

Introduction

This disc presents the sources and methods that were used to prepare the estimates of personal income and employment for local areas that were done by the Regional Economic Measurement Division of the Bureau of Economic Analysis (BEA). BEA prepared the following estimates for 1969-2002 for each county, metropolitan area, BEA economic area, State, and BEA region, and for the United States:¹

- Annual estimates of personal income by major component and of labor and proprietors' earnings by place of work and by Standard Industrial Classification (SIC) two-digit industry for 1969-2000, and by North American Industry Classification System (NAICS) three-digit industry for 2001 forward, together with the derivation of personal income by place of residence (table CA05);
- Annual estimates of the number of jobs--both those held by employees and those held by sole proprietors and partners, excluding limited partners--by place of work by SIC Division (the "one-digit" level of classification) for 1969-2000 and by NAICS sector for 2001 forward (table CA25);
- An economic profile table that includes a selection of data from several of the other tables such as personal income, population, per capita personal income, total earnings, total employment, and average earnings per job (table CA30);
- Annual estimates of transfer payments by major program (table CA35); and
- Annual estimates of farm income and expenses that include major categories of gross receipts and expenses for all farms and four measures of farm income (table CA45).

The estimates of personal income and of per capita personal income incorporate the results

1. See "Geographic areas" in the "Glossary." Lists of the metropolitan areas and of the BEA economic areas, together with their constituent counties, are available under "Documentation" on this disk.

of the annual revision to the national income and product accounts (NIPA's) released in July 2002.

The estimates are first prepared for the Nation, then for the States, and then for the counties. The estimates for the regions are aggregations of the State estimates, and the estimates for the metropolitan areas and BEA economic areas are aggregations of the county estimates.

This introduction presents a brief history of the development of the estimates of personal income and employment. It describes the uses of the local area estimates and the schedule for preparing and revising the estimates, and it presents information about the availability of the estimates and about the BEA User Group.

A brief history

In the mid-1930's, BEA began work on the estimation of regional income as part of the effort to explain the processes and structure of the Nation's economy. As a result, it produced annual state estimates of total "income payments to individuals." These income payments were calculated as the sum of (1) wages and salaries, (2) other labor income (now employer contributions for employee pension and insurance funds) and relief (current personal transfer receipts), (3) entrepreneurial withdrawals (proprietors' income), and (4) dividends, interest, and net rents and royalties.

During the 1940's and early 1950's, BEA developed an integrated set of national economic accounts, sought additional source data, and improved the methods used to prepare the estimates. One result of this work was the development of State personal income--a measure that is more comprehensive than State income payments.

State personal income differs significantly from State income payments in five ways:

- State personal income consists of six major components (supplements to wages and salaries, and personal current transfer receipts replaced other labor income and relief, and

the component contributions for government social insurance was added as an explicit deduction;

- Personal income includes more component detail and a broader range of income-in-kind and imputed income items than State income payments;
- Personal income includes the income of nonprofit institutions that serve individuals and of private noninsured welfare funds and private trust funds;
- Personal income includes employer contributions to private pension funds and government employee retirement plans--as part of supplements to wages and salaries--instead of the benefits paid to employees by the funds; and
- Personal income includes personal current transfer receipts by business.

In addition, in the mid-1950's, BEA began work on preparing estimates for local areas. It prepared estimates for a few counties in the States in the Mideast and Plains regions.

In the late 1950's, BEA developed estimates of State disposable personal income. This series was published occasionally in the Survey of Current Business in the 1960's and 1970's and has been presented annually beginning with 1982.

During the 1960's, BEA developed quarterly estimates of State personal income. The first set of these estimates as a continuous series was published in the December 1966 issue of the Survey. In addition, BEA prepared a personal income series for metropolitan areas and for nonmetropolitan counties for selected years in 1929-62.

In the early 1970's, BEA developed the estimates of personal income for counties in metropolitan areas. These estimates were published for the first time in the April 1975 Survey. Later in the 1970's it developed estimates of employment for States, counties, and metropolitan areas.

In the 1980's, BEA developed estimates of gross State product by industry. These estimates as an established series were first presented in the May 1988 Survey.

Now, BEA prepares annual and quarterly estimates of State personal income and annual estimates of State disposable personal income and employment and of gross state product. It also prepares annual estimates of personal income and employment for all metropolitan areas and all the counties and county equivalents for which reliable source data are available.

Uses of the local area estimates

The local area estimates of personal income and its components, of per capita personal income, and of employment are widely used by both the public and the private sectors to measure and to track the levels and the types of incomes that are received by the people who live or work in a metropolitan area, BEA economic area, or county. These estimates provide a framework for the analysis of each area's economy, and they serve as a basis for decision making.

