

Local Area Personal Income for 2005

By David G. Lenze

PERSONAL income growth slowed in most of the Nation's 3,111 counties in 2005, averaging 4.7 percent, compared with 5.5 percent in 2004, according to the most recent estimates by the Bureau of Economic Analysis.¹ At the same time, inflation, as measured by the national price index for personal consumption expenditures, increased to 2.9 percent from 2.6 percent.

The county estimates discussed in this article complete the increasingly detailed depiction of the geographic distribution of the Nation's personal income for 2005. The first glimpse of personal income for 2005—for the Nation—was published in the February 2006 issue of the *SURVEY OF CURRENT BUSINESS*. That was followed by estimates for states in the April issue and for metropolitan statistical areas (MSA) in the September issue. The county estimates presented here reflect newly available and more complete source data.

This article discusses the general pattern and sources of growth in 2005 and disaster-related effects on personal income, including a look at Louisiana, in particular St. Bernard Parish. The article also explains the effect of the Microsoft dividend on personal income in 2004 and the impact of residence adjustments in 2005. The article concludes with a discussion of source data and revisions.

Pattern and Sources of Growth, 2005

County growth rates were tightly clustered in 2005—the three middle quintiles ranged from 2.9 percent to 6.7 percent (chart 1). In 2004, they ranged from 2.8 percent to 8.7 percent. Nonmetropolitan counties on average grew slower than metropolitan counties in both years. Nonmetropolitan counties grew 4.5 percent in 2005, compared with 5.0-percent growth for metropolitan counties. In 2004, nonmetropolitan counties grew 5.1 percent, compared with 6.3-percent growth for metropolitan counties. Geographically, the

1. Personal income is the income received by all persons from all sources; it is defined as the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts. A residence adjustment is also made to account for income earned by county residents at work sites outside of their county of residence and for income paid at work sites in the county to non-residents.

slowest growing counties were in hurricane-hit Louisiana and in the farming regions of Illinois, Iowa, Missouri, Arkansas, Nebraska, and eastern South Dakota. The fastest growing counties were also farm counties, concentrated in North Dakota, western South Dakota, and western Kansas.

The nonmetropolitan portion of the country differ from the metropolitan portion in more ways than population density. Manufacturing and natural resources (primarily farming and mining) are much more important to nonmetropolitan counties. These industries accounted for more than a fourth of earnings in nonmetropolitan counties but slightly more than an eighth of earnings in metropolitan counties (table A). Government is also a much larger sector in nonmetropolitan counties, accounting for 22 percent of earnings, compared with only 16 percent in metropolitan counties.

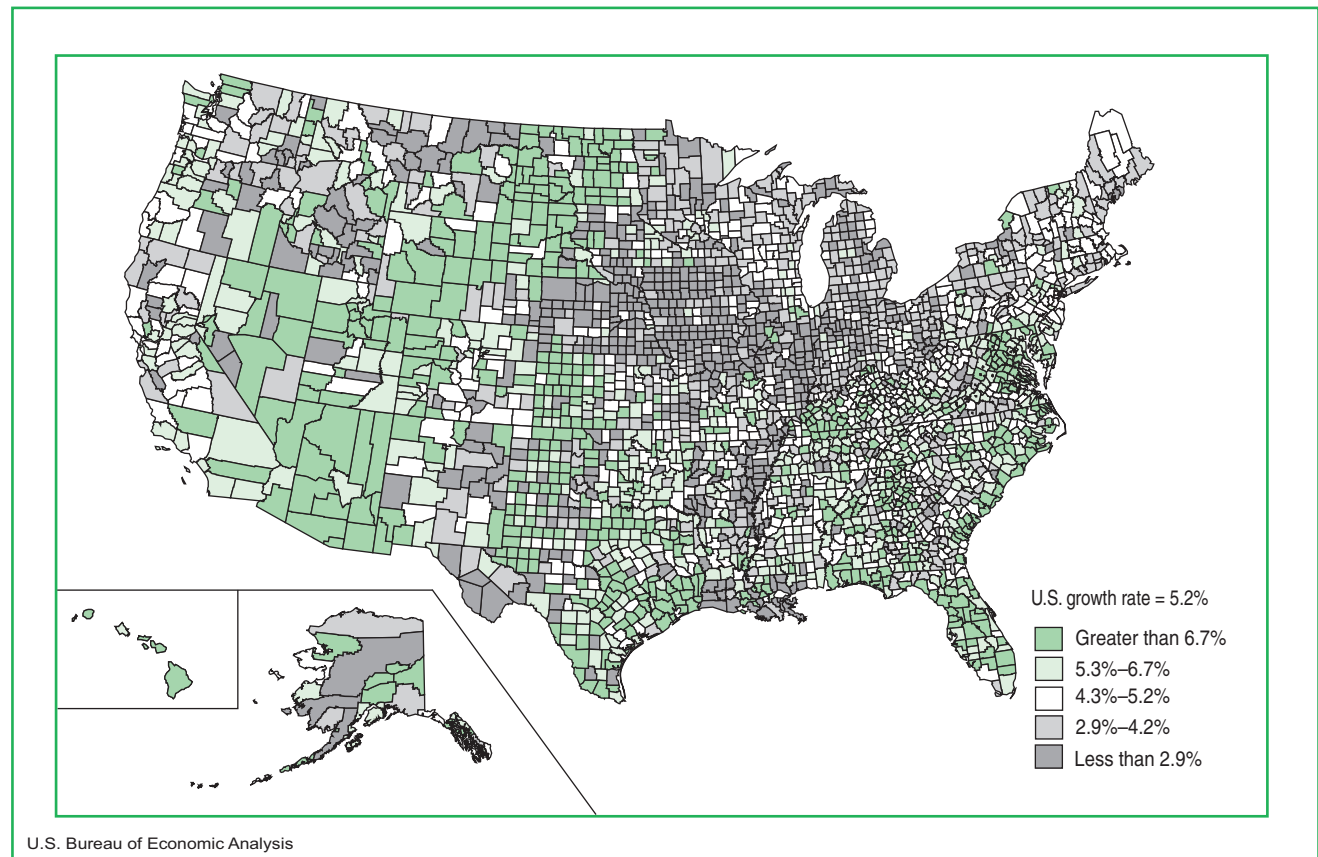
In contrast, the professional and business services, finance and insurance, and information industries are

