

QUARTERLY ECONOMIC REPORT

PERSONAL INCOME IN MAINE

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MAINE
DEVELOPMENT
FOUNDATION



Introduction

Among its programs, the Maine Development Foundation (MDF) staffs the Maine Economic Growth Council, an independent body created in statute to develop a long-term vision for Maine's economic growth and develop a broad range of indicators to assess our progress toward that vision. The Growth Council issues the annual *Measures of Growth In Focus*, a reliable and trusted report measuring Maine's progress on 26 critical economic indicators. MDF has partnered with the University of Maine's School of Economics (SOE) on this quarterly newsletter, which explores these topics further and provides a timely look at the various elements of Maine's economy.

Personal Income in Maine

Based on the latest available Bureau of Economic Analysis (BEA) data, *Measures of Growth In Focus 2013* showed that Maine's per capita personal income grew by 4.6% from 2010 to 2011, yet our national rank remained unchanged at 29. The BEA measure of personal income is generally considered by economists to be the most comprehensive measure of aggregate income in the nation, states, and local areas such as counties. Looking closely at the components of personal income can provide insight about economic characteristics at the regional level in Maine. Understanding how patterns of personal income sources vary in different parts of the state can help in devising policies that foster economic development and reduce poverty.

Personal income derives from three sources: (1) *earned income* (net earnings from wages and self-employment); (2) *investment income* (dividends, interest and rent); and (3) *transfer payment income* (payments by local, state, and federal governments and by businesses for which no current services are performed).

The table on the following page shows per capita income and poverty rates for the United States, Maine as a whole, and each Maine county. Within Maine, there were large variations in per capita personal income in 2011, with the lowest in Franklin and Oxford counties and the highest in Cumberland. Interestingly, the counties with the highest poverty rates, Washington and Piscataquis, were not the bottom two in per capita personal income. The higher rate of transfer payments in some of the state's poorest counties is a likely contributor to this pattern.

In Maine in 2011, earnings and investment income accounted for a smaller proportion of total personal income than nationally, while income from transfer payments represented a higher proportion. Within the state, there are marked differences between counties in the relative proportion of income from earnings, investments, and transfer payments.

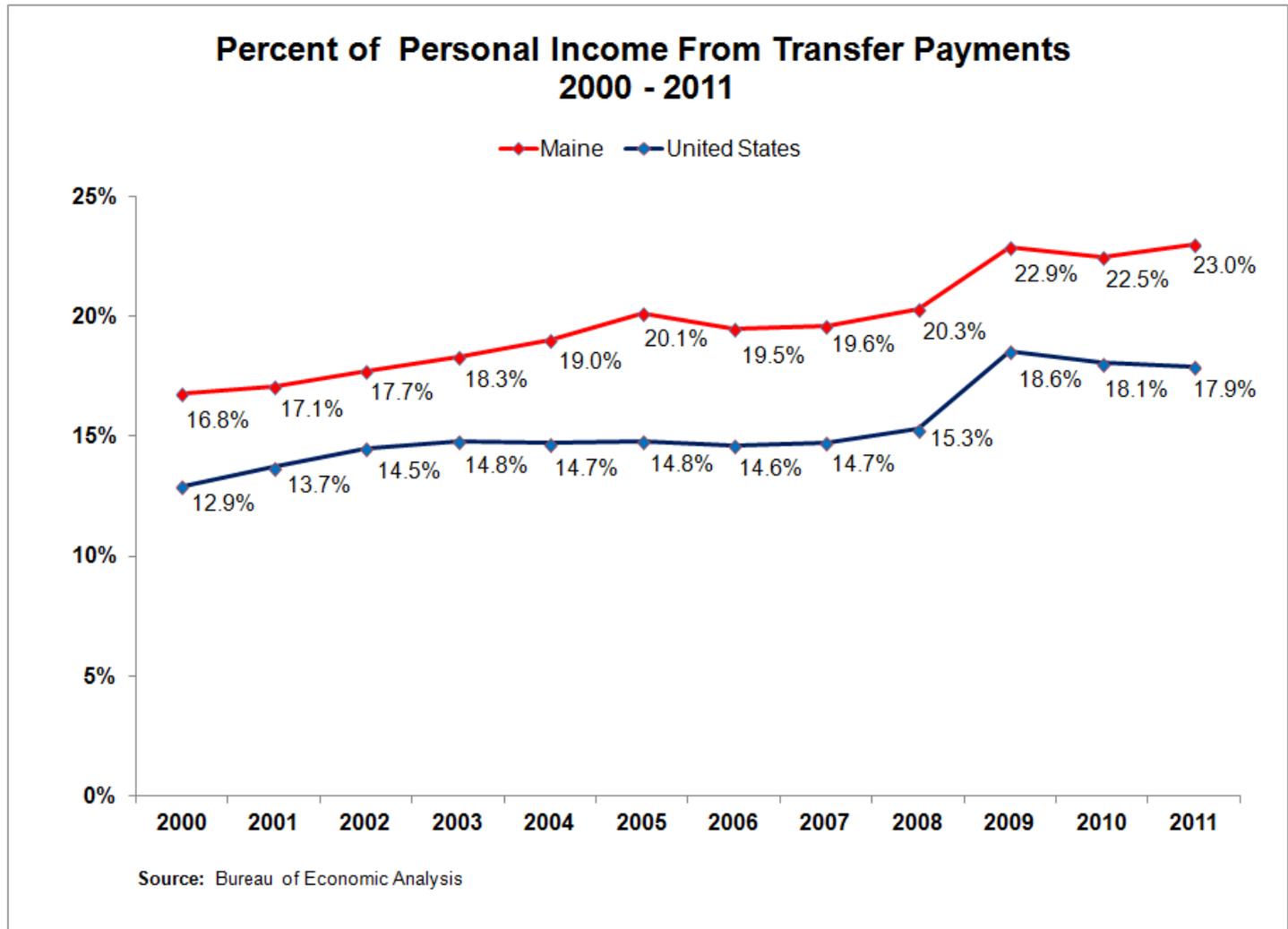
2011 Per Capita Personal Income and Poverty Rates

