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Index of State Economic Momentum

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INDEX OF STATE ECONOMIC MOMENTUM

The Index of State Economic Momentum, developed by *Reports* founding editor Hal Hovey, ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth and population growth. *Reports* updates the index each quarter.

Measures of the three components are averaged, and the national average is set at zero. Each state's score is then expressed as a percentage above or below the national average. In the second quarter of 2016, **Arkansas** matched the national average economic performance. **Utah** remained at the top of the list, and **Wyoming** slipped into to the bottom spot. The table on the right shows the most recent results.

Twenty-one states exceed the national average economic momentum, including half of the 10 most populous: #4 **Florida**, #8 **California**, #9 **Georgia**, #14 **North Carolina**, and #18 **Michigan**. None of those 10 states hold bottom-10 ranks; the lowest is #38 **Illinois**.

As usual, states from the West and South—and particularly the Southeast—dominate the top ranks on the table. States in the Northeast do not appear among the top or bottom ranking states; for the most part they are clustered in the middle.

States at the bottom of the table are regionally diverse but share reliance on one of two industries that have been weak in recent quarters: agriculture and natural resources. They also tend to have small resident populations. Among the 10 bottom ranking states in the Index, only **Minnesota** and **Louisiana** rank in the top half for population, and four states are among the 10 least populous.

While only four states exceed the national average performance by more than 1%, nine lag it by more than 1% and three of those—**Alaska**,

Index of State Economic Momentum,
June 2016

Rank	State	Index
1	Utah	1.27
2	Oregon	1.16
3	Washington	1.12
4	Florida	1.06
5	South Carolina	0.81
6	Nevada	0.76
7	Arizona	0.74
8	California	0.71
9	Georgia	0.68
10	Tennessee	0.57
11	Colorado	0.57
12	District of Columbia	0.53
13	Idaho	0.37
14	North Carolina	0.32
15	Delaware	0.26
16	Hawaii	0.24
17	New Hampshire	0.24
18	Michigan	0.20
19	Massachusetts	0.10
20	Virginia	0.06
21	Maryland	0.04
22	Arkansas	0.00
23	Indiana	-0.17
24	Kentucky	-0.19
25	Wisconsin	-0.20
26	Ohio	-0.25
27	Maine	-0.26
28	Texas	-0.32
29	New York	-0.33
30	New Jersey	-0.43
31	Missouri	-0.44
32	Vermont	-0.45
33	South Dakota	-0.59
34	Pennsylvania	-0.65
35	Rhode Island	-0.65
36	Iowa	-0.68
37	Nebraska	-0.69
38	Illinois	-0.71
39	Connecticut	-0.72
40	Alabama	-0.75
41	Mississippi	-0.81
42	Minnesota	-0.81
43	Montana	-1.01
44	New Mexico	-1.18
45	Kansas	-1.23
46	Louisiana	-1.66
47	West Virginia	-1.74
48	Oklahoma	-1.82
49	Alaska	-2.14
50	North Dakota	-3.61
51	Wyoming	-3.62

North Dakota, and **Wyoming**—lag it by more than 2%.

PERSONAL INCOME

The table on the right shows state detail for the first component of the Index of State Economic Momentum, state personal income. This measure, produced by the Bureau of Economic Analysis (BEA), measures the income received by all persons in a state from all sources, including net earnings by place of residence, rental income, dividends, interest, and transfer payments. Between the first quarter of 2015 and the same period in 2016, personal income across the nation grew 4.4%, an improvement from the last update, when it increased 4.0%.

The two top-ranking states, **New Hampshire** and **Maine**, do not commonly rank near the top on this measure, and the BEA’s analysis of first quarter personal income offers no specific explanation of their results. However, both states benefited from an increase in earnings, which BEA cites as driving the quarter’s results, and both had above-average gains from government transfer payments.