Table A. Industrial Structure of Metropolitan and Nonmetropolitan Areas for 2005

Industry	Earnings by place of work (billions of dollars)		Industry's share of area's total earnings (percent)		Nonmetropolitan area's share of total earnings by industry (percent)
	Metropolitan	Nonmetropolitan	Metropolitan	Nonmetropolitan	
Natural resources ¹	112.0	57.1	1.6	6.9	33.8
Construction	459.5	52.6	6.4	6.4	10.3
Manufacturing	859.9	155.4	12.0	18.8	15.3
Wholesale and retail trade	840.8	92.8	11.7	11.2	9.9
Transportation, warehousing, and utilities	295.4	42.3	4.1	5.1	12.5
Information	278.0	10.8	3.9	1.3	3.7
Finance and insurance	573.2	24.4	8.0	3.0	4.1
Real estate and rental and leasing.....	189.8	12.7	2.7	1.5	6.3
Professional and business services ² ...	1,171.3	52.6	16.4	6.4	4.3
Education, health care, and social assistance	769.0	84.7	10.7	10.3	9.9
Leisure, hospitality, and other ³	472.5	57.8	6.6	7.0	10.9
Government	1,135.6	183.5	15.9	22.2	13.9
Local government	572.6	102.5	8.0	12.4	15.2
Total	7,157.1	826.6	100.0	100.0	10.4

1. Natural resources consists of farm; forestry, fishing, related activities, and other; and mining.
 2. Professional and business services consists of professional and technical services; management of companies and enterprises; and administrative and waste services.
 3. Leisure, hospitality, and other consists of arts, entertainment and recreation; accommodation and food services; and other services, except public administration.

Chart 1. Personal Income Growth Rates in Quintiles for 3,111 Counties in 2005



much more important in metropolitan counties, generating 28 percent of earnings, compared with only 11 percent in nonmetropolitan counties.

Earnings in the metropolitan portion of the United States grew 5.7 percent in 2005, but earnings in the nonmetropolitan portions grew only 4.5 percent. The

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industry contributing the most to metropolitan growth was professional and business services, which grew 8.5 percent. Growth rates for most industries were similar in both the metropolitan and nonmetropolitan portions, but the total growth rates were higher in the metropolitan portion because employment was relatively concentrated in the faster growing industries (table B):

- Construction, manufacturing, trade, health, and government each contributed at least a 0.5 percentage point to growth in metropolitan counties. The same is true in nonmetropolitan counties; however, government growth was much stronger.
- Professional and technical services and “finance and insurance” also provided at least 0.5 percentage point to growth in metropolitan counties.
- Farming subtracted 0.5 percentage point from earnings growth in nonmetropolitan counties.

Table B. Percent Growth and Contribution to Percent Growth in Earnings by Place of Work for Metropolitan and Nonmetropolitan Areas for 2005

Industry	Growth (percent)		Contribution to growth (percentage points)	
	Metro-politan	Non-metro-politan	Metro-politan	Non-metro-politan
Farm	-12.0	-12.2	-0.05	-0.47
Forestry, fishing, related activities, and other....	4.7	4.4	0.01	0.05
Mining	19.6	14.9	0.17	0.35
Oil and gas extraction	19.9	17.8	0.12	0.12
Mining except oil and gas	10.7	10.0	0.01	0.10
Support activities for mining	26.7	20.0	0.04	0.12
Utilities	2.0	2.7	0.02	0.03
Construction.....	9.8	10.3	0.61	0.62
Manufacturing	3.8	3.2	0.47	0.61
Durable-goods manufacturing	3.9	3.8	0.31	0.44
Nondurable-goods manufacturing	3.7	2.3	0.16	0.18
Wholesale trade.....	6.3	6.4	0.34	0.21
Retail trade	4.2	3.9	0.27	0.31
Transportation and warehousing.....	3.8	5.4	0.12	0.21
Truck transportation.....	6.0	6.8	0.06	0.12
Information.....	1.8	0.6	0.07	0.01
Finance and insurance	6.0	4.4	0.48	0.13
Insurance carriers and related activities.....	4.3	5.5	0.11	0.05
Real estate and rental and leasing	7.7	9.4	0.20	0.14
Real estate	11.4	21.6	0.24	0.21
Professional and technical services.....	8.5	7.8	0.84	0.26
Management of companies and enterprises	8.6	8.9	0.20	0.07
Administrative and support services.....	7.9	8.8	0.28	0.16
Waste management and remediation services.....	5.0	7.2	0.01	0.02
Educational services.....	6.2	6.0	0.09	0.05
Health care and social assistance	5.8	5.1	0.54	0.48
Arts, entertainment, and recreation	2.6	3.9	0.03	0.03
Accommodation	4.1	2.4	0.03	0.02
Food services and drinking places	5.7	4.3	0.12	0.09
Other services, except public administration	2.9	2.4	0.09	0.08
Federal civilian	3.4	3.4	0.11	0.10
Military	8.1	10.9	0.13	0.21
State government	4.9	4.3	0.15	0.21
Local government	4.7	4.7	0.38	0.58
Total.....	5.7	4.5	5.70	4.54

