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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. In the first quarter of 2018, **Nevada** reclaimed the top spot, while the **District of Columbia** most closely approximated the national average economic performance.

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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. The table at right shows the results based on the most recent data. In the first quarter of 2018, the **District of Columbia** is closest to the national average economic performance, lagging it by -0.02%. **Nevada** moved into the top on the list, and **North Dakota** fell to the bottom.

Fifteen states exceeded the national average economic performance, while 35 plus the District of Columbia lagged it. Five of the 10 most-populous states are among those that exceeded the average: #7 **Texas**, #8 **Florida**, #11 **Georgia**, #12 **California**, and #13 **North Carolina**.

The nature of state economies with lagging economic momentum has shifted, from natural resource-dependent economies to agricultural economies. Only six states lagged the national average economic momentum by more than 1% in this update (down from eight), and agricultural states feature prominently among them. In contrast, the natural resource-dependent states that have struggled in recent years—such as **Wyoming**, **West Virginia**, and **Oklahoma**—have seen their rankings improve; however, they continue to lag the national average.

New Hampshire and **Massachusetts** are the only states among the 15 that exceed the national average economic performance not located in the South or West.

Index of State Economic Momentum,
March 2018

Rank	State	Index
1	Nevada	1.82
2	Idaho	1.61
3	Utah	1.33
4	Washington	1.16
5	Arizona	1.08
6	Colorado	0.97
7	Texas	0.71
8	Florida	0.60
9	Oregon	0.50
10	New Hampshire	0.49
11	Georgia	0.47
12	California	0.40
13	North Carolina	0.22
14	South Carolina	0.16
15	Massachusetts	0.10
16	District of Columbia	-0.02
17	Rhode Island	-0.02
18	Tennessee	-0.06
19	Delaware	-0.06
20	Oklahoma	-0.09
21	Virginia	-0.27
22	New Jersey	-0.28
23	New York	-0.31
24	Hawaii	-0.31
25	Montana	-0.32
26	Wisconsin	-0.33
27	Alabama	-0.39
28	Pennsylvania	-0.39
29	Ohio	-0.41
30	Maine	-0.47
31	Minnesota	-0.54
32	Indiana	-0.55
33	New Mexico	-0.56
34	West Virginia	-0.57
35	South Dakota	-0.60
36	Wyoming	-0.60
37	Michigan	-0.61
38	Missouri	-0.62
39	Arkansas	-0.64
40	Mississippi	-0.70
41	Maryland	-0.75
42	Illinois	-0.83
43	Louisiana	-0.85
44	Vermont	-0.87
45	Connecticut	-0.89
46	Kentucky	-1.02
47	Nebraska	-1.10
48	Kansas	-1.18
49	Iowa	-1.47
50	Alaska	-1.65
51	North Dakota	-2.74

Comparing results for the top- and bottom-10 ranking states to the prior index, **Arizona** and **Colorado** saw modest increases to join the top 10 (from #14 and #12), while **New Hampshire** saw a more substantial jump (from #29). Among states ranking in the bottom 10, none traveled too far, but **Nebraska, Kentucky, Vermont,** and **Louisiana** all ranked in the 30s in the last index.

PERSONAL INCOME

The table on the right shows state detail on the first component of the Index of State Economic Momentum. State personal income is 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 fourth quarter of 2016 and the same period in 2017, personal income across the nation grew by 4.0%, a notable increase from 2.6% growth between the third quarters of the two years.

Nevada had the strongest year-over-year growth, and held the distinction of being the only state to record growth greater than 6%.

Six of the 10 most-populous states exceeded the national average personal income growth rate, but none of them ranked among the top 10 states: #11 **Texas**, #12 **California**, #13 **Georgia**, #14 **Florida**, #17 **North Carolina**, and #18 **New York**. One of the 10 most-populous states ranked in the bottom 10: #43 **Michigan**.

