BEA State and Local Data Symposium

Symposium Report

May 18, 2005
Conference Center
Bureau of Economic Analysis
Washington, DC

Measuring the Nation's Economy.

BEA
BUREAU OF ECONOMIC ANALYSIS
U.S. DEPARTMENT OF COMMERCE

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Executive Summary

The BEA State and Local Data Symposium was held on May 18, 2005, from 9:00 a.m. to 11:45 a.m. in the conference center at BEA in downtown Washington, D.C. Bruce Baker, Chief of the State and Local Government Branch, served as the symposium moderator. The symposium presenters included representatives from BEA's National Economic Accounts and Regional Directorates. Symposium attendees included both data users and data suppliers representing Federal agencies, economic research organizations, and other organizations focusing on issues related to state and municipal governments.

The symposium opened with remarks from the Associate Director for National Economic Accounts and the Associate Director for Regional Economics. Following the introductory remarks, there were presentations on the following topics:

- State and Local Government: Receipts and Expenditures
- Adjusting for Inflation: Price Deflators and Real Estimates
- Regional Measurement: Income and Employment
- Regional Data: Gross State Product and Regional Multipliers.

Question and answer sessions were conducted after each of the presentations. The symposium included a preview of the future plans for the state and local government program. Brooks Robinson, Chief of the Government Division, ended the conference with a summary of the day's events.

Summary of Symposium Proceedings

Welcoming and Introductory Remarks

Brent Moulton, Associate Director for National Economic Accounts

Associate Director Moulton welcomed attendees to BEA. He explained that it was an agency goal to improve and increase outreach to all BEA customers; including taxpayers, data users, those who repackage BEA data and supply them to others, etc. He indicated that major goals of the morning were to talk and to listen, because major improvements should be driven by data users. He said, "BEA wants to hear from a broad base of data users."

Moulton highlighted the role of state and local governments in the national income and product accounts (NIPAs). BEA estimates show that around eight percent of the nation's total value added is accounted for by state and local governments. About 13.6 percent of the nation's workers are employed by state and local governments. In addition, state and local governments account for approximately 12 percent of the nation's total final demand.

He emphasized that the NIPAs have three key purposes: First, the accounts provide broad measures of the distribution of income to labor and to capital; second, they show sources of national saving for the entire economy and for major sectors within the economy; and third, they provide details on capital formation, including where capital formation occurs and what types of capital formation occurs.

It was within that context that Moulton invited participants to provide feedback on the NIPAs, especially the state and local government subsector, during the symposium and at any other time.

John Ruser, Associate Director for Regional Economics

Associate Director Ruser welcomed attendees to the symposium and provided an overview of three sets of statistics calculated by the regional directorate.

- Personal Income is estimated for state and local areas.
- Gross state product (GSP) is calculated for each state.
- Regional Input-Output multipliers are produced to help assess the impact of events on the economy.

The estimates of these statistics are widely used. The state personal income estimates are used in Federal program formulas to distribute funds, such as Medicaid matching grants. Also, 19 states currently tie their revenue/spending limits to state personal income. Regional multipliers are used to make economic development decisions. One group that has used these data recently is the Base Realignment and Closure Commission (BRAC).

Ruser told participants that he welcomed feedback on the Regional Accounts.

State and Local Government: Receipts and Expenditures

Bruce Baker, Chief, State and Local Branch

Link to PowerPoint Slides

Baker's presentation provided an overview of the concepts and conventions used in the state and local sector NIPAs. He explained the basic estimation methods and source data that are used to prepare the estimates. He provided detailed information on NIPA government tables, including where they can be found and when they are released. His presentation concluded with an explanation of three measures of government spending. A link to the PowerPoint slides used in the presentation is provided above.

Adjusting for Inflation: Price Deflators and Real Estimates

Steven Andrews, State and Local Branch

Link to PowerPoint Slides
Link to Handout

Andrews' presentation included a discussion of strategies for adjusting for inflation, a discussion of index weights, and a discussion of the Input-Output (I-O) table. He explained the different types of indexes used by BEA and explained their properties. He highlighted the major deflator series that are used to prepare estimates of state and local government spending. The presentation also included a handout with data on state and local government price indexes. Links to both of the PowerPoint slides used in the presentation and the handout are provided above.

Discussion following Bruce Baker's and Steven Andrews' Presentations

Question from Norman Frumkin:
How is the wedging of the I-O in non-benchmark years done? Do you use annual tables?

Answer from Bruce Baker:
Linear interpolation is used to prepare estimates for intervening years between benchmark I-O tables. Annual tables are produced, but they provide much less detail than the benchmark tables.

Regional Measurement: Income and Employment

David G. Lenze, Regional Measurement Division

Link to PowerPoint Slides

Lenze's presentation covered the income and employment measures produced by the Regional Measurement Division. He explained the unique features of the division's products and how the estimates are produced. His presentation included information for data users on data dissemination and strategic plan goals. His presentation concluded with a discussion of issues and problems specific to the regional program. A link to the PowerPoint slides used in the presentation is provided above.

Discussion following David Lenze's Presentation

Question from Bruce Baker:
In terms of your measure of jobs, would it be more useful if it were adjusted to account for situations where person holds multiple jobs?