Disaster Effects

Disaster adjustments

Some effects of the natural disasters in 2005, such as the effects on wage and salary disbursements, are embedded in the source data used to estimate personal income and do not require special estimation. Other effects, such as uninsured losses of fixed assets, are not reflected in the source data. BEA estimated those effects and adjusted the various components of personal income accordingly (table C).² However, there are some differences between the estimates presented in table C and those presented earlier.

First, some estimates are different because an adjustment is no longer necessary now that source data in which the hurricane and flood impacts are embedded are available (for example, social security and Medicaid benefits). As more complete source data become available, this adjustment may be reduced.

Second, some estimates, such as Federal Emergency Management Agency (FEMA) disaster assistance, are based on different source data that are more complete than those previously available.

Third, there is an estimate for another transfer receipts component, Other Needs Assistance, a hurricane impact that is clearly identifiable in the detailed source data that is now available.

Fourth, the adjustment to proprietors' income now includes a “recovery surge” in Mississippi and Louisiana. This adjustment and the “business interruption adjustment” are temporary. When the source data (tabulations of Federal income tax returns) used to estimate proprietors' income become available, these adjustments will no longer be necessary.

Fifth, the residence adjustment was modified. The standard residence adjustment methodology is able to account for some of the consequences of the hurricanes on income flows. Job losses in a hard-hit parish after the disaster automatically reduce gross wage outflows from that parish (a certain proportion of wages in the parish are assumed to be earned by workers living outside the parish) and reduce gross wage inflows into the parishes where the workers live. However, the methodology does not automatically reduce gross wage inflows to a parish in response to population losses there (a constant proportion of wages earned in nearby parishes are assumed to be earned by the residents of a given parish). As a result, the residence ad-

2. For more information about the accounting principles, data sources, and estimation methodology BEA used for these adjustments, see David. G. Lenze, “Personal Income for Metropolitan Areas for 2005,” SURVEY OF CURRENT BUSINESS (September 2006): 130–134.

Table C. Special Adjustments to Personal Income and Federal Assistance for Natural Disasters in 2005 for Select Counties

County and state	Millions of dollars									Total deductions as a percent of personal income before adjustment ¹	Total additions as a percent of personal income before adjustment ²	Personal income before adjustments and Federal assistance (millions of dollars)
	Adjustments to proprietors' income			Adjustments to dividends, interest, and rent		Federal assistance and adjustments to personal current transfer receipts						
	Uninsured losses	Business interruption	Recovery surge	Uninsured losses and loss of use	Rent subsidies	Net insurance settlements	Population dispersal adjustment	FEMA disaster assistance	Other Needs Assistance			
Mobile, AL.....	-88.6	0	0	-419.1	26.9	257.6	6.8	101.5	36.5	-4.9	4.2	10,315.2
Broward, FL.....	-50.2	0	0	-258.9	0	364.9	0.6	31.7	67.1	-0.5	0.7	65,058.1
Miami-Dade, FL.....	-36.5	0	0	-188.6	0	265.7	0.8	40	46.9	-0.3	0.5	74,405.2
Palm Beach, FL.....	-29.5	0	0	-152.1	0	214.4	(L)	17.4	41.0	-0.3	0.4	63,625.9
Allen, LA.....	-8.9	0	(L)	-42.3	1.8	16.3	(L)	5.2	3.6	-11.0	5.9	466.6
Beauregard, LA.....	-20.3	0	(L)	-96.7	4.2	37.3	0	5.5	4.3	-15.3	6.7	766.6
Calcasieu, LA.....	-212.2	-2.7	1.1	-1,013.0	43.7	390.4	-2.8	57.5	44.7	-23.9	10.4	5,154.4
Cameron, LA.....	-32.9	-1.0	(L)	-157.2	6.8	60.6	-1.1	8.9	6.9	-102.5	44.4	187.5
East Baton Rouge, LA.....	-32.6	0	2.7	-155.8	6.7	60	22.7	207.9	131.3	-1.4	3.2	13,323.3
Iberville, LA.....	-25.0	0	(L)	-119.2	5.1	45.9	1.6	15.7	9.9	-18.5	10.1	780.6
Jefferson, LA.....	-978.7	-55.6	7.9	-4,672.3	201.6	1,800.6	-57.6	294.0	186.3	-39.3	17.0	14,655.2
Jefferson Davis, LA.....	-18.1	0	(L)	-86.6	3.7	33.4	(L)	5.0	3.9	-15.6	6.9	669.8
Lafourche, LA.....	-21.6	-0.8	4.3	-102.9	4.4	39.7	-0.8	7.2	4.7	-4.9	2.3	2,594.2
Orleans, LA.....	-2,175.6	-164.6	9.4	-10,386.2	448.1	4,002.5	-170.5	459.7	290.2	-95.6	38.6	13,491.4
Plaquemines, LA.....	-114.3	-7.5	1.5	-545.6	23.5	210.3	-7.8	28.2	18.1	-96.1	40.1	702.7
St. Bernard, LA.....	-296.1	-33.8	(L)	-1,413.7	61.0	544.8	-35.0	40.3	25.5	-123.3	46.6	1,442.1
St. Charles, LA.....	-29.7	0	0.5	-141.9	6.1	54.7	0.6	15.8	10	-11.9	6.1	1,439.4
St. John the Baptist, LA.....	-21.1	0	1.0	-100.6	4.3	38.8	2.2	26.3	16.6	-10.3	7.5	1,184.6
St. Tammany, LA.....	-358.7	-9.3	3.1	-1,712.6	73.9	660	-9.6	120.8	76.3	-28.4	12.7	7,370.4
Tangipahoa, LA.....	-50.9	0	0.6	-243.1	10.5	93.7	1.7	33.1	20.9	-11.7	6.4	2,503.0
Terrebonne, LA.....	-48.2	-0.5	(L)	-229.9	9.9	88.6	-0.5	15.1	10.6	-10	4.4	2,801.9
Vermilion, LA.....	-38.2	-1.0	(L)	-182.3	7.9	70.3	-1.1	10.3	8.0	-18.7	8.1	1,187.6
Washington, LA.....	-38.8	-1.6	(L)	-185.3	8.0	71.4	-1.7	13.1	8.3	-23.5	10.5	966.4
Hancock, MS.....	-97.8	0	(L)	-462.9	33.4	336.8	0.7	93.3	57.4	-48.9	45.6	1,146.1
Harrison, MS.....	-234.3	0	1.5	-1,109.1	80	807.1	3.1	223.6	139.6	-25.3	23.6	5,307.4
Jackson, MS.....	-130	0	0.6	-615.4	44.4	447.8	2.1	124.0	78.1	-21.2	19.8	3,523.0
Pearl River, MS.....	-19.6	0	(L)	-92.9	6.7	67.6	(L)	18.7	11.7	-10.3	9.6	1,097.1
Stone, MS.....	-6.4	0	(L)	-30.1	2.2	21.9	(L)	6.1	4.0	-10.2	9.6	358.1
Harris, TX.....	-3.4	0	0	-14.0	0	14.5	49.0	163.2	99.4	(L)	0.2	156,611.9
Jefferson, TX.....	-8.3	0	0	-125.7	0	131.0	1.5	72.2	32.7	-1.9	3.3	7,145.1
Other counties.....	-298.5	(L)	46.9	-1,527.3	75.0	1,026.6	193.7	914.7	608.0	(L)	(L)	9,774,210.4
U.S. total.....	-5,525.0	-278.6	84.4	-26,583.5	1,200	12,275.0	0	3,176.0	2,102.5	-0.3	0.2	10,234,491.2

