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Index of State Economic Momentum

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INDEX OF STATE ECONOMIC MOMENTUM

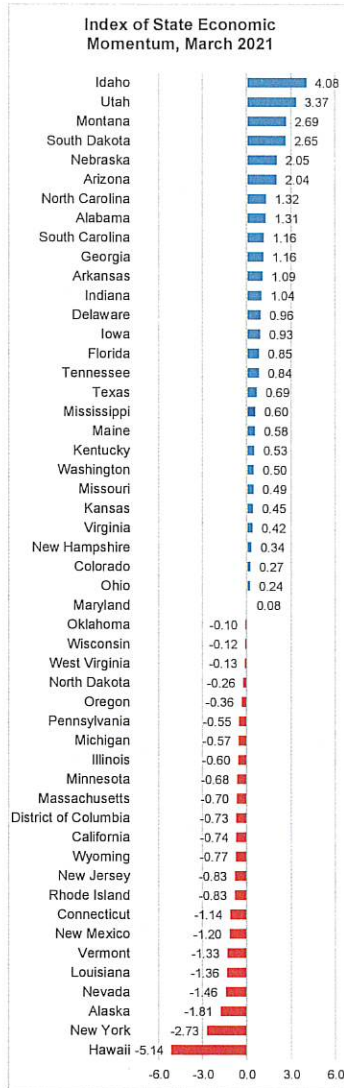
The Index of State Economic Momentum, developed by *Reports* founding editor Hal Hovey, ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth, and population growth. *Reports* updates the index each quarter.

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 chart on the right shows the results based on the most recent data. In this first update of 2021, **Maryland** is closest to the national average economic performance, exceeding it by 0.08%. **Idaho** reclaims the top spot from **Utah** with economic momentum that exceeds the national rate by 4.08%. **Hawaii** remains in the bottom spot, lagging the nation's economic momentum by 5.14%.

Twenty-eight states exceed the nation's economic performance, while 22 states and the District of Columbia lag it. Among the 10 most populous states, half exceed the average: #7 **North Carolina**, #10 **Georgia**, #15 **Florida**, #17 **Texas**, and #25 **Ohio**.

In contrast to earlier updates during the COVID-19 pandemic, this one incorporates quarterly personal income figures that reflect a relative absence of the types of federal fiscal assistance that bolstered personal income and propped up economic performance in earlier quarters. There were no federal relief bills enacted between late April and late December 2020. As a result, two important propellants of economic activity—direct payments to individuals and bonus unemployment assistance—were not provided during the quarter.

As in recent quarters, state economic momentum relative to the national average varied a



lot. Twelve states exceeded the average by more than 1% and eight lagged it by more than 1%, both of which are rare during periods of economic stability. Absent the extra federal aid, the outliers seem to reflect the economic impact of the recession on state economies.

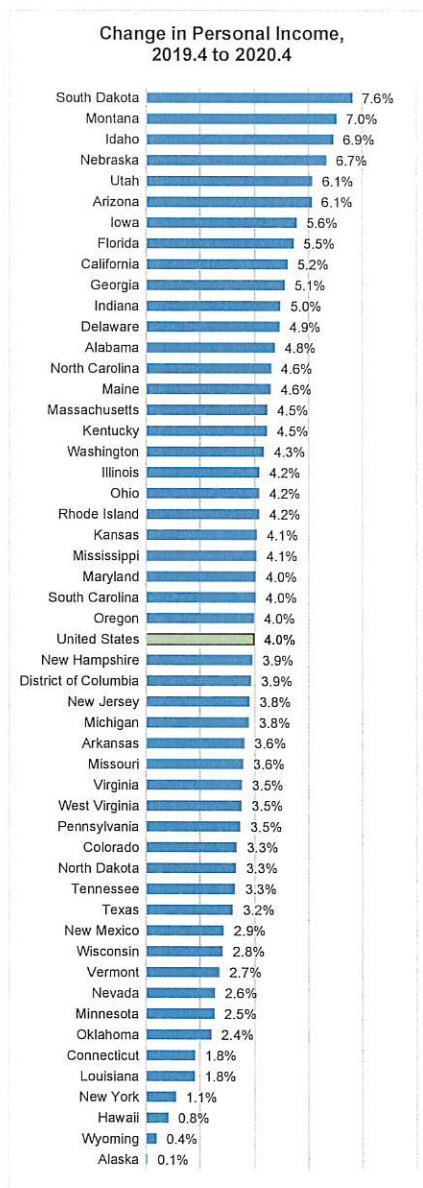
Hawaii and New York stand out among the states lagging the average, with both lagging by more than 2%. Many of the other states lagging by a wide margin have large tourism or energy sectors, or have been subject to more extensive economic shutdowns to address the coronavirus. On the positive end, Idaho, Utah, Montana, South Dakota, Nebraska, and Arizona exceeded the average by more than 2%.

