



# REGIONAL QUARTERLY REPORT

## State Personal Income and More...

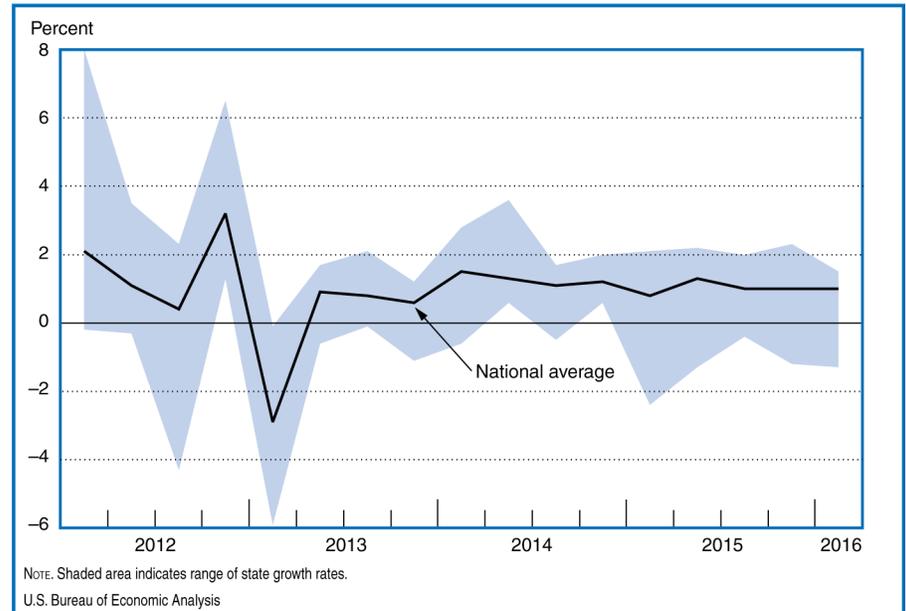
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**First quarter of 2016**

Personal income growth slowed in 23 states, including California and Florida, in the first quarter of 2016 and fell in two states, North Dakota and Wyoming (table A).<sup>1</sup> Growth rates ranged from -1.3 percent in North Dakota to 1.5 percent in the state of Washington. On average, personal income grew 1.0 percent in the first quarter, the same as in the fourth quarter (chart 1). Price inflation, as measured by the national price index for personal consumption expenditures, was 0.1 percent in both the first quarter of 2016 and the fourth quarter of 2015.

1. State personal income, which is measured in current dollars, is the sum of net earnings by place of residence, property income, and personal current transfer receipts. Quarterly estimates in dollars are expressed at seasonally adjusted annual rates; quarter-to-quarter percent changes are not annualized.

**Chart 1. Range of State Personal Income Quarterly Growth Rates**



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

**State Personal Income, First Quarter of 2016**

**Earnings**

Overall, earnings growth slowed to 1.1 percent in the first quarter from 1.4 percent in the fourth quarter (table B). A 4.4 percent decline in mining earnings and a 3.5 percent decline in farm earnings contributed to the slowdown. However, earnings growth accelerated in government (to 0.8 percent from 0.3 percent), finance (to 1.5 percent from 0.4 percent), real estate (to 2.0 percent from 0.6 percent), and four other private industries.

Farm earnings fell 3.5 percent in the first quarter of 2016 after having fallen 9.2 percent in the fourth quarter. In the Plains region (Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota), where farming is a relatively large share of the economy, farm earnings have not been so low since the fourth quarter of 2006. North Dakota's 30.6 percent first-quarter decline in farm earnings was particularly large (table C), as were the declines in Iowa (25.0 percent) and Minnesota (21.2 percent).

