer receipts.

Wages and salaries. Lastly, wages and salaries will be measured on an accrual basis in the upcoming comprehensive revision; currently, they are measured on a cash basis—wage and salary disbursements. Because there are no source data that directly measure the difference between private wage accruals and disbursements, the wage and salary disbursements data will be treated as if they were accrual data.

Mauricio Ortiz and David G. Lenze

Tables 1 and 2 follow.