REGIONAL QUARTERLY REPORT

State Personal Income and More . . .

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

First quarter of 2010

State personal income growth averaged 0.9 percent in the first quarter of 2010, up from 0.5 percent in the fourth quarter of 2009.[1] Personal income increased in all but two states, with growth ranging from 1.6 percent in Mississippi to –2.0 percent in North Dakota (table A on page 106). Inflation, as measured by the national price index for personal consumption expenditures, declined to 0.4 percent in the first quarter from 0.6 percent in the fourth quarter. Net earnings grew 0.7 percent on average for states in the first quarter.[2] For 20 states (including California and Florida), this component of personal income grew at the fastest pace since the recession began in the fourth quarter of 2007. In the first quarter, net earnings ranged from 55 percent of personal income in Florida to 71 percent in Alaska.

Earnings by industry

Nationally, the industry making the largest contribution to first-quarter personal income growth was health care, but the contribution was only 0.1 percentage point (table B on page 106). Administrative services and the military were the next largest contributors. Military earnings reflected a 3.4 percent pay raise in the first quarter.[3] Construction and real estate earnings continued to fall.

Among the states, the industry that contributed the most to first-quarter personal income growth varied. In Florida, New York, Texas, and seven other states, health care was the largest contributor. In California, Illinois, and two other states, administrative services was the largest contributor. In nine states—including Kentucky, North Carolina, and Virginia—the military made the largest contribution. In Alaska, Wyoming, and Louisiana, mining (including oil and gas extraction) made the largest contribution. In 10 states, the largest contributor was farming or agricultural services. In Maryland, West Virginia,

1. Personal income is the sum of net earnings by place of residence, property income, and personal current transfer receipts.
2. 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.
3. Federal civilian workers received an average 2.0 percent pay increase.

State Personal Income, First Quarter 2010

and three other states, the largest contributor was the federal civilian government. In four states, including Michigan and Indiana, durable-goods manufacturing was the largest contributor. In four states, wholesale or retail trade was the largest contributor. In Nevada, accommodations was the largest contributor. In most cases, the contribution of these industries to personal income growth was less than a quarter of a percentage point.

The industries subtracting the most from first-quarter personal income growth were similar for most states. In 29 states, as for the nation, the industries with the largest earnings declines as a percent of personal income were construction and real estate. In 12 other states, farming declined the most. In the remaining nine states, some other industry declined the most.

The farm sector. Farming contributed more than a third of earnings growth in Kansas, where earnings grew 1.9 percent in the first quarter, the fastest of any state. However, in North Dakota where earnings fell 2.5 percent, the largest decline of any state, farming accounted for all of the earnings decline. The different performance of farming in the two states reflects the relative importance of earnings from livestock operations, which grew, and from crops, particularly wheat, which declined.

Estimating first-quarter income arising from farm production for states can be challenging.[4] Except for a few crops like winter wheat, an income estimate is made even before farmers have begun plowing and seeding their fields. The first-quarter estimate is also made before important data such as inventory change and production expenses for the previous year are available.

4. The net income of farm proprietors is defined as gross output less production expenses. Gross output is estimated as cash receipts from the sale of agricultural products plus the value of the change in farm inventories plus imputed and miscellaneous income received plus federal government payments to farm operators.