	Per capita personal income	Poverty rate	Earnings	Investments	Transfer payments
U.S.	\$41,561	15.9%	66%	16%	18%
Maine	\$38,299	14.2%	62%	15%	23%
Androscoggin	\$36,192	16.1%	63%	11%	27%
Aroostook	\$32,038	18.3%	53%	12%	35%
Cumberland	\$47,015	12.1%	67%	16%	16%
Franklin	\$30,757	17.4%	56%	15%	29%
Hancock	\$38,542	13.8%	55%	24%	22%
Kennebec	\$36,958	12.8%	63%	12%	25%
Knox	\$38,777	13.0%	54%	23%	23%
Lincoln	\$40,534	12.1%	53%	25%	22%
Oxford	\$30,999	16.5%	56%	14%	31%
Penobscot	\$33,940	17.2%	62%	12%	26%
Piscataquis	\$32,189	19.5%	52%	14%	33%
Sagadahoc	\$41,044	11.7%	64%	17%	19%
Somerset	\$31,538	18.6%	58%	11%	31%
Waldo	\$32,416	16.0%	57%	16%	27%
Washington	\$32,738	21.7%	49%	14%	37%
York	\$40,124	10.2%	66%	15%	19%

Sources: Bureau of Economic Analysis (BEA); U.S. Census Small Area and Income Poverty Estimates (SAIPE)

Cumberland, York and Sagadahoc counties had a higher percentage of personal income from earnings in 2011 than did other counties. In coastal Lincoln, Knox, and Hancock counties, which have attracted larger numbers of “better-off” retirees, investment income accounted for 23-25% of personal income, while in all other counties it was less than 18%. Transfer payments accounted for one-third or more of personal income in Washington, Aroostook and Piscataquis counties. These are among the poorest counties in the state and among those with the highest proportion of elderly residents.

Over 80% of transfer payments are medical payments to providers and retirement and disability benefits, primarily social security. Nationally, in Maine, and in all Maine counties except Lincoln, government medical benefits in 2011 constituted the largest proportion of transfer payments (42-50% of the total), about evenly divided between Medicare and Medicaid. Retirement benefits were the second largest type of transfer payments (approximately one third) nationally, in Maine as a whole, and in all Maine counties except Lincoln. Means-tested direct cash benefits to families such as food stamps (SNAP) and Temporary Assistance to Needy Families (TANF) are only a small proportion of transfer payments (8-12% in 2011).



As the figure shows, over time, transfer payments have constituted an increasing proportion of Maine’s personal income. This is perhaps to be expected given the state’s increasing proportion of elderly and lower-income residents. Nationally, the proportion of personal income from transfer payments remained relatively constant from 2002 through 2007. The 2008-2009 recession saw an increase in the proportion of personal income from transfer payments and a decrease in income from earnings. Nationally, since 2009 the proportion of personal income from transfer payments has declined and the proportion from earnings has increased, though is not yet back to pre-recession levels. Maine has not yet seen a similar change.

Maine counties with continued levels of outmigration by younger people can expect to see their economies increasingly dependent on transfer payments as the remaining population is increasingly older and more income is derived from sources such as social security and medical payments to providers. Counties that have in-migration of better-off elders can see an economic boost as these elders spend their income in the local area. However, relying on developing Maine primarily as a destination for well-off retirees has its drawbacks. Economic development that attracts younger wage earners needs to continue to be a high priority if the state’s per capita personal income amounts and patterns are to come close to national averages.

About the Maine Development Foundation (MDF)

The Maine Development Foundation is a private, non-partisan membership organization that drives sustainable, long-term economic growth for the State of Maine. MDF’s strategic focus is a productive workforce. We believe that a productive worker is one that is educated, healthy, innovative, and engaged in their community and the economy.

MDF stimulates new ideas, develops leaders, and provides common ground for solving problems and advancing issues by:

- **Empowering** leaders
- **Strengthening** communities
- **Guiding** public policy with trusted economic research

Created in statute in 1978, is a unique and trusted non-profit 501(c)(3) corporation. MDF works statewide across all sectors.

About the University of Maine’s School of Economics (SOE)

The SOE serves as the University’s hub of economics research and teaching while also embracing broader social science perspectives through its primary and affiliated faculty in law, social psychology and human-ecology. The faculty works closely with stakeholder groups to generate information and policy recommendations to help solve Maine and national needs. SOE offers both undergraduate and graduate programs (such as resource economics and policy, financial economics, and international economics) that train students to think analytically and critically about social, environmental, and economic issues, and lead to careers in economics, law, public service, business, and other applied policy fields. Explore SOE’s website (<http://www.umaine.edu/soe/>) to learn more about their academic and research programs, and their faculty, staff, and students.

About the Margaret Chase Smith Policy Center, University of Maine

The Margaret Chase Smith Policy Center is a nonpartisan, independent research and public service unit of the University of Maine, dedicated to improving and promoting the quality of public dialogue about state, regional, and national policy issues through applied policy research and community engagement. Created in 1990, the Center was named to continue the legacy of Senator Margaret Chase Smith who was a model of civil discourse and integrity. The Center’s research and outreach is interdisciplinary, cutting across academic departmental lines to bring together faculty, students and external policy experts to address issues confronting the state and nation.

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