L Less than \$0.05 million or 0.05 percent.

1. Deductions are adjustments to proprietors' income for uninsured losses and business interruption, and the adjustment to dividends, interest, and rent for uninsured losses and loss of use. The population dispersal adjustment to transfer receipts is also a deduction in parishes, such as St. Bernard, that lost population.

2. Additions are FEMA disaster assistance, Other Needs Assistance, the adjustment to proprietors' income for the recovery surge, and the adjustment to current transfer receipts for net insurance settlements. The population dispersal adjustment to transfer receipts is also an addition in counties, such as Harris, Texas, that gained population.

justments for five parishes with large population losses (St. Bernard, Orleans, Plaquemines, Jefferson, and Cameron, LA) was modified. Otherwise, the surging wages in some parishes due to population gains would flow back to the parishes that lost population.³

The largest adjustment is in Orleans Parish. Uninsured losses there amounted to \$12.6 billion (table C). In addition, transfers receipts and proprietors' income were reduced by a combined \$335.1 million because of population dispersal. These losses were offset by \$4.0 billion in net insurance settlements (for consumer durable goods), and \$1.2 billion in Federal assistance

(rent subsidies, FEMA disaster assistance, and Other Needs Assistance).

The relative magnitude of the disaster adjustments, by county, is shown by two measures in table C—one for the impacts that reduced personal income and the other for the impacts that raised personal income. The first measure combines all of the deductions from personal income and expresses them as a percentage of personal income before the adjustments. The largest relative impact is in St. Bernard Parish, LA, where the adjustments exceed personal income by 23 percent. The second measure combines all of the additions to personal income. The largest relative impact is again in St. Bernard Parish where the additions amounted to almost half of personal income. The counties with the

3. Because of the complexity of the residence adjustment, it is not possible to quantify the effect of the natural disasters on this component on income in table C.

largest deductions relative to personal income are in Louisiana and Mississippi (chart 2), but deductions were as high as 4.9 percent of personal income in Mobile, AL, 1.9 percent in Jefferson County, TX, and 0.5 percent in Broward County, FL.

Louisiana after Hurricane Katrina

County wage growth in Louisiana after the hurricanes and flood varied considerably; in parishes that suffered the greatest damage, wages declined in 2005 or grew more slowly than in 2004. However, in other parishes, wage growth surged in response to the arrival of evacuees and to recovery spending (table D).