Table A. Personal Income Change by Component, 2010:I

	Percent change (quarterly rate)	Dollar change (millions of dollars)			
		Personal income	Net earnings	Dividends, interest, and rent	Transfer receipts
United States	**0.9**	**112,947**	**56,595**	**–7,459**	**63,811**
Alabama	1.3	2,103	852	–84	1,335
Alaska	1.4	428	363	–23	88
Arizona	1.1	2,332	1,132	–207	1,406
Arkansas	0.4	389	–191	–143	723
California	0.9	14,129	7,107	–760	7,782
Colorado	0.4	899	226	–172	846
Connecticut	0.6	1,242	597	–91	736
Delaware	0.9	315	121	–1	196
District of Columbia	1.1	422	306	–2	118
Florida	0.8	5,806	2,624	–1,317	4,499
Georgia	1.1	3,658	1,411	–288	2,535
Hawaii	1.4	736	486	–37	287
Idaho	1.3	650	481	–69	238
Illinois	0.4	2,129	583	–282	1,828
Indiana	1.2	2,555	1,429	–71	1,197
Iowa	1.2	1,382	1,047	–58	393
Kansas	1.5	1,603	1,297	–128	434
Kentucky	1.3	1,856	905	–64	1,015
Louisiana	1.4	2,272	834	220	1,217
Maine	1.0	482	265	–1	218
Maryland	0.8	2,344	1,517	–93	920
Massachusetts	0.7	2,395	1,150	–53	1,298
Michigan	0.9	3,066	929	–45	2,182
Minnesota	0.7	1,516	928	–169	757
Mississippi	1.6	1,390	492	–69	967
Missouri	1.2	2,542	1,380	–140	1,302
Montana	0.6	214	106	–60	168
Nebraska	1.3	901	682	–65	284
Nevada	0.7	691	218	–136	609
New Hampshire	0.9	514	372	7	136
New Jersey	0.8	3,427	1,447	–3	1,983
New Mexico	1.3	891	382	–38	546
New York	0.9	7,907	4,203	–567	4,271
North Carolina	1.2	3,770	1,502	–179	2,447
North Dakota	–2.0	–535	–594	–11	71
Ohio	1.1	4,294	2,269	–158	2,183
Oklahoma	0.9	1,169	520	–146	795
Oregon	1.1	1,442	921	–95	616
Pennsylvania	0.8	3,951	1,796	–203	2,357
Rhode Island	0.9	388	190	15	184
South Carolina	1.3	1,873	703	–115	1,285
South Dakota	0.0	–1	–69	–51	120
Tennessee	1.4	2,954	1,490	6	1,458
Texas	1.3	11,843	6,806	–825	5,862
Utah	0.8	690	363	–57	383
Vermont	0.9	226	156	–5	75
Virginia	0.9	3,286	2,255	–125	1,157
Washington	0.7	1,991	1,035	–338	1,294
West Virginia	0.9	527	251	–5	281
Wisconsin	0.8	1,666	1,103	–81	644
Wyoming	0.9	226	215	–74	85

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

[Percentage points]

	2009				2010
	I	II	III	IV	I
Farm	–0.07	0.01	–0.04	0.09	–0.01
Forestry, fishing, and related activities	0.00	0.00	0.00	0.00	0.03
Mining	–0.07	–0.06	0.00	0.00	0.02
Utilities	0.02	–0.01	0.00	0.00	–0.01
Construction	–0.39	–0.22	–0.05	–0.15	–0.04
Durable goods manufacturing	–0.39	–0.15	–0.15	0.04	0.06
Nondurable goods manufacturing	–0.12	–0.05	–0.01	0.03	0.02
Wholesale trade	–0.16	–0.07	–0.08	–0.02	0.05
Retail trade	–0.12	–0.02	0.01	0.02	0.07
Transportation and warehousing	–0.12	–0.04	–0.02	0.00	0.01
Information	–0.07	–0.01	0.00	0.01	0.01
Finance and insurance	–0.55	0.36	–0.17	–0.06	–0.01
Real estate and rental and leasing	–0.07	0.01	0.00	0.00	–0.04
Professional, scientific, and technical services	–0.11	–0.06	–0.07	–0.01	0.06
Management of companies and enterprises	–0.11	0.02	0.02	–0.01	–0.01
Administrative and waste services	–0.17	–0.05	–0.05	0.02	0.09
Educational services	0.01	0.02	0.01	0.01	0.03
Health care and social assistance	0.00	0.13	0.09	0.10	0.10
Arts, entertainment, and recreation	–0.03	0.01	0.00	0.00	0.00
Accommodation and food services	–0.06	0.03	0.00	0.00	0.03
Other services, except public administration	–0.08	0.00	0.00	0.00	0.03
Federal government, civilian	0.11	0.04	0.03	0.03	0.06
Military	0.08	0.03	0.03	0.02	0.07
State and local government	0.09	0.09	–0.01	0.01	0.00
Total	**–2.36**	**0.00**	**–0.47**	**0.11**	**0.64**

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.

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The data that are available—monthly cash receipts from the marketing of crops are available with a three-month lag—have an important limitation. It is not possible on the basis of the cash receipts data alone to distinguish sales of the current harvest, which is a part of farm income, from sales out of inventory, which is not a part of income. This adds another element of complexity to the estimation of farm income because flows into and out of inventories can be large. One might think that states have well-defined harvest seasons for specific crops, and that outside of those seasons, all sales of that crop are out of inventory. For instance, one might expect farmers to harvest their corn before the onset of winter. However, farmers in North Dakota harvested corn as late as February of this year, with 24 percent of the crop still standing at the end of that month.[5] The difficulty in distinguishing sales of the current harvest from sales out of inventory is compounded by the fact that state-level cash receipts data are an aggregate of all crops.