PERSONAL INCOME

The chart on the right shows state detail on the first component of the index. 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 2019 and the same period in 2020, personal income across the nation grew 4.0%, down considerably from 7.1% growth between the third quarters of the two years.

The lower growth rate reflects the absence of federal transfer payments in the quarter. That said, states continued to benefit from additional federal Medicaid dollars, provided through a 6.2 percentage-point increase in the federal matching rate.

South Dakota had the strongest year-over-year growth and was joined by 25 additional states that exceeded the national average. Other states located in or near the northern Plains—Montana, Idaho, and Nebraska—also posted strong results. Three states posted income gains of less than 1%: Alaska, Wyoming, and Hawaii. As in previous quarters, the lagging states have economies dependent on natural resources or tourism.



In its release of the fourth quarter data, the Bureau of Economic Analysis (BEA) noted, "The 2020 Q4 estimates of state personal income continue to be impacted by the response to the spread of COVID-19. Federal economic recovery payments slowed as pandemic-related assistance programs continued to wind down."

In the fourth quarter, BEA identified farm earnings as a leading contributor to personal income growth in certain states. Specifically, it cited **South Dakota, Nebraska, North Dakota, Kansas, Idaho, Iowa, Montana, and Wisconsin** as benefitting from increased farm earnings, noting that they "followed increases in payments to farmers from the Coronavirus Food Assistance Program provided by the CARES Act."

EMPLOYMENT

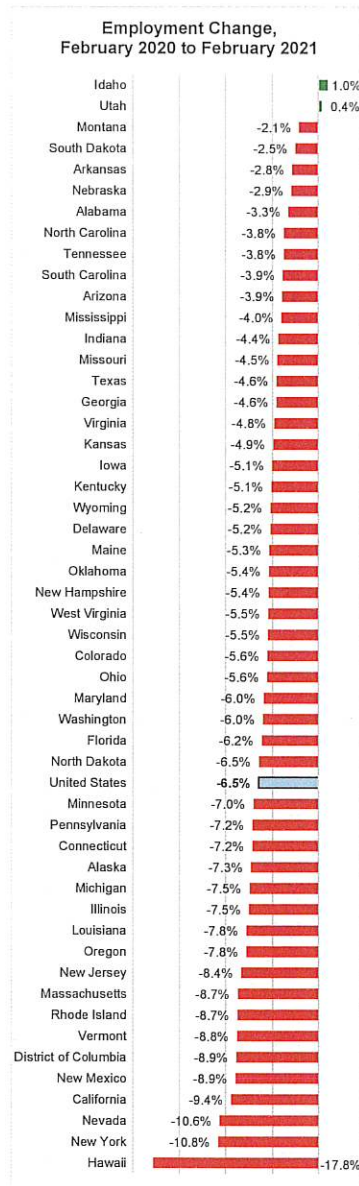
The chart on the right lists state employment growth rates between February 2020 and February 2021. Nationally, employment changed -6.5%, after a change of -5.8% in the last index update. Only **Idaho** and **Utah** recorded gains. This worsening of job growth reflects setbacks in the winter months as COVID-19 infection and death rates surged during the holiday season.

Hawaii (-17.8%) continues to stand out as suffering the worst employment setbacks. It is joined by **New York** and **Nevada** as the three states with annual employment losses greater than 10%.

While only 17 states plus the District of Columbia had annual job losses greater than the nation as a whole, those 17 include five of the 10 most populous states. Among the 10 most populous states, the best performing was **North Carolina**, with an annual change of -3.8%.

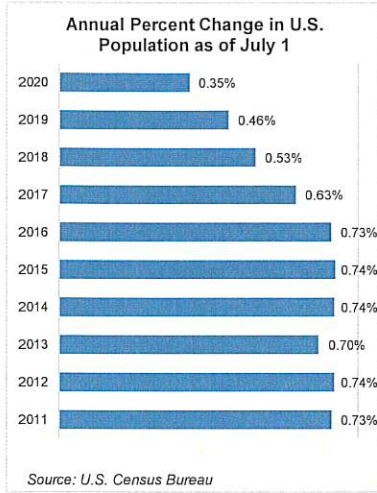
POPULATION

The final component of the index is the change in state population. Population estimates for July 1, 2020, were published in December 2020. These