St. Bernard Parish

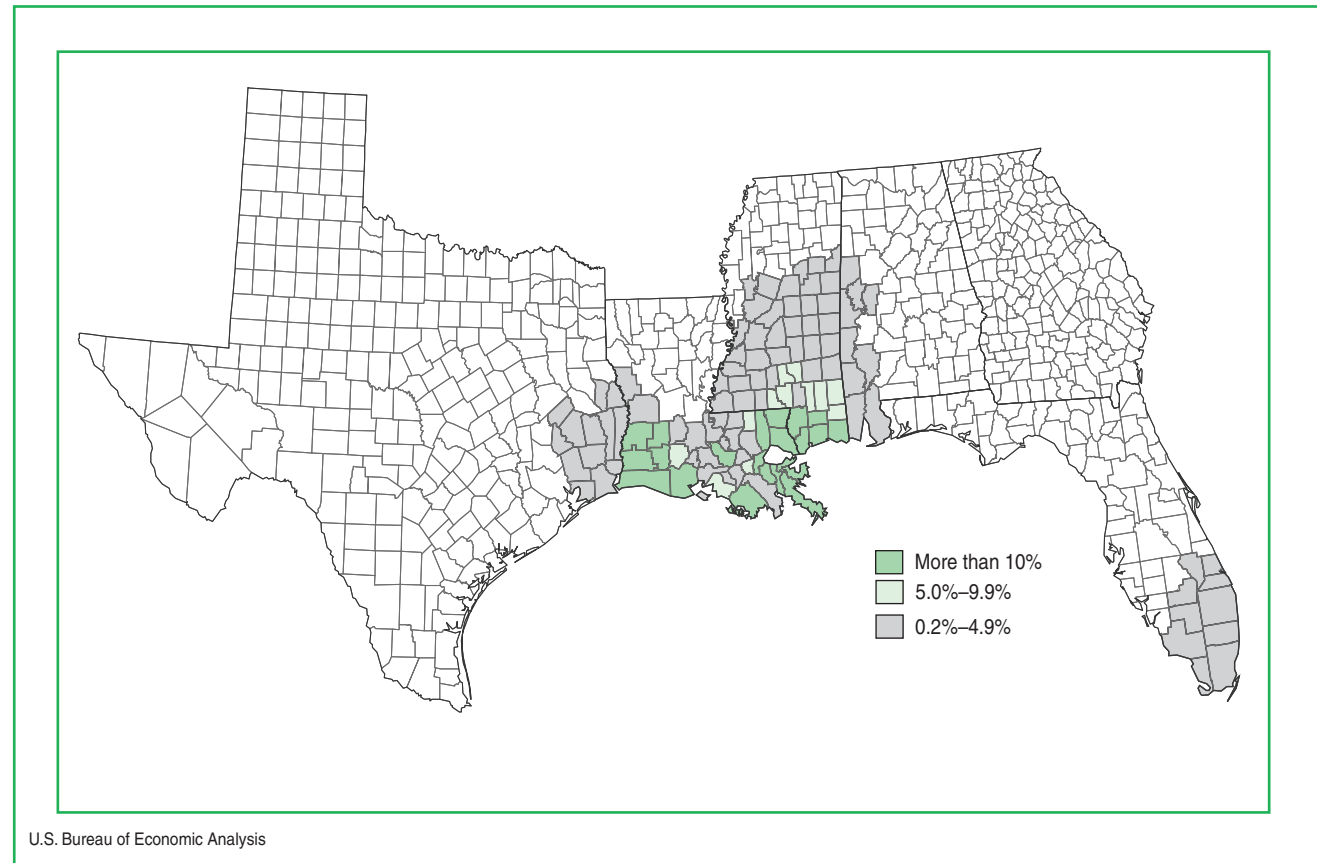
The effects of natural disasters like Hurricane Katrina on personal income can be illustrated by St. Bernard Parish, one of the hardest hit parishes in Louisiana. Personal income in St. Bernard Parish fell from \$1.65 billion in 2004 to \$335.4 million in 2005, an 80-percent decline (table E). Per capita personal income fell from \$25,249 in 2004 to \$5,148 in 2005. The losses were concentrated in two components of income—rent and proprietors’ income—both of which were negative in 2005. Rent and proprietors’ income are examples of income from household enterprises and represent income net of expenses. Damage to housing and other fixed assets is an expense (consumption of fixed capital). Expenses soared because extraordinary damages net of insurance claims exceeded the income of the enterprises for the year. Hence, the losses recorded for proprietors’ income and rent.

Most residents who evacuated from St. Bernard Parish have not returned—an out-migration that is not reflected fully in the population estimate used to calculate per capita personal income for 2005. BEA uses Census Bureau midyear population estimates. The Census Bureau estimates that the population of St. Bernard Parish on July 1, 2005, was 65,147, down 389

Table D. Percent Change in Wage and Salary Disbursements for Select Louisiana Parishes

Parish	2003–2004	2004–2005
West Carroll	6.9	29.4
Acadia	4.8	19.9
St. John the Baptist.....	2.5	11.9
Livingston.....	9.5	18.6
Orleans	2.8	-6.8
St. Bernard.....	2.7	-10.8
Assumption	-1.6	-20.4

Chart 2. Deductions for Natural Disasters in 2005 as a Percent of Personal Income Before Adjustment



**Table E. Components of Personal Income for
St. Bernard Parish, Louisiana**

	Millions of dollars		Percent change
	2004	2005	
Personal income	1,654.7	335.4	-79.7
Compensation	672.7	607.7	-9.7
Proprietors' income	80.0	-255.4
Contributions for government social insurance ¹	77.6	72.2	-7.0
Adjustment for residence.....	444.4	292.8	-34.1
Dividends and interest.....	140.2	147.2	5.0
Rent.....	16.1	-1,341.3
Personal current transfer receipts.....	379.0	956.4	152.4
Excluding net insurance settlements	378.6	411.7	8.7
Net insurance settlements	0.4	544.8
Addenda:			
Population (persons).....	65,536	65,147	-0.6
Employment (jobs).....	18,984	15,595	-17.9
Per capita income (dollars)	25,249	5,148	-79.6
Compensation per job (dollars).....	35,433	38,967	10.0

1. Contributions for government social insurance are deducted in the derivation of personal income.

persons from a year earlier. On July 1, 2006, however, the Census Bureau estimates that the population was only 15,514, a loss of 76 percent from 2 years earlier.

