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**Special Report 1: The Importance Of Non-Earned Sources
Of Income In Wyoming.**

This is the first in a series of special research reports from the Division of Economic Analysis. With the special reports, we at the Division are trying to improve, both your and our understanding of Wyoming's economy. This first report examines non-earned sources of income and their importance as a source of income. We hope you find this and future special reports useful and informative. To obtain the complete report, visit our website at <http://eadiv.state.wy.us> and look for Special Report 1: The Importance of Non-Earned Sources of Income in Wyoming under "What's New."

When looking at local economies in Wyoming, the focus is largely on employment and wage and salary earnings. While these are both vital measures of the economy, an important and often overlooked piece of economic data is non-earned sources of income. Because non-earned sources of income do not depend on the local job market like wage and salary earnings, they act as a buffer against local economic downturns by providing a source of income, and hence spending, removed from the fluctuations of the local economy.

The two sources of non-earned income are Dividends, Interest, and Rent, (DIR) and transfer payments. DIR is composed of personal dividend income, personal interest income, and rental income of persons with capital consumption adjustment, and is sometimes referred to as "investment income" or "property income." Transfer payments are the other source of non-earned income and represent payments by government or business to individuals or non-profit institutions. The largest single source or transfer payments in the state is Social Security income to individuals.

While Total Personal Income (TPI) grew by 5.3 percent annually from 1989 to 1999, the rate of growth for DIR and transfer payments was higher, at 6.7 percent and 6.3 percent, respectively. Because both DIR and transfer payments grew faster than TPI as a whole, the share of TPI from them increased over the time period. DIR as a percent of TPI increased by 3.0 percent points from 1989 to 1999, to 26.1 percent. Transfer payments as a percent of TPI grew by 1.1 percent from 1989 to 1999, to 12.0 percent.

Because Earnings by Place of Work grew by 4.7 percent, slower than TPI as a whole, it fell from 66.0 percent to 61.0 percent of TPI from 1989 to 1999.

Among Wyoming counties, several derive more of TPI from non-earned sources of income than others. The counties with the highest proportion of TPI from non-earned sources in 1999 were Washakie, Teton, Fremont, Park, Sublette, Hot Springs, Niobrara, Johnson, and Sheridan, all with 40 percent or more of TPI derived from non-earned sources of income. The counties with the lowest percentage of TPI from non-earned sources of income were Campbell, Sweetwater, and Uinta, all with less than 25 percent of TPI derived from non-earned sources of income.

The amount of DIR received as a percent of TPI depends a great deal on the age and wealth of individuals. As people grow older and move through their prime earning years, they acquire more physical and financial assets that pay dividends, interest, and rent. Individuals with more wealth also tend to hold more physical and financial assets that pay DIR. For transfer payments, age is again a major factor, as is income. The largest component of transfer payments is government payments to individuals, mainly social security or medical payments. Since social security is primarily paid to retired individuals, the median age of a county can be a good indicator of the level of transfer payments as a percentage of TPI in a county. Some transfer payments reflect those payments from the government that are income support payments. Hence income can also influence the level of transfer payments received, although in a negative fashion. As income rises, it is less likely that an individual would receive income support payments from the government.

At almost 40 percent of TPI in 1999, non-earned sources of income are a vital and growing component of income received by households. By recognizing the degree to which non-earned sources of income play in a county's economy, we have an additional piece of information to use in evaluating the impact of changes in the local and national economy on each county. Counties with a high percentage of non-earned sources of income will be less vulnerable to local economic shocks, but may well be more vulnerable to national economic shocks. Because DIR will fluctuate with changes in the national economy, those counties with a high percentage of DIR income will have more exposure to fluctuations in the national economy. Conversely, because transfer payments largely consist of social security payments, counties with a high proportion of transfer payments will experience less variation, since transfer payments are more stable.

The report in full examines both DIR and transfer payments in more detail, and can be found on the internet at our website: <http://eadiv.state.wy.us>. Copies can also be obtained by calling the Division of Economic Analysis at (307) 777-7504.