Mining earnings have declined for five consecutive quarters. This is reflected in the relative weakness—

**Table A. Growth of Personal Income by State**  
[Percent change from previous quarter]

	2015:IV	2016:I
United States.....	1.0	1.0
Alabama.....	0.7	1.0
Alaska.....	0.2	0.6
Arizona.....	1.3	1.1
Arkansas.....	0.8	1.2
California.....	1.1	0.9
Colorado.....	1.0	1.1
Connecticut.....	1.4	0.8
Delaware.....	0.9	1.0
District of Columbia.....	0.9	1.0
Florida.....	1.2	1.1
Georgia.....	1.1	1.2
Hawaii.....	1.1	1.1
Idaho.....	0.8	0.7
Illinois.....	1.0	1.0
Indiana.....	1.9	0.7
Iowa.....	1.0	0.5
Kansas.....	0.6	1.0
Kentucky.....	1.7	0.7
Louisiana.....	0.5	0.2
Maine.....	1.4	1.4
Maryland.....	1.5	1.1
Massachusetts.....	1.7	1.2
Michigan.....	1.7	1.3
Minnesota.....	1.1	0.6
Mississippi.....	0.6	1.1
Missouri.....	1.2	1.1
Montana.....	-0.5	0.7
Nebraska.....	-0.1	0.5
Nevada.....	1.3	0.9
New Hampshire.....	2.3	1.1
New Jersey.....	0.8	0.9
New Mexico.....	0.5	0.8
New York.....	0.6	0.8
North Carolina.....	1.3	1.0
North Dakota.....	0.0	-1.3
Ohio.....	1.5	0.9
Oklahoma.....	-0.1	0.6
Oregon.....	0.9	1.2
Pennsylvania.....	1.2	1.2
Rhode Island.....	1.2	1.1
South Carolina.....	1.5	1.0
South Dakota.....	0.8	0.3
Tennessee.....	1.4	0.9
Texas.....	0.6	0.8
Utah.....	1.3	1.3
Vermont.....	0.6	1.2
Virginia.....	0.8	1.1
Washington.....	0.9	1.5
West Virginia.....	-0.1	0.5
Wisconsin.....	1.0	0.9
Wyoming.....	-1.2	-0.3

even sustained declines—in the entire private nonfarm sectors of Texas, Oklahoma, West Virginia, Wyoming and North Dakota (chart 2). In the first quarter of 2016,

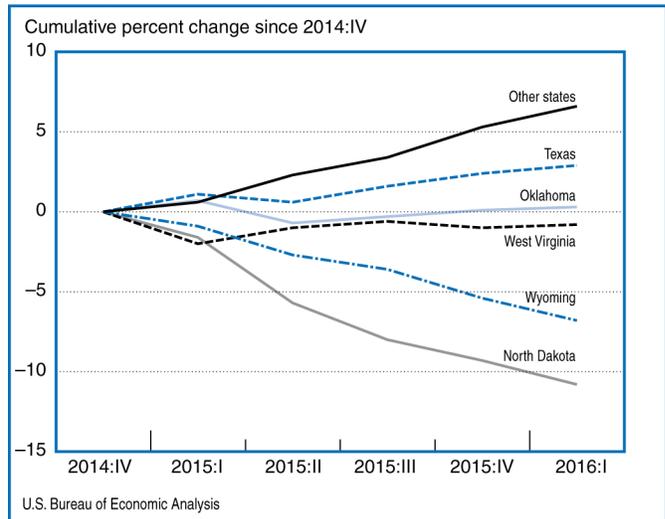
**Table B. Growth of U.S. Earnings by Industry**