Because BEA's quarterly farm income is seasonally adjusted, income will be shown for the first quarter even if the unadjusted source data typically indicate that farmers earned no income in that quarter. By removing recurrent swings in the receipt of income, seasonal adjustment provides a smoother time series in which long-term trends and variations in short-term supply and demand conditions are more readily discernible. Therefore, a drop in seasonally adjusted farm income from the fourth quarter to the first quarter cannot be attributed to the fact that farmers traditionally sell most of their harvest in the fourth quarter; the drop must be explained by economic and meteorological factors such as changes in prices and rainfall from one crop year to the next.

BEA has developed special methods to address the special conditions of the farm sector. To estimate first-quarter farm income for states, BEA relies on a U.S. Department of Agriculture (USDA) forecast of national farm income for the calendar year prepared in February. The USDA forecast is allocated to states using state-level monthly cash receipts data (usually available for January and February) and extrapolations of other components of farm income.[6]

With this background, the state farm income estimates for the first quarter of 2010 can be better appreciated. As noted, income from livestock operations rose, while income from crop production fell. In both cases, these changes largely reflect the USDA forecast in which crop receipts are expected to fall 3.6 percent in 2010, and livestock cash receipts are expected to rise 9.7 percent. Among crops, the largest forecasted decline is for wheat. Both wheat prices and quantities are expected to decline because of falling domestic and foreign demand. An important reason for rising livestock receipts is a recovery in dairy receipts in response to lower milk quantities but higher prices. Seasonally adjusted crop receipts for the first quarter of 2010, which were down 2.3 percent from the fourth quarter, reinforced the USDA crop forecast; livestock receipts, which were also down, did not.

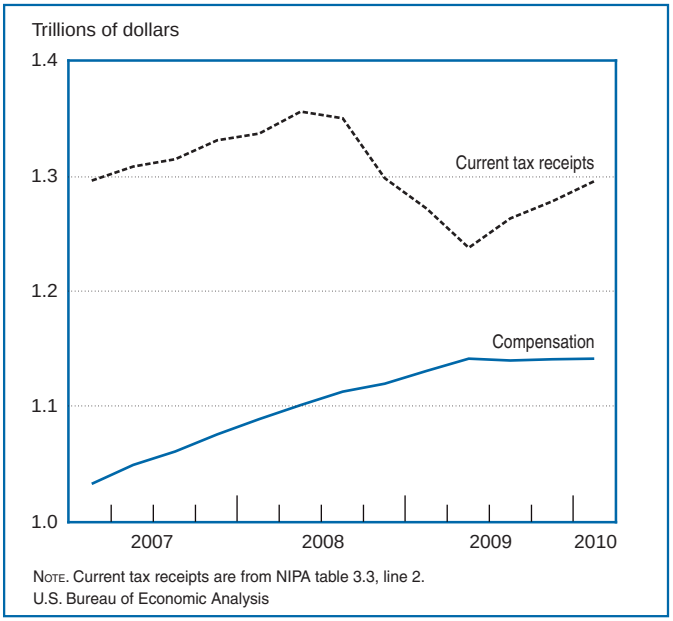
State and local government. The compensation of state and local government workers in all states and the District of Columbia held steady at $1.14 trillion in the first quarter, a level which has persisted for four quarters despite recovering tax receipts (chart 1).[7] However, the aggregate data obscure substantial variation across states, many of which have implemented hiring freezes and furloughs to restrain payrolls. In 24 states, compensation is currently below its peak level, by as much as 6.4 percent in Hawaii, 3.4 percent in Utah, and 2.6 percent in California. In contrast, in seven states, compensation of

5. "N.D. Corn Harvest Inches Along," *The Jamestown (North Dakota) Sun*, March 3, 2010

6. When BEA estimates second-quarter farm income for states, substantial new information is available including a new USDA forecast prepared in August, estimates of cash receipts through May, and complete source data for the farm sector for the previous year.

7. Compensation and earnings by place of work are identical for the government sector since there is no proprietors' income.

Chart 1. State and Local Government Compensation and Current Tax Receipts



NOTE. Current tax receipts are from NIPA table 3.3, line 2.
U.S. Bureau of Economic Analysis

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state and local government workers has grown continuously since the onset of the recession in the fourth quarter of 2007: Illinois, Pennsylvania, Iowa, North Dakota, South Dakota, South Carolina, and Wyoming. In the other 19 states, although there have been one or more quarters of decline since the fourth quarter of 2007, compensation in the first quarter of 2010 was at the highest level ever.

