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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 2017, **Massachusetts** 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 2017, **Massachusetts** is closest to the national average economic performance, exceeding it by 0.10%. **Nevada** moves to the top of the list (replacing **Utah**), while **Wyoming** remains in the bottom spot for the fourth straight quarter.

Eighteen states and the **District of Columbia** exceeded the national average economic performance while 32 lagged it. Five of the 10 most populous states are among those that exceed the average: #3 **Florida**, #7 **Georgia**, #11 **California**, #12 **Texas**, and #14 **North Carolina**.

States reliant on the natural resources sector continue to struggle, as typified by the bottom rankings of **Wyoming**, **Alaska**, **North Dakota**, **West Virginia**, **Oklahoma**, and **Louisiana**. All of them lag the national economy by at least 1%, and sometimes much more.

Regional trends are apparent atop the list, with most states located in the West and South. While economically similar, states at the bottom of the table are regionally diverse.

There are few changes from the previous index. States seeing notable improvements include **Arizona**, rising from #14 to #6 with strong growth on all three components, and **Montana**, improving from #36 to #15 on the strength of solid population

Index of State Economic Momentum,  
March 2017

Rank	State	Index
1	Nevada	1.77
2	Utah	1.71
3	Florida	1.30
4	Washington	1.28
5	Idaho	1.15
6	Arizona	0.83
7	Georgia	0.72
8	Oregon	0.70
9	Colorado	0.69
10	District of Columbia	0.40
11	California	0.40
12	Texas	0.38
13	South Carolina	0.30
14	North Carolina	0.27
15	Montana	0.15
16	Maryland	0.15
17	New Hampshire	0.14
18	Tennessee	0.12
19	Massachusetts	0.10
20	Missouri	-0.13
21	Virginia	-0.18
22	Hawaii	-0.21
23	New Jersey	-0.23
24	Michigan	-0.25
25	Minnesota	-0.26
26	Indiana	-0.30
27	Arkansas	-0.35
28	Alabama	-0.37
29	Delaware	-0.39
30	Nebraska	-0.43
31	Rhode Island	-0.51
32	Pennsylvania	-0.52
33	New York	-0.52
34	Vermont	-0.54
35	Wisconsin	-0.64
36	Kentucky	-0.77
37	Maine	-0.81
38	Ohio	-0.81
39	South Dakota	-0.91
40	Kansas	-0.94
41	New Mexico	-0.97
42	Mississippi	-0.98
43	Illinois	-0.99
44	Iowa	-1.02
45	Connecticut	-1.10
46	Louisiana	-1.14
47	Oklahoma	-1.61
48	West Virginia	-1.72
49	North Dakota	-2.11
50	Alaska	-2.55
51	Wyoming	-3.02

and employment gains. **Illinois** moved in the opposite direction, dropping from #33 to #43, with below-average results for all three component measures.

## 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 2015 and the same period in 2016, personal income across the nation grew by 3.7%, accelerating from 3.5% growth between the third quarters of the two years.

**Nevada** had the strongest year-over-year growth.

Five of the 10 most populous states exceeded the national average personal income growth rate: **Florida, California, Georgia, North Carolina, and Texas**. The lowest-ranking of the 10 most populous states is **Illinois**, at #41.

Referring to growth for all of calendar year 2016, the Bureau of Economic Analysis (BEA), which publishes the personal income data, observed that earnings was the leading contributor to personal income growth in most states, and grew in 22 of 24 industries that BEA tracks. BEA cites the following states that benefitted from earnings growth in 2016:

- Professional services: **Florida**
- Health care and social assistance: **Utah, Florida, and Oregon**
- Management: **Nevada**
- Arts, Entertainment, and Recreation: **Nevada**
- Construction: **Nevada, Utah, and Oregon**
- Information: **Washington**
- Retail trade: **Washington**

With respect to mining, BEA notes that mining earnings fell 13.6% nationally in 2016, after falling 13.3% in 2015. Lower mining earnings were a