	Percent change		Dollar change (millions of dollars)	
	2015:IV	2016:I	2015:IV	2016:I
All industries.....	1.4	1.1	151,589	121,295
Private sector.....	1.6	1.1	146,639	106,404
Farm.....	-9.2	-3.5	-8,252	-2,853
Nonfarm.....	1.7	1.2	154,892	109,258
Forestry, fishing, and related activities.....	0.0	2.4	-9	887
Mining, quarrying, and oil and gas extraction.....	-3.2	-4.4	-5,363	-7,242
Utilities.....	1.5	1.9	1,344	1,707
Construction.....	3.1	2.3	20,337	15,690
Durable goods manufacturing.....	2.3	0.6	15,071	4,162
Nondurable goods manufacturing.....	1.4	0.7	5,483	2,646
Wholesale trade.....	0.3	0.9	1,953	5,007
Retail trade.....	1.6	0.7	10,476	4,592
Transportation and warehousing.....	2.3	0.0	8,767	139
Information.....	3.4	2.0	12,680	7,653
Finance and insurance.....	0.4	1.5	3,226	11,419
Real estate and rental and leasing.....	0.6	2.0	1,543	5,062
Professional, scientific, and technical services.....	1.3	1.2	14,045	13,253
Management of companies and enterprises.....	1.1	2.1	3,322	6,218
Administrative and support and waste management and remediation services.....	2.4	0.7	10,975	3,121
Educational services.....	1.3	0.8	2,406	1,454
Health care and social assistance.....	2.4	1.7	29,421	21,413
Arts, entertainment, and recreation.....	2.1	1.4	2,643	1,868
Accommodation and food services.....	2.8	1.7	10,171	6,612
Other services (except public administration).....	1.6	0.9	6,400	3,598
Government sector.....	0.3	0.8	4,950	14,890
Federal, civilian.....	0.8	1.8	2,648	5,748
Military.....	-0.2	1.4	-231	1,852
State and local.....	0.2	0.5	2,532	7,291

**Table C. Farm Earnings, Select States**

	Percent change		Dollar change (millions of dollars)		Contribution to percent change in earnings (percentage points)	
	2015:IV	2016:I	2015:IV	2016:I	2015:IV	2016:I
United States.....	-9.2	-3.5	-8,252	-2,853	-0.1	0.0
Iowa.....	-31.3	-25.0	-907	-497	-0.9	-0.5
Kansas.....	-26.4	15.8	-612	269	-0.6	0.3
Minnesota.....	-7.6	-21.2	-162	-417	-0.1	-0.2
Missouri.....	-16.6	-7.9	-252	-100	-0.1	-0.1
Nebraska.....	-20.9	-9.9	-870	-327	-1.2	-0.5
North Dakota.....	27.5	-30.6	216	-307	0.7	-1.0
South Dakota.....	-3.4	-19.6	-42	-233	-0.2	-0.9

**Chart 2. Private Nonfarm Earnings for Texas, Oklahoma, West Virginia, Wyoming, North Dakota, and all other states**



## State Personal Income, First Quarter of 2016

mining earnings declined the most in North Dakota (10.1 percent) followed by Wyoming (7.3 percent) (table D).

**Table D. Mining, Quarrying, and Oil and Gas Extraction Earnings, Select States**

	Percent change		Dollar change (millions of dollars)		Contribution to percent change in earnings (percentage points)	
	2015:IV	2016:I	2015:IV	2016:I	2015:IV	2016:I
	United States .....	-3.2	-4.4	-5,363	-7,242	0.0
Alaska .....	-1.9	-7.2	-53	-199	-0.2	-0.6
North Dakota .....	-7.7	-10.1	-209	-254	-0.7	-0.8
Oklahoma .....	-3.8	-3.6	-612	-562	-0.5	-0.5
Texas .....	-2.9	-4.3	-2,432	-3,436	-0.2	-0.3
West Virginia .....	-5.4	-7.0	-157	-192	-0.4	-0.5
Wyoming .....	-2.2	-7.3	-73	-238	-0.3	-1.2

The information industry was the major contributor to earnings growth in the state of Washington, the state with the highest earnings growth rate (2.1 percent) of all states for the first quarter of 2016. Information earnings grew 10.2 percent in Washington (table E), largely due to stock grants.