The Bureau of Economic Analysis (BEA), which publishes the personal income data, included the following observations regarding personal income growth during calendar year 2017.

- Earnings increased 3.1% and were the leading contributor to growth in personal income in most states.
- Retail trade was the leading contributor to the earnings increase in **Washington**.
- Durable goods manufacturing was the leading contributor to the earnings increase in **Idaho**.

Change in Personal Income, 2016.4 to 2017.4

Rank	State	Percent
1	Nevada	6.4%
2	New Hampshire	5.7
3	Arizona	5.6
4	Idaho	5.4
5	Colorado	5.3
6	Utah	5.1
7	Delaware	5.1
8	Washington	5.0
9	Massachusetts	4.9
10	Rhode Island	4.6
11	Texas	4.5
12	California	4.5
13	Georgia	4.5
14	Florida	4.4
15	West Virginia	4.2
16	Wisconsin	4.1
17	North Carolina	4.1
18	New York	4.0
	United States	4.0
19	Hawaii	4.0
20	Oregon	3.9
21	Alabama	3.9
22	District of Columbia	3.8
23	Ohio	3.8
24	Virginia	3.8
25	Oklahoma	3.8
26	Maine	3.8
27	South Carolina	3.7
28	Louisiana	3.7
29	Wyoming	3.7
30	Arkansas	3.5
31	New Jersey	3.5
32	Tennessee	3.5
33	Pennsylvania	3.5
34	Vermont	3.4
35	Maryland	3.3
36	Illinois	3.2
37	Indiana	3.0
38	Connecticut	3.0
39	New Mexico	3.0
40	Missouri	3.0
41	Montana	3.0
42	Mississippi	2.9
43	Michigan	2.9
44	Minnesota	2.9
45	Kentucky	2.4
46	Nebraska	2.1
47	South Dakota	2.0
48	Kansas	1.9
49	Alaska	1.9
50	Iowa	0.7
51	North Dakota	-0.4

- Construction was the leading contributor to the earnings increase in **Nevada**.
- Professional, scientific, and technical services were the leading contributors to the earnings increase in **Utah**.
- Health care was the leading contributor to the earnings increase in **Arizona**.
- Farm earnings decreased -6.6% for the nation, the fourth consecutive annual decrease. It was the leading contributor to slow earnings growth in **Kansas, Nebraska, and South Dakota**, and to decreases in earnings in **Iowa and North Dakota**.
- Mining earnings, which for the nation have decreased -35% since 2014, decreased -2.7% in 2017 and were the leading contributor to a decrease in earnings in **Alaska**.
- Property income (dividends, interest, and rent) increased 3.3% in 2017, after 1.2% growth in 2016. The change in property income ranged from 4.4% in **Washington** to 2.4% in **Kentucky**.
- Transfer receipts increased 3.0% for the nation in 2017, after increasing 3.1% in 2016. The change ranged from 8.3% in **Louisiana** to -1.1% in **New Mexico**.

Employment Change, February 2017 to February 2018

Rank	State	Percent
1	Idaho	3.4%
2	Nevada	3.2
3	Utah	3.2
4	Washington	2.9
5	Colorado	2.4
6	Texas	2.3
7	Oregon	2.3
8	California	2.3
9	Arizona	2.3
10	Georgia	2.0
11	Florida	2.0
12	Oklahoma	1.9
13	Wyoming	1.7
14	North Carolina	1.6
15	South Carolina	1.6
16	New Jersey	1.5
	United States	1.5
17	Tennessee	1.5
18	South Dakota	1.4
19	New Hampshire	1.4
20	Pennsylvania	1.4
21	Hawaii	1.4
22	New Mexico	1.4
23	Rhode Island	1.3
24	Mississippi	1.2
25	Michigan	1.2
26	New York	1.2
27	Montana	1.1
28	Massachusetts	1.1
29	Indiana	1.0
30	West Virginia	1.0
31	Missouri	1.0
32	Virginia	0.9
33	District of Columbia	0.9
34	Ohio	0.8
35	Alabama	0.8
36	Illinois	0.8
37	Minnesota	0.7
38	Wisconsin	0.7
39	Iowa	0.6
40	Maine	0.6
41	Kansas	0.5
42	Connecticut	0.5
43	Kentucky	0.4
44	Arkansas	0.2
45	Nebraska	0.2
46	Maryland	0.1
47	Vermont	0.1
48	Louisiana	0.0
49	Delaware	-0.1
50	Alaska	-0.4
51	North Dakota	-1.6