The BEA does report the following (focused on changes from the previous quarter, rather than the same quarter in the previous year):

- Earnings increased 1.1% and were the leading contributor to growth in personal income in most states.
- Earnings in **Washington** grew faster than in any other state, largely due to stock grants in the information sector.
- Growth in health care earnings was the leading contributor to above-average earnings growth in **Oregon**.
- Growth in farm earnings was the leading contributor to above-average earnings growth in **Arkansas**.
- Growth in durable manufacturing earnings was the leading contributor to above

Change in Personal Income, 2015.1 to 2016.1

Rank	State	Percent
1	New Hampshire	6.7%
2	Maine	5.9
3	Tennessee	5.7
4	Utah	5.7
5	Oregon	5.6
6	South Carolina	5.6
7	Washington	5.6
8	Michigan	5.6
9	California	5.4
10	Nevada	5.3
11	Florida	5.1
12	Massachusetts	5.1
13	North Carolina	5.0
14	Georgia	4.9
15	Kentucky	4.8
16	Indiana	4.8
17	Arizona	4.8
18	New York	4.7
19	Ohio	4.7
20	Maryland	4.7
21	Arkansas	4.7
22	Hawaii	4.7
23	Virginia	4.7
24	Rhode Island	4.6
25	Wisconsin	4.4
	United States	4.4
26	Missouri	4.4
27	District of Columbia	4.3
28	Vermont	4.3
29	Colorado	4.3
30	Pennsylvania	4.2
31	New Jersey	4.2
32	Delaware	4.2
33	Illinois	4.2
34	Connecticut	4.0
35	Mississippi	3.7
36	Idaho	3.6
37	Alabama	3.3
38	Iowa	3.2
39	South Dakota	3.2
40	Kansas	3.0
41	New Mexico	2.9
42	Minnesota	2.8
43	Texas	2.7
44	Nebraska	2.5
45	Louisiana	2.4
46	Montana	2.3
47	West Virginia	1.8
48	Alaska	0.9
49	Oklahoma	0.8
50	Wyoming	-1.2
51	North Dakota	-2.8

average-earnings growth in **Michigan**, due in part to profit sharing payments by motor vehicle manufacturers.

- Growth in construction earnings was the leading contributor to above-average earnings growth in **Utah**.

BEA also notes that farm earnings declined, leading to below-average income growth in five states in the Plains region—**Iowa, Minnesota, Nebraska, North Dakota, and South Dakota**. Mining earnings also declined in the quarter, and were a major contributor to declining incomes in **Wyoming and North Dakota**. Since peaking in the fourth quarter of 2014, BEA reports that mining earnings have declined 15.8% nationally, 21.8% in **Wyoming**, and 44.7% in **North Dakota**.

EMPLOYMENT

The table on the right shows the change in each state's non-farm employment between May 2015 and May 2016. Nationally, employment grew 1.7%, roughly consistent with its growth rate in recent years. Such growth is not reflective of an economic boom, but rather of modest employment gains.

In a few states, however, employment is booming. Five states—**Oregon, Utah, Idaho, Washington, and Florida**—posted employment gains of more than 3% over the year, and states in the West and South dominate those with above-average growth. Again, the Southeast is notable for its strong performance.

At the other extreme, six states recorded job losses over the year. All but **Kansas** are suffering from weakness in the natural resources sector.

Among the most populous states, half are adding jobs at rates greater than the national average and half lag it. Typically, this dynamic breaks down to western and southern rates having strong job growth, with midwestern and eastern states growing more slowly. That is largely true in this update, except **Michigan** is among the above-average group and **Texas** is among the below-