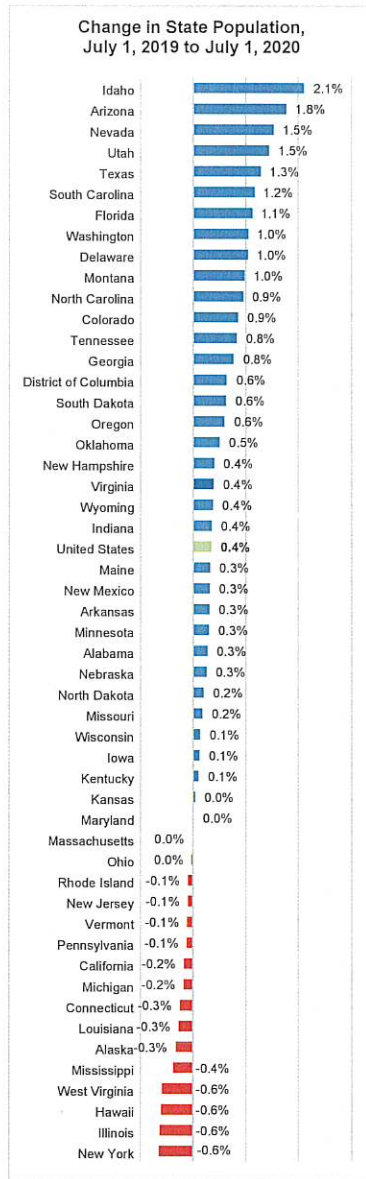
are based on the 2010 census rather than the 2020 census, for which figures have not been released. As such, they represent estimates upon estimates, which may change based on actual headcounts.

Population growth has been depressed since the Great Recession, declining from nearly 1% per year before it to less than half that after it. The 2020 estimates continue that trend, as shown below.



Not only did 2020's growth rate drop to about half the rate of a decade earlier, but 2019's growth rate was revised slightly downward from an original estimate of 0.48%. These estimates reflect both the natural increase in population (births minus deaths) and net migration.

The chart on the right displays the annual change in population by state. Idaho again holds the #1 position, repeating last year's 2.1% annual growth, the only state to exceed 2%. There are no surprises among the states with the strongest population growth; the same states have held the top ranks for some time. In total, 10 states are estimated to have seen growth of 1% or more.



State Population, Share of National Population, and Cumulative Population, 2020

Rank	State	Population	Share	Cumulative Total
1	California	39,388,078	11.9%	
2	Texas	29,380,759	8.9%	20.9%
3	Florida	21,733,312	6.6%	27.5%
4	New York	19,336,776	5.9%	33.3%
5	Pennsylvania	12,783,254	3.9%	37.2%
6	Illinois	12,587,530	3.8%	41.0%
7	Ohio	11,693,217	3.5%	44.8%
8	Georgia	10,710,017	3.3%	47.8%
9	North Carolina	10,600,823	3.2%	51.0%
10	Michigan	9,986,555	3.0%	54.1%
11	New Jersey	8,882,371	2.7%	56.8%
12	Virginia	8,590,563	2.6%	59.4%
13	Washington	7,693,612	2.3%	61.7%
14	Arizona	7,421,401	2.3%	64.0%
15	Massachusetts	6,893,574	2.1%	66.0%
16	Tennessee	6,886,834	2.1%	68.1%
17	Indiana	6,754,953	2.1%	70.2%
18	Missouri	6,151,548	1.9%	72.1%
19	Maryland	6,055,802	1.8%	73.9%
20	Wisconsin	5,832,655	1.8%	75.7%
21	Colorado	5,807,719	1.8%	77.4%
22	Minnesota	5,657,342	1.7%	79.1%
23	South Carolina	5,218,040	1.6%	80.7%
24	Alabama	4,921,532	1.5%	82.2%
25	Louisiana	4,645,318	1.4%	83.6%
26	Kentucky	4,477,251	1.4%	85.0%
27	Oregon	4,241,507	1.3%	86.3%
28	Oklahoma	3,980,783	1.2%	87.5%
29	Connecticut	3,557,006	1.1%	88.6%
30	Utah	3,249,879	1.0%	89.6%
31	Iowa	3,163,581	1.0%	90.5%
32	Nevada	3,138,259	1.0%	91.5%
33	Arkansas	3,030,522	0.9%	92.4%
34	Mississippi	2,966,786	0.9%	93.3%
35	Kansas	2,913,805	0.9%	94.2%
36	New Mexico	2,106,319	0.6%	94.8%
37	Nebraska	1,937,552	0.6%	95.4%
38	Idaho	1,826,913	0.6%	96.0%
39	West Virginia	1,784,787	0.5%	96.5%
40	Hawaii	1,407,006	0.4%	96.9%
41	New Hampshire	1,366,275	0.4%	97.3%
42	Maine	1,350,141	0.4%	97.7%
43	Montana	1,080,577	0.3%	98.1%
44	Rhode Island	1,057,125	0.3%	98.4%
45	Delaware	986,809	0.3%	98.7%
46	South Dakota	892,717	0.3%	99.0%
47	North Dakota	765,309	0.2%	99.2%
48	Alaska	731,158	0.2%	99.4%
49	District of Columbia	712,816	0.2%	99.6%
50	Vermont	623,347	0.2%	99.8%
51	Wyoming	582,328	0.2%	100.0%
	United States	329,484,123	100.0%	

What is noteworthy is the number of states estimated to have lost population. Sixteen states fell into this group for 2020, up from 10 in 2019. (Massachusetts and Ohio had modest losses that round to 0%). Most of the states losing population have had losses or small gains in recent years.