In contrast, BEA's employment estimates are averages of monthly data, and reflect job losses after the hurricane. On an annual basis, wage and salary employment fell 18 percent (from 18,984 in 2004 to 15,595 in 2005), but from the fourth quarter of 2004 to the fourth quarter of 2005, employment fell 65 percent. From either perspective, the impact on employment is less than the impact on the July 2006 population.

Compensation in St. Bernard Parish declined 10 percent in 2005. This decline is smaller than the population loss for several reasons. Compensation is a flow of income over the entire year, but population is the stock on a particular day. There were 8 months of normal compensation in the parish before Hurricane Katrina. In addition, inflation and productivity growth would push compensation higher during this period, compared with the same period in 2004. The decline in compensation is also smaller than the decline in employment; as a result, compensation per job increased 10 percent.

The residence adjustment for St. Bernard Parish fell

Data Availability

This article presents summary estimates of personal income and per capita personal income for 2003–2005. More detailed estimates for 1969–2005 are also available.

The following annual estimates for counties, metropolitan statistical areas, micropolitan statistical areas, metropolitan divisions, combined statistical areas, and BEA economic areas are available at <www.bea.gov/beat/regional/reis>:

- Personal income, per capita personal income, and population for 1969–2005
- County income and employment summary (featuring the derivation of personal income that includes non-farm personal income, and employment totals for a continuous time series) for 1969–2005
- Compensation of employees by industry by North American Industry Classification System (NAICS) subsectors for 2001–2005 and by Standard Industrial Classification System (SIC) two-digit industries for 1998–2000
- Personal income by major source and earnings by NAICS subsectors for 2001–2005 and by SIC two-digit industries for 1969–2000
- Full-time and part-time employment by NAICS sectors for 2001–2005 and by SIC division-level industries for 1969–2000
- Regional economic profiles (featuring a selection of personal income and employment data) for 1969–2005
- Personal current transfer receipts by major program for 1969–2005

- Farm income and expenses (including the major categories of gross receipts and expenses for all farms and for measures of farm income) for 1969–2005
- The counties with the highest and lowest per capita personal incomes in 2005
- Total wage and salary disbursements, total wage and salary employment, and average wage per job for 1969–2005
- BEARFACTS, a narrative about an area's personal income that uses current estimates, growth rates, and a breakdown of the sources of personal income

In addition, the entire set of estimates for all areas will be available in May 2007 on a DVD-ROM that also includes an updated description of the sources and methods used to estimate local area personal income. To order the free DVD-ROM *Regional Economic Information System, 1969–2005* (product number RCN-0852), call the Order Desk at 1-800-704-0415 (outside the United States, call 202-606-9666).

The local area personal income estimates 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. For a list of the BEA User Group on BEA's Web site, go to <www.bea.gov/beat/regional/docs/usergrp.cfm>.

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

34 percent, reflecting both job losses in nearby Orleans Parish and the evacuation of three-fourths of the population of St. Bernard Parish.

Dividends and interest increased 5 percent, reflecting an assumption that the residents who left were disproportionately lower income residents with relatively little in savings or investment income. This assumption is supported by the increase in compensation per job after the evacuation.

Personal current transfer receipts excluding net insurance settlements in St. Bernard Parish increased 9 percent. Among other things, this increase reflects \$65.8 million in assistance provided to victims (primarily FEMA disaster assistance and Other Needs Assistance) and a \$35.0 million reduction in standard transfer programs, such as social security and Medicare, because the recipients had moved outside the parish. Net insurance settlements increased from \$0.4 million to \$545 million in 2005. These settlements were primarily for consumer durable goods.

Microsoft Dividend

The national estimate of personal dividend income for 2004, the year Microsoft paid its special \$25.0 billion dividend, has now been allocated to states and counties, based on recently released data from the Internal Revenue Service (IRS). Specifically, the estimates of county dividend income are based on a tabulation of income tax returns filed in the first 39 weeks of 2005. The amount of dividends reported in King County, WA, appeared too low, so using publicly available information, BEA estimated the amount of the dividend received by the three largest Microsoft insider shareholders and added it to the amount reported in the IRS data.

Together, dividends, interest, and rent contributed 7.4 percentage points to personal income growth in King County in 2004. Surprisingly, there were 14 counties where dividends, interest, and rent contributed even more to income growth. The highest contribution, 13.5 percentage points, occurred in Collier County, FL. For the United States, dividends, interest,

and rent contributed less than 1 percentage point to income growth.

Residence Adjustment

Commuting flows between counties complicate the interpretation of local area personal income growth rates. This complication can be unraveled by the residence adjustment, the difference between net earnings by place of work and by place of residence.⁴ Montgomery County, TN, was one of the fastest growing counties in 2005, with a personal income growth rate of 14.5 percent. Yet this high growth was largely due to income earned at work sites in neighboring Christian County, KY, rather than in Montgomery County. Net earnings by place of work—that is, earnings generated at work sites in Montgomery County—contributed only 2.4 percentage points to personal income growth. The residence adjustment contributed 10.1 percentage points, and property income and personal current transfer receipts contributed the remaining 2.0 percentage points.