EMPLOYMENT

The table on the right lists state employment growth between February 2017 and February 2018.

Nationally, job growth held steady since the last update, at 1.5%. Just 16 states had growth rates that exceeded the national average, led by **Idaho**, at 3.4%. Four states recorded job losses: **North Dakota, Alaska, Delaware, and Louisiana** (where a small loss rounded to zero).

Among the 10 most populous states, five registered above-average employment growth, including three in the top 10: #6 **Texas**, #8 **California**, and #10 **Georgia**. **Florida** was right behind, at #11. The high ranking of the three most-

populous states helps to explain why so few states exceeded the national average. **Ohio** and **Illinois** posted the weakest growth among this group of 10.

Among the 10 states with the strongest job growth, none is located outside the West or South. **New Jersey** ranked highest in job growth among northeastern states (#16), and **South Dakota** highest among midwestern states (#18). In contrast, the 10 states with the slowest job growth represent every region of the country (although **Alaska** is the only western state).

POPULATION

The final component of the Index of State Economic Momentum is the change in state population. Population estimates for July 2017 were released last December, and the state growth rates associated with them are listed on the right.

For several years, **North Dakota** ranked #1 in population growth, with its booming economy attracting job seekers. As its economy cooled its relative population growth also fell sharply, dropping to #37 in 2016, and to #44 in 2017.

It was among eight states with estimated population losses in 2017. For the first time in many years, this list of eight states included none in the Northeast, with **Connecticut**, **Vermont**, and **New York** posting slight population gains.

Idaho recorded the strongest population growth, 2.2%, and was joined by neighboring **Nevada**, **Utah**, and **Washington** as the top gainers. Nationally, the resident population is estimated to have increased just 0.72% between July 2016 and 2017, another in a string of weak years for population growth. Among the 18 jurisdictions with above-average population growth, only **South Dakota** and **Minnesota** are located outside the Census-defined West or South.

Four of the 10 most-populous states registered above-average growth, and all are southern states: #5 **Florida**, #7 **Texas**, #12 **North Carolina**, and

Percent Change in State Population, July 1, 2016 to July 1, 2017

Rank	State	Percent
1	Idaho	2.20%
2	Nevada	2.00
3	Utah	1.89
4	Washington	1.71
5	Florida	1.59
6	Arizona	1.56
7	Texas	1.43
8	District of Columbia	1.41
9	Colorado	1.39
10	Oregon	1.39
11	South Carolina	1.30
12	North Carolina	1.15
13	Montana	1.14
14	Georgia	1.12
15	Tennessee	1.00
16	Delaware	0.97
17	South Dakota	0.94
18	Minnesota	0.93
	United States	0.72
19	Virginia	0.66
20	Nebraska	0.65
21	California	0.61
22	New Hampshire	0.58
23	Arkansas	0.54
24	Massachusetts	0.53
25	Indiana	0.49
26	Iowa	0.47
27	Maryland	0.46
28	Maine	0.43
29	Kentucky	0.41
30	Wisconsin	0.39
31	Missouri	0.37
32	Ohio	0.31
33	New Jersey	0.30
34	Alabama	0.29
35	Michigan	0.29
36	Oklahoma	0.25
37	Rhode Island	0.20
38	Kansas	0.19
39	Pennsylvania	0.14
40	New Mexico	0.13
41	New York	0.07
42	Vermont	0.05
43	Connecticut	0.01
44	North Dakota	-0.02
45	Louisiana	-0.04
46	Mississippi	-0.04
47	Hawaii	-0.08
48	Alaska	-0.23
48	Illinois	-0.26
50	West Virginia	-0.70
51	Wyoming	-0.96

#14 **Georgia**. **Illinois** was the sole state among this group of 10 to record a population loss.