Answer from David Lenze:
Yes, but there are no data available to do this. Full-time equivalent (FTE) data are not available at the state or regional level.

Question from Victor Miller:
Personal income plays an important role in allocating Federal funds. Do you have any thoughts about new estimates that take tax capacity into account?

Answer from David Lenze:
One problem with looking at tax capacity is that the states have different tax laws. These laws change frequently and keeping track of differences across states and regions is difficult. One of the goals mentioned in the strategic plan is to look at alternative measures of income by state.

Question from Norman Frumkin:
How are private pensions treated in calculating personal income?

Answer from David Lenze:
Pensions are counted as they are earned not received. This means that payments to private pensions are counted in personal income, but the benefits received from these pensions are not.

Question from Liz McNichol:
Looking at the graph on page 4 of your slides, why is there a decrease in AGI without a corresponding increase?

Answer from David Lenze and Brent Moulton:
Adjusted gross income includes capital gains as part of income. Capital gains increased a lot in the last few years of the 1990s. Stock options also played a role in the decrease.

Regional Economic Analysis: Gross State Product and Regional Multipliers
John R. Kort, Chief, Regional Economic Analysis Division

Link to PowerPoint Slides

The first half of Kort's presentation covered Gross State Product (GSP). He explained the relationship of GSP to GDP as well as how GSP differs from State Personal Income. He detailed major benchmark changes to the GSP accounts and provided the release schedule for the rest of this year. He also gave details on future research and showed data users how to find the GSP estimates via the Internet. The second half of Kort's presentation covered the Regional Input-Output Modeling System (RIMS II). He outlined Type I and Type II Multipliers and Final Demand Change. He discussed the uses of Input-Output models. Finally, he talked about RIMS II updates, future enhancements to the system, and how to obtain the RIMS II multipliers. A link to the PowerPoint slides used in the presentation is provided above.

Discussion Following John Kort's Presentation

Question from Norman Frumkin:
Any plans to expand GSP to the expenditure side?

Answer from John Kort:
In 1978, a BEA staffer worked unsuccessfully at estimating state PCE. The source data are not available for this type of estimate. We have explored investment measures, but the non-manufacturing and non-government sectors have no data. There are no plans to pursue this topic. The GDP by industry accounts are going to look at gross output and intermediate inputs at the state level.

Question from Victor Miller:
In terms of publishing the regular GSP, what is the timing?

Answer from John Kort:
The complete set of GSP by industry accounts through 2003 will be released next month. This is an update of the accelerated release that occurred in 2004. In October, revised 2003 data will be released along with the accelerated 2004 GSP for aggregate NAICS.

Question from Norman Frumkin:
Have you looked at any gravity models comparing the nearness of one region to another?

Answer from John Kort:
In the 1980's there was a gravity model that was acceptable. However, the commodity flow survey has shown that distance is not the only factor to consider. For instance, the California defense industries purchase products from New England. Gravity models were acceptable in the

past, but they are not so acceptable today. I plan to obtain more data and conduct more analysis on this topic.

Future Plans for BEA's State and Local Government Program

Bruce Baker, Chief, State and Local Branch

Link to PowerPoint Slides

Baker wrapped up the presentations by discussing the future of the state and local government accounts. He explained that a major goal is for the NIPAs to show more convergence with the System of National Accounts (SNA). He highlighted changes made by BEA during the 2003 Comprehensive Revision to comply more closely with the SNA. He also explained the ongoing project of BEA and the Federal Reserve Board to harmonize the NIPAs and the Flow of Funds Accounts. He noted future plans to produce separate state and local accounts. Baker highlighted several ongoing research projects in the government sector. These projects include work on accrual accounting, government corporations and quasi-corporations, non-profits serving government, and in-kind compensation. Baker told attendees that *Government Transactions* (MP-5) will be revised soon. The most recent version was published in 1988.

Discussion Following Bruce Baker's Presentation

Question from Norman Frumkin:
Have you had any calls from major state groups, such as the National Governors Association, National League of Cities, ect., asking you to translate government receipts and expenditures into a format similar to that which they see in their budgets?

Answer from Bruce Baker:
We have not had any requests of that nature. There was an article in the June 2003 *Survey of Current Business* that attempted to reconcile budget surpluses and deficits from the National Association of State Budget Officers (NASBO) with the national income and product accounts to show how measures move together.

Question from Liz McNichol:
How can end-users communicate their needs so that BEA might receive additional funding or other resources to meet the users' requests?

Answer from Brent Moulton:
Give Kerry Sutton a call. He works in the Office of the Director and works on budgeting issues.

Closing Remarks

Brooks Robinson, Chief, Government Division

Robinson thanked participants for attending the symposium and provided a recap of the days' events. He explained that the symposium had grown out of the Government Statistics Users Conference that was held in the September 2004. A comment from the users conference prompted the symposium.

He informed attendees that a complete report on the symposium would be forthcoming on the BEA website. Attendees would be contacted when the report becomes available. Finally, he encouraged attendees to continue to stay in touch and share their needs with BEA. The symposium was adjourned 11:45 am.