Source Data and Revisions

The primary data sources used by BEA to prepare the estimates of local area personal income for 2005 were wages and salaries from the Bureau of Labor Statistics; farm production and income from the U. S. Department of Agriculture and state agricultural statistical agencies; benefits paid by the Social Security Administration; Medicaid payments from the Centers for Medicare and Medicaid Services and state departments of social services; various transfer receipts from the *Consolidated Federal Funds Report*, *Federal Assistance Award Data System*, *State Government Finances*, and *State and Local Government Finances*; and population data from the Census Bureau. Medicare benefits were extrapolated using enrollment data for 2005. The residence adjustment and dividends, interest, and rent for 2005 were extrapolated from tabulations of Federal in-

4. BEA does not publish net earnings by place of work, which is calculated net of contributions for government social insurance.

come tax returns from the IRS for 2004. Estimates of nonfarm proprietors' income for 2005 were extrapolated from IRS data for 2003.⁵

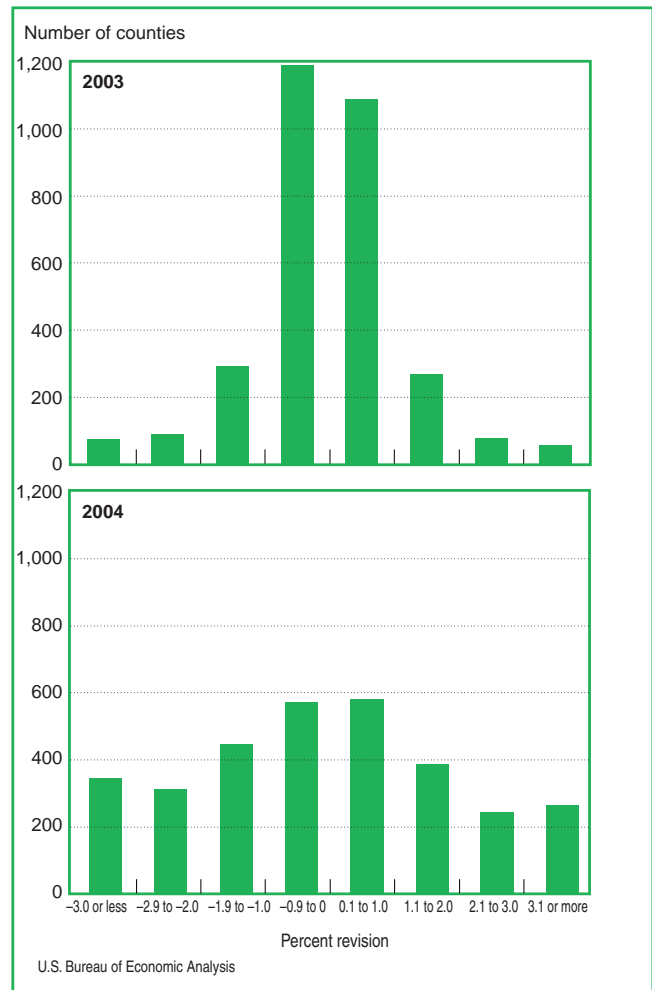
Estimates for 2003 and 2004 were revised. The revisions to estimates of personal income for 2003 were small. For nearly three-fourths—or 2,269—of the counties, personal income was revised up or down by 1.0 percent or less (chart 3). The revisions to the 2004 estimates were larger, reflecting the incorporation of newly available data on property and nonfarm proprietors' income. Nevertheless, the average algebraic revision was only -0.1 percent for 2003 and -0.2 percent for 2004, and the mean absolute revisions were 0.9 percent for 2003 and 1.9 percent for 2004.⁶

In 2003, most of the largest revisions to total personal income were mainly attributable to farm proprietors' income, particularly to revised crop production data. In addition, a Census Bureau revision to pension contributions for state employees in Kansas contributed to relatively large upward revisions in personal income in 2003 in several counties, such as Shawnee (where the state capital is), Douglas (home of the University of Kansas), and Pawnee (a small nonmetropolitan county in which the state government accounts for about half of nonfarm earnings). In 2004, most of the largest revisions were due to the introduction of newly available data on dividends, interest, and rent and to revised state totals for farm proprietors' income.

5. For details about the estimation methodology and data sources, see *Local Area Personal Income and Employment Methodology* on BEA's Web site at <www.bea.gov/regional/docs/lapi2005/>.

6. The standard deviation of the algebraic revisions was 1.4 in 2003 and 2.6 in 2004.

Chart 3. Frequency Distribution of Revisions to County Personal Income



Alternative Measures of County Employment and Wages

Three widely used measures of county employment and wages by place of work are employment and payroll in the *County Business Patterns (CBP)* series from the Census Bureau, employment and wages from the Quarterly Census of Employment and Wages (QCEW) program from the Bureau of Labor Statistics (BLS), and wage and salary disbursements and employment from the Bureau of Economic Analysis (BEA). These measures differ in source data and coverage.

The *CBP* data are derived from Census Bureau business establishment surveys and Federal administrative records. The QCEW data are tabulations of monthly employment and quarterly wages of workers who are covered by state unemployment insurance programs or by the unemployment insurance program for Federal employees.¹ The BEA estimates of employment and wages are primarily derived from the BLS data; the estimates for industries that are either not covered or not fully covered in the QCEW are also based on supplemental data from other agencies, such as the Department of Defense, the U.S. Department of Agriculture, and the Railroad Retirement Board.