## Change in Personal Income, 2015.4 to 2016.4

Rank	State	Percent
1	Nevada	6.1%
2	Utah	5.8
3	Washington	5.3
4	Florida	5.1
5	District of Columbia	5.1
6	Arizona	4.6
7	California	4.6
8	Colorado	4.4
9	Georgia	4.4
10	New Hampshire	4.4
11	Hawaii	4.4
12	Massachusetts	4.3
13	Oregon	4.2
14	Idaho	4.1
15	South Carolina	4.0
16	Maryland	3.9
17	North Carolina	3.9
18	Texas	3.7
	<b>United States</b>	<b>3.7</b>
19	Virginia	3.5
20	Indiana	3.5
21	Vermont	3.5
22	Missouri	3.4
23	New Jersey	3.4
24	Delaware	3.3
25	Minnesota	3.3
26	Arkansas	3.2
27	Pennsylvania	3.2
28	Tennessee	3.2
29	Alabama	3.2
30	Michigan	3.2
31	Rhode Island	3.2
32	Kansas	3.2
33	Montana	3.0
34	Mississippi	3.0
35	New York	3.0
36	Maine	2.9
37	Wisconsin	2.9
38	Connecticut	2.8
39	Ohio	2.6
40	Nebraska	2.6
41	Illinois	2.5
42	New Mexico	2.3
43	Louisiana	2.1
44	Kentucky	2.0
45	Iowa	1.8
46	West Virginia	1.7
47	Oklahoma	1.2
48	South Dakota	1.0
49	North Dakota	0.2
50	Alaska	-0.2
51	Wyoming	-0.4

factor in declining 2016 earnings in **Oklahoma, Alaska, North Dakota,** and **Wyoming,** and slow earnings growth in **Louisiana.**

Other BEA observations of note include:

- Property income (dividends, interest, and rent) grew 1.9% on average in 2016, ranging from 0.9% in **Wyoming** to 2.8% in **North Dakota.**
- Personal current transfer receipts grew 3.6% on average. Medicare and Medicaid benefits grew 5.3% and 5.0%, while Social Security benefits grew 2.8%. The slow growth in Social Security benefits reflects no cost of living adjustment in 2016. The growth in personal current transfer receipts ranged from -5.9% in **Alaska** to 7.1% in **Nevada,** where Medicaid benefits increased 14.1%. The sharp drop in Alaska reflects smaller payments from the Alaska Permanent Fund.

## EMPLOYMENT

The table on the right lists state employment growth rates between February 2016 and February 2017. Nationally, annual job growth ticked up slightly since the last update, from 1.5% to 1.6%, but only 19 states had growth exceeding that level. **Idaho** posted the strongest performance (3.6%), followed by its southern neighbors, **Utah** and **Nevada.** All 10 of the states with the strongest job growth are in the West or South.

Six states recorded job losses: **Kansas** (with a slight loss that rounds to zero), **West Virginia, Oklahoma, North Dakota, Alaska,** and **Wyoming.**

Among the 10 most populous states, six registered above-average employment growth, including two that ranked in the top 10: #4 **Florida,** and #6 **Georgia.** **Ohio** and **Illinois** posted the weakest growth among this group of 10.

The 10 states with the slowest growth represent every geographical region. The drag created by retrenchment in the natural resources sector can be

