

April 24, 2008

Programmatic Impacts of BEA's FY2008 Appropriations on the Regional Economic Accounts Directorate

The FY 2008 Consolidated Appropriations Act provided \$77.5 million for the Bureau of Economic Analysis (BEA). That amount is \$3.9 million less than the budget requested by the President. This funding level provides for a regional statistics initiative, but does not provide full funding for BEA base programs in FY 2008. In order to align base programs with the new budget, BEA will make permanent reductions in various statistical programs, including in its regional economic accounts.

Specifically, BEA plans to reduce the level of industry detail it publishes for its county-level personal income estimates from a NAICS subsector level (3-digit codes) to a NAICS sector level (2-digit codes). This roll-up of industry-level detail for counties will occur beginning with reference year 2008, to be released in calendar years 2009 and 2010. In addition to this direct effect on BEA's local area personal income (LAPI) estimates, there will be indirect effects on BEA's gross domestic product (GDP) by metropolitan area estimates and on its Regional Input-Output Modeling System (RIMS II) regional economic multipliers. Plans to accelerate sector level earnings by industry estimates also have been indefinitely postponed.

In September 2007, BEA released, for the first time, prototype estimates of GDP by metropolitan area for 2001-2005, at the NAICS subsector level. The cutback in the county-level personal income industry detail will limit release of the metropolitan area GDP estimates to the NAICS sector level beginning with the 2008 reference year. The quality of these sector level GDP by metropolitan area estimates as well as estimates of real GDP by metropolitan area, will likely be reduced because of the lack of subsector-level input data. Further, plans to accelerate the release of GDP for metropolitan areas have been indefinitely postponed.

BEA's RIMS system uses BEA LAPI data, the BEA national input-output accounts, and BLS' QCEW (Quarterly Census of Employment and Wages) data—as edited by BEA's LAPI staff—as inputs to produce its regional economic multipliers. Beginning with reference year 2008, LAPI staff will not edit the QCEW data at the detailed industry level. RIMS staff will be required to use unedited QCEW to compute regional multipliers, which potentially could produce lower-quality estimates of RIMS economic multipliers.¹

The following table details the effects and timing of the planned programmatic cutbacks on BEA's local area personal income, GDP by metropolitan area, and RIMS economic multiplier estimates. Currently, BEA does not foresee any impacts on its GDP by state or state personal income programs.

¹ LAPI staff edit the BLS QCEW data to account for anomalies in the data and to develop a consistent economic time series for industries and for geography.

Impact of Planned Regional Program Cutbacks in County-level Industry Detail*

	2008	2009	2010
April	Annual LAPI estimates for 2004-2006 released at typical NAICS subsector level.	Annual LAPI estimates for 2005-2007 released at typical NAICS subsector level.	Annual LAPI estimates for 2008 released at the more aggregate NAICS sector level , but for 2006-2007 at the typical NAICS subsector level.
August	Accelerated metropolitan area personal income for 2007 produced at NAICS subsector but edited and released at typical NAICS sector level. RIMS is updated with 2006 LAPI data and 6-digit edited QCEW data.	Accelerated metropolitan area personal income estimates for 2008 produced and released at the more aggregate NAICS sector level. RIMS is updated with 2007 LAPI data and 6-digit edited QCEW data.	Accelerated metropolitan area personal income estimates for 2009 produced and released at the more aggregate NAICS sector level. RIMS is updated with the more aggregate 2008 LAPI data and 6-digit unedited QCEW data.
September	GDP by metropolitan area for 2006 released at typical NAICS subsector level.	GDP by metropolitan area for 2007 released at typical NAICS subsector level.	GDP by metropolitan area for 2008 released at more aggregate NAICS sector level.
December	County compensation for 2005-2007 released at typical NAICS subsector level.	County compensation for 2008 released at the more aggregate NAICS sector level , but for 2006-2007 at the typical NAICS subsector level.	County compensation for 2008-2009 released at the more aggregate NAICS sector level , but for 2007 at the typical NAICS subsector level.

* red font denotes change from current practice or plan.