Personal current transfer receipts

Total transfer receipts for the first quarter grew 3.0 percent nationally. The American Recovery and Reinvestment Act (ARRA) transfer receipts rose to $113.5 billion from $99.5 billion in the fourth quarter (table C). These receipts contributed 0.1 percentage point to first-quarter U.S. personal income growth. In some states there were small declines in ARRA receipts, while in other states, the increases were substantial. In Mississippi, 0.7 percentage point of first-quarter personal income growth (almost half) was attributable to rising ARRA receipts.

The composition of ARRA receipts changed from the fourth quarter to the first quarter. In the fourth quarter, more than 80 percent of these receipts were directed to unemployed workers either as direct cash receipts or as the subsidization of health care costs. In the first quarter that share fell to 53 percent, while refundable income tax credits rose to more than 30 percent of total ARRA receipts. The composition of ARRA payments affects their regional distribution. Refundable income tax credits were received disproportionately by states with lower per capita personal incomes, while unemployment benefits reflect the regional distribution of unemployment.

Table C. Personal Current Transfer Receipts Funded by ARRA

[Millions of dollars, annual rate]

Area	2009				2010
	I	II	III	IV	I
United States	**8,800**	**98,800**	**90,900**	**99,500**	**113,500**
Alabama	155	1,649	963	1,074	1,830
Alaska	10	170	126	147	202
Arizona	372	1,969	1,476	1,803	2,278
Arkansas	96	1,076	742	842	1,124
California	1,075	11,472	12,895	12,876	13,091
Colorado	129	1,247	1,220	1,422	1,468
Connecticut	83	1,200	1,328	1,548	1,457
Delaware	17	275	224	207	267
District of Columbia	34	224	250	258	288
Florida	505	6,279	5,056	5,399	7,203
Georgia	273	2,895	2,798	2,931	3,993
Hawaii	21	389	351	387	410
Idaho	50	473	412	389	476
Illinois	370	4,207	4,350	5,268	5,194
Indiana	192	2,321	2,550	2,279	2,571
Iowa	148	1,003	738	932	929
Kansas	76	813	639	788	890
Kentucky	140	1,678	1,363	1,128	1,662
Louisiana	127	1,384	717	878	1,725
Maine	32	465	279	311	367
Maryland	111	1,436	1,180	1,306	1,478
Massachusetts	159	2,367	2,782	3,039	2,647
Michigan	341	4,035	4,484	4,950	4,893
Minnesota	138	1,554	1,415	1,832	1,618
Mississippi	120	1,043	619	709	1,320
Missouri	174	1,981	1,514	1,313	1,990
Montana	26	300	193	218	277
Nebraska	39	458	235	281	409
Nevada	25	891	1,318	1,198	1,159
New Hampshire	26	346	205	232	320
New Jersey	93	3,057	4,219	4,472	4,095
New Mexico	153	710	509	633	828
New York	179	6,109	5,644	6,376	7,065
North Carolina	787	3,850	3,790	3,955	4,560
North Dakota	18	172	72	80	126
Ohio	340	3,819	3,189	4,055	4,414
Oklahoma	102	1,117	646	883	1,173
Oregon	113	1,404	1,505	1,805	1,626
Pennsylvania	354	4,862	4,909	5,423	5,241
Rhode Island	37	414	448	462	433
South Carolina	130	1,638	1,429	1,478	1,948
South Dakota	23	208	68	82	157
Tennessee	179	2,173	1,635	1,697	2,289
Texas	618	6,267	4,670	5,278	8,338
Utah	80	545	413	550	669
Vermont	15	207	155	171	171
Virginia	159	1,965	1,192	1,318	1,789
Washington	143	1,971	1,849	2,442	2,386
West Virginia	60	707	346	415	573
Wisconsin	139	1,871	1,708	1,851	1,937
Wyoming	13	135	81	129	142

ARRA American Recovery and Reinvestment Act of 2009

Dividends, interest, and rent

Property income (dividends, interest, and rent) fell 0.4 percent nationally in the first quarter as declines in dividends offset rises in interest and rental income. Property income fell the most in Wyoming, 1.2 percent, reflecting the relatively high share of dividends in that state's property income. Property income rose 1.0 percent in Louisiana, boosted by an increase in homeowner assistance payments related to Hurricane Katrina (table D). These payments are treated as a component of the rental income of persons.

Table D. Homeowner Assistance Payments for Louisiana and Mississippi

[Millions of dollars, annual rate]

	2009				2010
	I	II	III	IV	I
Louisiana	1,200	400	400	400	800
Mississippi	400	400	400	400	400

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Tables 1 and 2 follow.