## Employment Change, February 2016 to February 2017

Rank	State	Percent
1	Idaho	3.6%
2	Utah	3.3
3	Nevada	3.2
4	Florida	3.0
5	Washington	2.7
6	Georgia	2.6
7	Montana	2.4
8	Tennessee	2.2
9	Oregon	2.2
10	Arizona	2.2
11	Maryland	2.1
12	Colorado	1.9
13	California	1.9
14	Michigan	1.9
15	Missouri	1.9
16	Texas	1.9
17	New Jersey	1.8
18	North Carolina	1.8
19	New Hampshire	1.7
	<b>United States</b>	<b>1.6</b>
20	Massachusetts	1.6
21	South Carolina	1.6
22	Alabama	1.5
23	New York	1.4
24	Kentucky	1.4
25	South Dakota	1.4
26	Virginia	1.4
27	Nebraska	1.3
28	Arkansas	1.3
29	Indiana	1.3
30	Minnesota	1.3
31	Pennsylvania	1.3
32	Rhode Island	1.2
33	Vermont	1.1
34	Wisconsin	1.0
35	Ohio	0.8
36	Illinois	0.8
37	Hawaii	0.8
38	New Mexico	0.7
39	Iowa	0.7
40	Delaware	0.7
41	District of Columbia	0.5
42	Maine	0.5
43	Louisiana	0.2
44	Connecticut	0.1
45	Mississippi	0.1
46	Kansas	0.0
47	West Virginia	-0.4
48	Oklahoma	-0.4
49	North Dakota	-0.7
50	Alaska	-2.0
51	Wyoming	-2.5

seen by the prevalence of job losses or scant gains in states active in that sector.

## POPULATION

The final component of the Index of State Economic Momentum is the change in state population. Population estimates for July 2016 were released in December 2016, and the state growth rates associated with those estimates are listed on the right.

For the first time since 2011, **North Dakota** was not first among the states in population growth; it fell all the way to #37. **Utah** claimed the top position, while eight states are estimated to have lost population: **New York, Mississippi, Pennsylvania, Wyoming, Connecticut, Vermont, Illinois, and West Virginia.**

Nationally, the resident population is estimated to have increased just 0.70% between July 2015 and 2016, less than last year's revised increase of 0.73%. This is the slowest rate of annual population growth in many years. It reflects both low birth rates and increasing death rates. The latter has been much in the news, reflecting not only an aging population, but higher mortality among younger people, stemming from poor health, suicide, and addiction.

While the sluggishness of the national economy may be reflected in modest growth in the national population, the performance of individual state economies helps to explain some of the variation among states. **North Dakota's** strong population growth and precipitous decline reflect its economic boom and slowdown. **Wyoming** saw a similar trend, with its population growth ranking #4 in 2012, when its economy was booming, and now ranking #47, with an estimated population loss. **Oregon** is riding a wave in the opposite direction; rising to #6 in 2016, from #22 in 2012. Similarly, **Idaho** ranked #24 in 2012, and rose to #3 in 2016.

## Percent Change in State Population, July 1, 2015 to July 1, 2016

Rank	State	Percent
1	Utah	2.03%
2	Nevada	1.95
3	Idaho	1.83
4	Florida	1.82
5	Washington	1.78
6	Oregon	1.71
7	Colorado	1.68
8	Arizona	1.66
9	District of Columbia	1.61
10	Texas	1.58
11	South Carolina	1.35
12	North Carolina	1.11
13	Georgia	1.09
14	Montana	1.01
15	South Dakota	0.88
16	Tennessee	0.85
17	Delaware	0.85
18	Nebraska	0.70
	<b>United States</b>	<b>0.70</b>
19	Minnesota	0.68
20	California	0.66
21	Alaska	0.57
22	Virginia	0.53
23	Oklahoma	0.41
24	Iowa	0.41
25	Massachusetts	0.41
26	Maryland	0.36
27	New Hampshire	0.35
28	Arkansas	0.35
29	Indiana	0.31
30	Kentucky	0.28
31	Missouri	0.28
32	Louisiana	0.27
33	Hawaii	0.24
34	Alabama	0.19
35	Wisconsin	0.19
36	Maine	0.15
37	North Dakota	0.15
38	Michigan	0.11
39	New Jersey	0.10
40	Ohio	0.08
41	Rhode Island	0.08
42	New Mexico	0.03
43	Kansas	0.02
44	New York	-0.01
45	Mississippi	-0.02
46	Pennsylvania	-0.06
47	Wyoming	-0.18
48	Connecticut	-0.23
48	Vermont	-0.24
50	Illinois	-0.29
51	West Virginia	-0.54

It can be difficult to distinguish between population growth that reflects a strong state economy versus longstanding trends when both types of growth are occurring in one state. For example, strong population growth in **North Dakota** is easily ascribed to a strong economy, because it had a slow-growing population for many years, and seems to be returning to the long-term trend.