Federal agencies use these estimates in econometric models, such as those used to project energy and water use. In addition, as part of its program for small area income and poverty estimation (SAIPE), the Census Bureau uses the estimates of county per capita personal income as a predictor variable in the preparation of its county estimates of median household income. The SAIPE program provides updated estimates of income and poverty statistics for the administration of Federal programs and the allocation of Federal funds to local jurisdictions.

State governments use the estimates to measure the economic base of State planning areas. They also use the estimates in econometric models that are developed for various planning purposes and to project tax revenues and the need for public utilities and for services.

University schools of business and economics use the estimates for theoretical and applied economic research. Some of these schools distribute the estimates in abstracts or similar reports to various State and local government agencies, regional councils of governments, private research groups, businesses, and libraries.

Businesses use the estimates for planning activities, such as evaluating markets for new or established products and determining areas for the location, expansion, and contraction of their activities.

Release and publication schedule

The quarterly and annual estimates of State personal income and the annual estimates of local area personal income are first released on BEA's Web site at <www.bea.gov> and in news releases; the release dates are announced in advance and are listed on the Web site and in the Survey of Current Business.

The quarterly State estimates of total and nonfarm personal income are subsequently published in the February, May, August, and November issues of the Survey.

The preliminary annual State estimates of total and per capita personal income and of total and per capita disposable personal income are published in the May Survey. The revised annual estimates of State personal income by major type and of earnings by industry are published in the September or October Survey.

The local area estimates of total and per capita personal income are published in the May Survey.

Preparation and revision schedule

The quarterly estimates of State personal income are prepared about four months after the end of the quarter. The preliminary annual State estimates are prepared about four months after the end of the year, and the revised State estimates are prepared about eight months after the end of the year. The annual estimates of local area personal income are prepared about 16 months after the end of the year.

In January, the estimates of State personal income for the third quarter of the previous year

are prepared, and the estimates of the first and second quarters are revised.

In April, the annual and quarterly State estimates for the three years before the previous year are revised in order to incorporate the newly available data for wages and salaries that are used to prepare the county estimates for those years and to reflect the county-level estimation of the adjustment for residence. In addition, the State estimates for the fourth quarter of the previous year are prepared, and the estimates for the first three quarters are revised; the preliminary annual State estimates for the previous year are prepared by averaging these quarterly estimates.

In May, the estimates of local area personal income for the year before the previous year are prepared, and the estimates for the two years before that are revised.

In July, the State estimates for the first quarter of the current year are prepared, and the estimates for the four quarters of the previous year are revised.

In August or September, the annual State estimates for the previous year are revised using the annual, rather than the quarterly, methodology, and the annual estimates for the two years before that are revised.

In October, the State estimates for the second quarter of the current year are prepared, and the estimates for the first quarter are revised. Further, the estimates for the quarters of the previous three years are revised for consistency with the revised annual estimates that were released in August or September.

The State and local area estimates are normally revised again only after a comprehensive, or benchmark, revision of the national income and product accounts (NIPA's). Comprehensive revisions of the NIPA's are made approximately every five years.

In a comprehensive NIPA revision, the national estimates of personal income are affected by the statistical changes that result from the introduction of new source data and the use of improved estimating methods. The national estimates may also be affected by the definitional

and classificational changes that are made so that the NIPA's will reflect the evolving economy of the United States. For example, as part of the 1999 comprehensive revision, government employee retirement plans were reclassified out of social insurance, and their treatment was made similar to that of private pension plans. As a result, the subtraction of the employee contributions to the government plans and the payments of benefits to retirees from the plans were removed from the derivation of personal income. Instead, personal income now includes the employer contributions to the plans and the net investment income received by the plans.

Availability of the State and local area estimates

Before the State and local area estimates are published in the Survey, they are available in printed and electronic news releases.² The complete set of personal income and employment estimates for local areas are available interactively on BEA's Web site. Go to <www.bea.gov/bea/regional/reis/> to access these estimates.

The local area estimates of personal income and of employment are also available through the members of the BEA User Group, which consists of State agencies and universities that help BEA to disseminate the estimates in their States. Go to <<http://www.bea.gov/bea/regional/docs/usergrp.cfm>> to access a list of the BEA User Group members or see the list of members under "Documentation" on this disc.

For more information, call the Regional Economic Information System at 202-606-5360, fax 202-606-5322, or e-mail reis.remd@bea.gov.

2. BEA's major national, regional, international, and industry estimates, recent issues of the Survey, and BEA news releases are available on BEA's Web site: Go to <www.bea.gov>.