Employment Change, May 2015 to May 2016

Rank	State	Percent
1	Oregon	3.4%
2	Utah	3.3
3	Idaho	3.2
4	Washington	3.2
5	Florida	3.2
6	Georgia	2.9
7	Arizona	2.9
8	California	2.8
9	Delaware	2.5
10	Colorado	2.4
11	South Carolina	2.4
12	District of Columbia	2.3
13	Hawaii	2.2
14	Tennessee	2.1
15	Nevada	2.0
16	Michigan	1.9
17	North Carolina	1.8
18	Arkansas	1.8
19	Maryland	1.8
20	Virginia	1.8
	United States	1.7
21	Wisconsin	1.7
22	Nebraska	1.6
23	Massachusetts	1.5
24	Texas	1.5
25	Vermont	1.4
26	South Dakota	1.3
27	Ohio	1.3
28	Indiana	1.3
29	Kentucky	1.2
30	New Jersey	1.2
31	Iowa	1.2
32	Alabama	1.1
33	Minnesota	1.1
34	New York	1.0
35	Missouri	0.9
36	Mississippi	0.8
37	Connecticut	0.8
38	Illinois	0.8
39	New Hampshire	0.7
40	Pennsylvania	0.7
41	Montana	0.6
42	New Mexico	0.5
43	Maine	0.3
44	Rhode Island	0.2
45	West Virginia	0.2
46	Kansas	-0.1
47	Oklahoma	-0.2
48	Alaska	-0.6
49	Louisiana	-0.9
50	Wyoming	-3.0
51	North Dakota	-3.4

average group. While Texas has seen its job growth suffer along with the other resource-dependent economies, it is doing much better than the others, reflecting its more diversified economic base. None of the 10 most populous states ranks among the bottom 10 on the table.

POPULATION

The annual change in state population is the third and final component of the Index of State Economic Momentum. Population estimates are released once per year, in December. The table on the right shows the percent change in state population between July 2014 and July 2015. As such, this variable is less current than the other two measures.

Population growth both reflects underlying economic growth and causes it. People are drawn to states where employment is readily available, and in turn those new residents create even more jobs through their demand for housing, furnishings, restaurants, and other goods- and service-producing industries.

In the wake of the Great Recession, the nation's population growth has not returned to its pre-recession levels. Prior to the recession, the national growth rate was typically around 1%. The 2015 growth rate was just 0.79%, consistent with the last several years. Analysts cite both less international migration due to fewer employment opportunities and more rigorous enforcement, and lower birthrates due to an aging population and economic insecurity among those of child-bearing age.

For individual states, the results reflect longstanding trends as well as more recent developments. For example, top-ranking **North Dakota** has seen an influx of residents eager to work in the state's expanding natural resources sector; with current weakness in that sector, next year's growth is likely to be less robust. Many western and southern states have been the

Change in State Population, July 1, 2014 to July 1, 2015

Rank	State	Percent
1	North Dakota	2.28%
2	Colorado	1.89
3	District of Columbia	1.88
4	Nevada	1.85
5	Florida	1.84
6	Texas	1.82
7	Utah	1.75
8	Washington	1.52
9	Arizona	1.48
10	Oregon	1.45
11	South Carolina	1.39
12	Idaho	1.23
13	Georgia	1.17
14	Delaware	1.06
15	North Carolina	1.03
16	Montana	0.95
17	California	0.91
18	Oklahoma	0.82
19	Tennessee	0.80
20	Hawaii	0.80
	United States	0.79
21	Nebraska	0.70
22	Virginia	0.66
23	South Dakota	0.61
24	Minnesota	0.59
25	Massachusetts	0.58
26	Maryland	0.52
27	Louisiana	0.47
28	Iowa	0.46
29	Arkansas	0.38
30	Indiana	0.33
31	Missouri	0.33
32	Kansas	0.31
33	Wyoming	0.31
34	Kentucky	0.28
35	Alabama	0.26
36	New York	0.24
37	New Jersey	0.21
38	Wisconsin	0.21
39	New Hampshire	0.20
40	Alaska	0.19
41	Ohio	0.14
42	Rhode Island	0.13
43	Pennsylvania	0.07
44	Michigan	0.06
45	New Mexico	-0.02
46	Mississippi	-0.04
47	Maine	-0.07
48	Connecticut	-0.11
49	Vermont	-0.12
50	Illinois	-0.17
51	West Virginia	-0.25