On the other hand, states such as **Utah, Nevada, Florida, Texas, and Arizona** have long been on the receiving end of migration from northern and eastern states, irrespective of their economic performance. Even so, **Florida** has seen its relative population growth rebound as its economy has improved, rising from #9 in 2012 to #4 in 2016.

## 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 indicates that a state can put its residents to work, it also might signal labor shortages that could constrain future growth, or a small workforce that isn't growing much. Indeed, some of the states with low unemployment rates have slow-growing populations (**New Hampshire, Hawaii, and Vermont**), while others are experiencing above-average population growth (**South Dakota, Colorado, and Utah**).

Nationally, the unemployment rate ticked up in this update, from 4.6% in November to 4.7% in February. Thirty states recorded rates equal to or lower than the national average and 20 (plus the District of Columbia) recorded higher rates.

Among the 10 most populous states, all but **New York** had unemployment rates higher than the average. States with the lowest unemployment rates typically have small populations; among the 15 states with the lowest rates, only

## State Unemployment Rates, February 2017

Rank	State	Percent
1	New Hampshire	2.7%
2	Hawaii	2.8
2	South Dakota	2.8
4	Colorado	2.9
4	North Dakota	2.9
6	Vermont	3.0
7	Utah	3.1
8	Iowa	3.2
8	Maine	3.2
8	Nebraska	3.2
11	Massachusetts	3.4
12	Idaho	3.6
13	Arkansas	3.7
13	Wisconsin	3.7
15	Montana	3.8
16	Virginia	3.9
17	Kansas	4.0
17	Minnesota	4.0
17	Oregon	4.0
20	Indiana	4.1
20	Missouri	4.1
22	Maryland	4.2
23	New Jersey	4.4
23	New York	4.4
23	South Carolina	4.4
26	Delaware	4.5
26	Rhode Island	4.5
28	Oklahoma	4.6
29	Connecticut	4.7
29	Wyoming	4.7
	<b>United States</b>	<b>4.7</b>
31	Kentucky	4.9
31	Nevada	4.9
31	Texas	4.9
31	Washington	4.9
35	California	5.0
35	Florida	5.0
35	Pennsylvania	5.0
38	Arizona	5.1
38	North Carolina	5.1
38	Ohio	5.1
41	Mississippi	5.2
41	West Virginia	5.2
43	Georgia	5.3
43	Michigan	5.3
43	Tennessee	5.3
46	Illinois	5.4
47	District of Columbia	5.7
48	Louisiana	5.8
49	Alabama	6.2
50	Alaska	6.4
51	New Mexico	6.8

**Massachusetts** also ranks in the top 15 states based on population (where it ranks #15).

Quarterly results on the index have been very similar over the last several quarters. The results are not bad, but they seem to indicate a recovery that may be growing long in the tooth. Personal income growth rates are fine but not great. Employment growth is fine but not great. Population growth is anemic.

That said, certain states defy such characterization. Energy-dependent states are still struggling, while a group of western and southeastern states are doing remarkably well.

Looking forward, the greatest risk to this relative stability is likely to come from Washington.

Proposals to fundamentally reform health care, taxes, infrastructure, and federal spending in general could all wreak havoc on state economies, in varying ways. Moreover, adoption of any of the proposals will not be required to trigger upheaval; the mere discussion of these matters can have an unsettling effect. So too can discussions around raising the federal debt limit, another conversation slated to occur in the coming months.

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## TECHNICAL NOTES

**State Economic Momentum.** The Bureau of Economic Analysis ([www.bea.gov](http://www.bea.gov)) publishes quarterly state personal income data. Employment levels are published by the Bureau of Labor

Statistics (BLS) ([www.bls.gov](http://www.bls.gov)), as are state unemployment rates. Population counts and estimates are available at [www.census.gov](http://www.census.gov).

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