Every region of the country is represented among the states losing population, but the prevailing trend is a shift from the North and East to the South and West. The 15 states (including the District of Columbia) with the strongest population growth are in one of these two latter regions (as defined by the Census Bureau), while the top-ranking state outside the Census Bureau-defined West or South is #16 **South Dakota**. Population losses in all five of the 10 most-populous states outside the West and South underscore the trend.

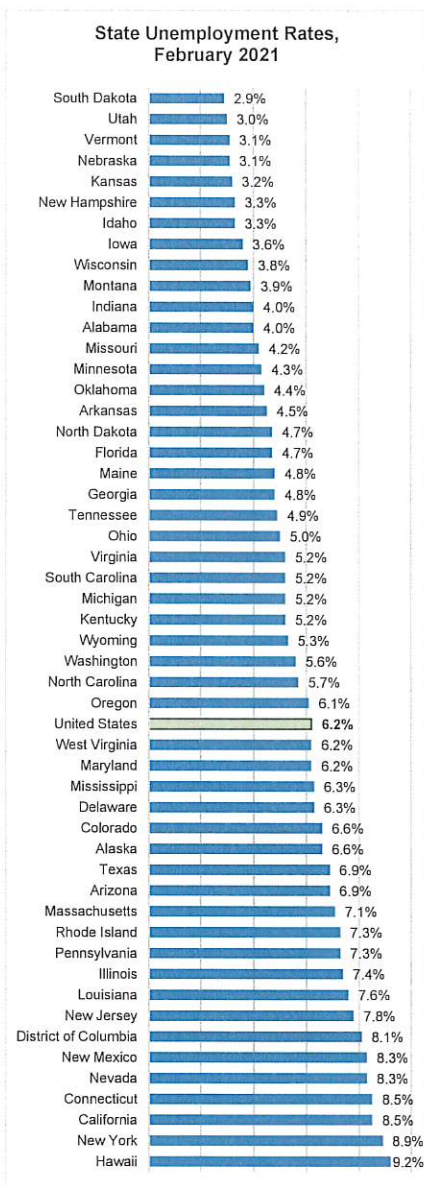
State Shares and Ranks. The table on page 6 lists the July 2020 state population estimates and rankings. It also lists each state's share of the national population and the cumulative total population. As in previous years, the nine most populated states accounted for more than half the nation's population.

California remains the most populous state by a wide margin, although its share of the national total continues to decline, from 12.1% in 2018, to 12% in 2019, and 11.9% in 2020. It is followed by **Texas, Florida, and New York**. While more than half the nation's population resides in the nine most-populous states (and one-third in just the top four), less than 10% resides in the 20 least-populous (including the District of Columbia).

The least-populated state remains **Wyoming**, where population growth in 2020 just about matched the national average.

UNEMPLOYMENT RATES

State unemployment rates are shown on the right. They are not a component of the Index of State Economic Momentum, but they can be a useful



indicator of a state's economic condition. The February 2021 rates reflect two distinct realities. Ten states—most of which have relatively small populations—have unemployment rates less than 4.0%. These low rates may not meet the pre-pandemic benchmark, but they are enviable. In contrast, seven states—including two highly populated ones—have unemployment rates greater than 8%, signaling that large shares of their workforces are still out of work.

The remaining 33 states and the District of Columbia fall somewhere in between. More states

have rates less than the national rate (6.2%) than greater than it, underscoring the concentration of low-population states among those with the lowest unemployment rates. That said, five of the 10 most populous states have rates less than 6.2%, including Florida, Georgia, Ohio, Michigan, and North Carolina.

The national rate itself improved since the last index update, falling from 6.7% in November 2020. A year ago, the national rate was 3.5%, so there is still a long way to go before the nation restores the jobs lost to the pandemic.

TECHNICAL NOTES

State Economic Momentum. The Bureau of Economic Analysis (www.bea.gov) publishes quarterly state personal income data. Employment levels are published by the Bureau of Labor Statistics (BLS) (www.bls.gov), as are state

unemployment rates. Population counts and estimates are available at www.census.gov.

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