The coverage of the Census Bureau data differs from that of the BLS data primarily because the Census Bureau data exclude most government employees and because the BLS data cover civilian government employees.² The *CBP* data also exclude several private industries that are partly covered by the QCEW: Crop and animal production; rail transportation; insurance and employee benefit funds; trusts, estates, and agency accounts; and private households. However, the *CBP* data cover the employees of educational institutions, membership organizations, and small nonprofit organizations in other industries more completely than the BLS data.³ In addition, the Census Bureau reports employment only for the month of March; the BLS employment data are quarterly and annual averages of monthly data.

In 2001, both BLS and BEA began to include employees of Indian tribal councils in local government. These employees were previously included in the relevant private industries.⁴ In the Census Bureau data, these employees are still classified in private industries.

The BEA estimates of employment and wages differ from the BLS data because BEA adjusts the estimates to account for employment and wages that are not covered or that are not fully covered by the unemployment insurance programs. BEA adds estimates of employment and wages to the BLS data to bridge small gaps in coverage for nonprofit organizations that do not participate in the unemployment insurance program (in several industries), for students and their spouses employed by colleges

or universities, for elected officials and members of the judiciary, for interns employed by hospitals and by social service agencies, and for insurance agents classified as statutory employees. In addition, BEA uses supplemental source data to estimate most, or all, of the employment and wages for the following: Farms, farm labor contractors and crew leaders, private households, private elementary and secondary schools, religious membership organizations, rail transportation, military, and U.S. residents who are employed by international organizations and by foreign embassies and consulates in the United States. BEA also adjusts for employment and wages subject to unemployment insurance, but not reported by employers. Other adjustments to wages include estimates for unreported tips, judicial fees paid to jurors and witnesses, compensation of prison inmates, and marriage and license fees paid to justices of the peace.⁵

The Census Bureau released 2004 data for total employment and payrolls for counties on its Web site on June 15, 2006; go to <www.census.gov/epcd/cbp/view/cbpview.html>. BLS released county data on total employment and average weekly pay for the fourth quarter of 2005 on its Web site on July 26, 2006; go to <www.bls.gov/cew/>; annual QCEW data for 2005 are also available. BEA released preliminary estimates for 2005 and revised estimates for 2003-2004 of total wage employment and total wage and salary disbursements for counties on its Web site on December 29, 2006. To access the data, go to <www.bea.gov/region/reis/>.

5. For a detailed description of the sources and methods used to prepare the estimates, go to <www.bea.gov/region/articles/lapi2003>.

Relation of BEA Wage and Salary Disbursements to Census Bureau Payroll and BLS Wages for the United States

[Billions of dollars]

	2003	2004	2005
Total payroll, Census Bureau.....	4,040.9	4,254.0	n.a.
Plus: Differences in coverage:			
Civilian government wages, BLS ¹	803.8	834.6	n.a.
Other differences, net ²	-18.4	-1.0	n.a.
Equals: Total wages, BLS	4,826.3	5,087.6	5,351.9
Plus: Adjustments by BEA:			
For unreported wages and unreported tips on employment tax returns.....	110.5	114.0	115.8
For wages and salaries not covered or not fully covered by unemployment insurance:			
Private	90.4	99.0	100.3
Government.....	79.8	85.3	91.0
Other adjustments ³	0.3	0.2	0.3
Equals: Wage and salary disbursements, BEA ⁴ ..	5,107.3	5,386.1	5,659.3

1. BLS wages were adjusted to remove the wages of Indian tribal councils because these data were already included in the Census Bureau's total payroll data.

2. Includes differences of coverage in private education, membership organizations, and government.

3. Consists of adjustments to the wage and salary estimates to remove employees of U.S. companies stationed overseas, to add U.S. residents who are employed by international organizations and by foreign embassies and consulates in the United States, and to reflect updates to published Quarterly Census of Employment and Wages data.

4. The national total of county estimates of wage and salary disbursements consists of the earnings of persons who live in the United States and of foreign residents working in the United States. The BEA regional total differs from BEA's national estimate of wage and salary disbursements because national income and product account income includes the earnings of Federal civilian and military personnel stationed abroad and U.S. citizens on foreign assignments for less than a year. Unlike the regional estimates, the national estimate only includes the earnings of foreign nationals if they live and work in the United States for a year or more.

n.a. Not available

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Tables 1 through 3 follow

1. The QCEW data account for 95 percent of BEA's wages and salaries.
 2. The Census Bureau data cover only those government employees who work in government hospitals, federally chartered savings institutions and credit unions, liquor stores, and wholesale liquor establishments, and university publishers. The BLS data in most states exclude state and local elected officials, members of the judiciary, state national and air national guardsmen, temporary emergency employees, and employees in policy and advisory positions.
 3. The BLS data do not cover certain religious elementary and secondary schools, because a Supreme Court decision exempts some of these schools from unemployment compensation taxes. The BLS data also exclude college students (and their spouses) who are employed by the school in which they are enrolled and student nurses and interns who are employed by hospitals as part of their training. In half of the states, the BLS data only include nonprofit organizations with four or more employees during 20 weeks in a calendar year.
 4. For example, employees of casinos owned by tribal councils were included in the North American Industry Classification System subsector "Amusement, Gambling, and Recreation Industries."