**Table E. Information Earnings, Select States**

	Percent change		Dollar change (millions of dollars)		Contribution to percent change in earnings (percentage points)	
	2015:IV	2016:I	2015:IV	2016:I	2015:IV	2016:I
	United States .....	3.4	2.0	12,680	7,653	0.1
California .....	6.0	0.5	5,603	510	0.4	0.0
New York .....	1.6	2.9	739	1,393	0.1	0.2
Texas .....	1.1	1.9	225	401	0.0	0.0
Washington .....	4.6	10.2	935	2,171	0.4	0.8

The durable-goods manufacturing industry was the major contributor to earnings growth in Michigan, due in part to profit sharing payments by motor vehicle manufacturers. This followed strong earnings growth in the fourth quarter boosted by bonuses paid to workers represented by the United Auto Workers for ratifying new contracts. Durable-goods manufacturing earnings grew 3.8 percent in Michigan in the first quarter of 2016, 3.2

percent in Kentucky, and 2.8 percent in Missouri (table F).

**Table F. Durable-Goods Manufacturing Earnings, Select States**

	Percent change		Dollar change (millions of dollars)		Contribution to percent change in earnings (percentage points)	
	2015:IV	2016:I	2015:IV	2016:I	2015:IV	2016:I
	United States .....	2.3	0.6	15,071	4,162	0.1
Indiana .....	2.5	0.2	709	49	0.4	0.0
Kentucky .....	9.2	3.2	1,039	401	0.9	0.3
Michigan .....	6.2	3.8	2,401	1,545	0.8	0.5
Missouri .....	7.1	2.8	856	358	0.5	0.2
Ohio .....	3.9	0.8	1,414	316	0.4	0.1

Construction earnings growth was notable in the first quarter of 2016 in Nevada (3.4 percent), Hawaii (4.6 percent), and New Hampshire (3.7 percent). At the same time, construction earnings growth was meager or negative in several states with large mining industries. Among these states, declines in North Dakota (3.9 percent) and Wyoming (1.7 percent) were notable (table G).

Transportation earnings fell 4.9 percent in North Dakota, the fifth consecutive decline.

**Table G. Construction Earnings, Select States**

	Percent change		Dollar change (millions of dollars)		Contribution to percent change in earnings (percentage points)	
	2015:IV	2016:I	2015:IV	2016:I	2015:IV	2016:I
	United States .....	3.1	2.3	20,337	15,690	0.2
Hawaii .....	8.7	4.6	337	193	0.7	0.4
Nevada .....	7.6	3.4	445	217	0.5	0.3
New Hampshire .....	10.7	3.7	352	134	0.7	0.3
North Dakota .....	-2.5	-3.9	-81	-120	-0.3	-0.4
Washington .....	2.8	3.9	470	682	0.2	0.3
West Virginia .....	-7.6	0.2	-217	6	-0.5	0.0
Wyoming .....	-4.5	-1.7	-86	-31	-0.4	-0.2

### Other income

Personal current transfer receipts growth accelerated to 1.1 percent in the first quarter of 2016 from 0.8 percent in the fourth quarter of 2015. Transfers grew at a much stronger 2.3 percent pace in Pennsylvania and Texas, primarily because of Medicaid transfers. Dividends, interest, and rent grew 0.5 percent in the first quarter of 2016; there was no growth in the fourth quarter.

## Preview of the 2016 Annual Revision of State and Local Area Personal Income Accounts

### State personal income

In September 2016, the Bureau of Economic Analysis (BEA) will release the results of the annual revision of the state personal income accounts along with new estimates for the second quarter of 2016. As is usual for annual revisions, BEA will revise the estimates for the previous 3 years (2013 through 2015) in order to incorporate the results of the annual revision of the national income and product accounts (NIPAs), to incorporate state source data that are more complete and more detailed than those previously available, and to update the seasonal factors used for the quarterly estimates.

In addition, this year's annual revision will incorporate new source data for several components of personal income that may entail revisions to estimates as far back as 1998, including the following:

- Social Security Administration taxable wage data for the state and local government sector, affecting employee and self-employed contributions for government social insurance and employer contributions for government social insurance.
- American Community Survey journey-to-work data, affecting personal dividend income, personal interest income, and the workers' compensation component of personal current transfer receipts.