State Unemployment Rates, May 2016

Rank	State	Percent
1	South Dakota	2.5%
2	New Hampshire	2.7
3	Nebraska	3.0
4	Vermont	3.1
5	Hawaii	3.2
5	North Dakota	3.2
7	Colorado	3.4
8	Maine	3.5
9	Idaho	3.7
9	Kansas	3.7
11	Arkansas	3.8
11	Minnesota	3.8
11	Utah	3.8
11	Virginia	3.8
15	Iowa	3.9
16	Delaware	4.1
16	Tennessee	4.1
18	Massachusetts	4.2
18	Montana	4.2
18	Wisconsin	4.2
21	Missouri	4.3
22	Texas	4.4
23	Maryland	4.5
23	Oregon	4.5
25	Florida	4.7
25	Michigan	4.7
25	New York	4.7
25	Oklahoma	4.7
	United States	4.7
29	New Jersey	4.9
30	Indiana	5.0
31	Kentucky	5.1
31	North Carolina	5.1
31	Ohio	5.1
34	California	5.2
35	Georgia	5.3
36	Rhode Island	5.4
37	Pennsylvania	5.5
38	Arizona	5.6
38	South Carolina	5.6
38	Wyoming	5.6
41	Connecticut	5.7
42	Mississippi	5.8
42	Washington	5.8
44	Alabama	6.1
44	District of Columbia	6.1
44	Nevada	6.1
47	New Mexico	6.2
47	West Virginia	6.2
49	Louisiana	6.3
50	Illinois	6.4
51	Alaska	6.7

recipients of internal migration for many years, and states along the southern border—such as **Florida**, **Texas**, and **Arizona**—also are a destination for many immigrants.

In contrast, most northeastern and midwestern states have seen tepid population gains as their manufacturing bases decline and their residents set off for greener pastures and warmer temperatures. Seven states are estimated to have seen population losses in 2015.

UNEMPLOYMENT RATE

The unemployment rate is not a component of the Index of State Economic Momentum, in part because it can give mixed signals. Some states have low unemployment rates because their economies are growing quickly and they are able to put people to work. **North Dakota** has been such a state, and **Colorado** and **Utah** are current examples. Others have low rates because their economies are growing more slowly than average, but their populations are doing the same, with the result a sort of equilibrium. **South Dakota**, **New Hampshire**, **Vermont**, and **Maine** are examples, with the latter two estimated to have lost population last year.

Among the states with high unemployment rates, some are creating jobs at above-average rates, but contain (or are) large urban areas with attendant pockets of joblessness. **Nevada**, the **District of Columbia**, and **Washington** are examples. Others are down on their luck, struggling to create employment opportunities for those who seek them. This includes the natural resource economies listed at the bottom of the table, such as **Alaska**, **Louisiana**, and **West Virginia**.

It isn't always one thing or the other. Sometimes several factors come into play. **Illinois** is characterized by a declining population, tepid job growth, and a large urban area, all of which contribute to its relatively high unemployment rate. In fact, it alone among the 10 most-populous states

has an unemployment rate that puts it among the 10 bottom-ranking states. The other nine are clustered between #22 **Texas** and #37

Pennsylvania.

The national unemployment rate continues to improve, declining from 4.9% in the last update to 4.7% now. A year ago it stood at 5.5%. The low rate does not reflect strong job growth, as the data on page 4 make clear, but some combination of an aging population, low population growth rates, and discouraged job seekers who have left the job market.

TAKE-AWAYS

There is little to distinguish this update of the Index of Economic Momentum from those in recent quarters.

- Annual personal income growth is in the mid-4% range, having improved from 4% in the last update.
- Employment growth remains below 2% annually, and declined slightly from 1.8% in the last update.

- Population growth has yet to return to its pre-recessionary levels, still averaging well below 1% per year
- Natural resource-dependent states continue to struggle, with tepid job and income growth, or even declines.
- Western and southern states continue to outperform most other regions, and southeastern states have shown notable strength in recent quarters.
- The 10 most populous states are a mixed bag, with half exceeding the national economic growth rate and half lagging it. Among them, **Illinois** and **Pennsylvania** are the most noteworthy, with below-average income, job, and population growth, and relatively high unemployment rates. **Texas** has seen its performance falter, but it is faring better than most other natural resource economies.

TECHNICAL NOTES

State Economic Momentum. The Bureau of Economic Analysis (www.bea.gov) publishes quarterly state personal income data. Employment levels are published by the Bureau of Labor

Statistics (BLS) (www.bls.gov), as are state unemployment rates. Population counts and estimates are available at www.census.gov.

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