UNEMPLOYMENT RATES

The unemployment rate is not a component of the Index of State Economic Momentum, but it is an important indicator of a state's economic condition. While a low unemployment rate signals a state that can put its residents to work, it increasingly also signals a state facing labor shortages that could constrain future job growth, or a state with a workforce that isn't growing much.

Some of the states with low unemployment rates have slow-growing populations, such as **Hawaii** and **North Dakota**, both of which lost population in 2017. Others are experiencing above-average population growth, such as **Colorado** and **Idaho**.

Nationally, the unemployment rate held steady in this update, at 4.1% in February. **Hawaii** recorded the lowest rate, 2.1%, and **Alaska** the highest, 7.3%. The latter was the only state with a rate higher than 6%. Twenty-eight states recorded rates equal to or lower than the national average and 22 (plus the District of Columbia) recorded higher rates.

Among the 10 most-populous states, only **Florida** and **Texas** had unemployment rates lower than the average. Three—**Pennsylvania**, **Michigan**, and **Illinois**—were among the 10 states with the highest rates.

States with very low unemployment rates typically have small populations. Among the 10 states with the lowest rates, only **Wisconsin** and **Colorado** rank in the top half of the population distribution.

Notably, both **Nevada** and **Arizona** ranked in the top 10 for all three components of this index, but both have 4.9% unemployment rates, among the highest in the nation. Their strong economies may help to push those rates lower in future updates; alternatively, their strong economies may

State Unemployment Rates, February 2018

Rank	State	Percent
1	Hawaii	2.1%
2	New Hampshire	2.6
2	North Dakota	2.6
4	Nebraska	2.8
4	Vermont	2.8
6	Iowa	2.9
6	Maine	2.9
6	Wisconsin	2.9
9	Colorado	3.0
9	Idaho	3.0
11	Utah	3.1
12	Indiana	3.2
12	Minnesota	3.2
14	Kansas	3.4
14	South Dakota	3.4
14	Tennessee	3.4
17	Massachusetts	3.5
17	Virginia	3.5
19	Alabama	3.7
19	Missouri	3.7
21	Arkansas	3.8
22	Florida	3.9
23	Texas	4.0
23	Wyoming	4.0
25	Kentucky	4.1
25	Montana	4.1
25	Oklahoma	4.1
25	Oregon	4.1
	United States	4.1
29	Maryland	4.2
30	California	4.3
31	Delaware	4.4
31	South Carolina	4.4
33	Georgia	4.5
33	Louisiana	4.5
33	Mississippi	4.5
33	North Carolina	4.5
33	Ohio	4.5
33	Rhode Island	4.5
39	Connecticut	4.6
39	New Jersey	4.6
39	New York	4.6
42	Illinois	4.7
42	Washington	4.7
44	Michigan	4.8
44	Pennsylvania	4.8
46	Arizona	4.9
46	Nevada	4.9
48	West Virginia	5.4
49	District of Columbia	5.7
50	New Mexico	5.8
51	Alaska	7.3

be pulling new entrants in the workforce, helping to keep their unemployment rates high.

While the overall tenor of this update is consistent with recent updates, it is notable for its solid uptick in personal income growth. With this growth, it's possible that future economic momentum updates will see stronger employment gains, as personal income gains lead to stronger consumer demand and with it, more jobs.

Moreover, a large federal tax cut enacted at the end of 2017 is likely to have repercussions in coming updates, building on the income growth reported here. The omnibus spending bill for the current fiscal year—enacted at the end of March—provided a healthy boost in federal government spending, which should create additional tailwinds for economic growth in the months ahead.

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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