In addition, this year's annual revision of the state personal income accounts will introduce the following methodological improvements:

- Improved geocoding and editing of IRS Form 1065 and Schedule C of Form 1040, affecting nonfarm proprietors' income and employment.
- An improved method of allocating national control totals to states and counties, affecting nonfarm proprietors' income.

**Geocoding.** Currently, BEA tabulates the universe of Internal Revenue Service Form 1065 returns and Form 1040 Schedule C returns by state and county based primarily on the five-digit ZIP codes reported on the returns.<sup>2</sup> When a five-digit ZIP code crosses county lines, the ZIP-code-to-county file assigns the entire ZIP code

to a single county.

Beginning with data for 2001, BEA will retabulate the IRS returns using an improved methodology. BEA will first attempt to assign a return to a state and county based on the nine-digit ZIP code reported on the return (nine-digit ZIP codes do not cross county borders). About 95 percent of the Form 1065 returns and 35 percent of the Schedule C returns can be geocoded using their nine-digit ZIP codes. The remaining returns will be geocoded using their five-digit ZIP codes. Since some five-digit ZIP codes comprise addresses in multiple counties, the amounts reported on the returns will be allocated to those counties in proportion to the number of residential delivery addresses. Less than 1 percent of the returns cannot be geocoded by this new method. An important feature of this new method is the use of ZIP code to county look-up files (the ZIP+4 product and the Delivery Stats File) that are updated annually by the United States Postal Service. In tabulating the IRS returns, amounts for some industries, particularly at the county level, must be suppressed to avoid disclosure of confidential information (generally, when there are less than ten returns). BEA will replace the suppressed amount with an imputed value, which is consistent with higher level aggregations across industries and counties but also respects nondisclosure rules.

**Allocation.** Currently, the national estimates of nonfarm proprietors' income are based on the net profit (or loss) reported on Schedule C of Form 1040 for sole proprietorships, ordinary business income (or loss) reported on Form 1065 for partnerships, and net rental real estate income (or loss) and other net rental income (or loss) from Schedule K of Form 1065. (Collectively, these amounts are referred to as net profits.) Because the net profits data do not always reflect the income earned from current production and because they are incomplete, the data are adjusted in various ways to conform to NIPA needs. The NIPA estimates of nonfarm proprietors' income (excluding the misreporting adjustment) for some industries are then allocated to states using a weighted moving average of state-level tabulations of net profits. For other industries, a weighted moving average of state level tabulations of gross receipts/sales less returns/allow-

2. See Mauricio Ortiz and Lisa Ninomiya, "BEA's County-Level Personal Income and Employment Estimates: An Enhanced Geocoding Methodology," SURVEY OF CURRENT BUSINESS (March 2016).

## Preview of the 2016 Annual Revision of State and Local Area Personal Income Accounts

ances (net receipts) from the IRS returns is used to allocate the NIPA estimates. The misreporting adjustment for all industries is allocated using the weighted average of net receipts.

Beginning with estimates for 2001, BEA will use a simple 3-year moving average of the net profits data to allocate the national controls of nonfarm proprietors' income, including the misreporting adjustment, for all industries, to states.

In order to avoid a break in the time series of aggregate nonfarm proprietors' income between the existing estimates for 2000 and the revised estimates for 2001, BEA will carry back, at a decreasing rate, the revision to the estimates for 2001 to 1998.

### **Local area personal income**

The results of the revision to the state personal income accounts will in turn be incorporated in the next release

of local area personal income, scheduled to be released on November 17, 2016.

In addition, at the county level, new source data and methodological improvements will entail revisions to estimates of several components of personal income as far back as 1998, including the following:

- Census of Agriculture farm rent data will be incorporated in monetary rental income of persons.
- American Community Survey journey-to-work data will be used to revise the residence-adjusted wages and salaries which in turn are used to allocate state estimates of workers' compensation (a component of personal current transfer receipts) to counties.
- The method of allocating state estimates of nonfarm proprietors' income to counties will be improved. Currently, state estimates are allocated in proportion to IRS net receipts data. Going forward BEA will use net profits data as the allocating series.