

Adjustment for Cost Differences Lowers Maryland's Per Capita Income More than Most *State's ranking goes from sixth to 11th*

As has been reported previously, 2013 was not a good year for Maryland's total personal and per capita personal income growth. Maryland's per capita personal income grew by only \$167 (0.3%) in 2013, one of the worst performances in the nation, with its numeric gain ranked 44th and its percentage increase ranked 46th among all 50 states and the District of Columbia.¹

Newly released data from the U.S. Bureau of Economic Analysis, however, shows that the higher cost of living in Maryland has more of an effect on the purchasing power of its residents than most other states. As a result, Maryland's per capita income is not as highly ranked when adjusted for these costs.

Maryland's downward adjustment fifth largest among the states

Adjusted for inflation *and* for the differences in the price levels of goods and services across states and metropolitan areas; Maryland's 2013 per capita income calculation drops from \$53,826 in current dollars to \$45,280 in constant 2009 dollars. This \$8,546 (-15.9%) reduction from current-dollar per capita income was the fifth largest numeric decline and the sixth largest percentage decline in the nation. The only states with larger numeric declines were Hawaii (-\$8,937), New Jersey (-\$10,273), New York (-\$10,415) and the District of Columbia (-\$15,641). (See [Map 1.](#)) The only larger percentage declines were these same four states plus California. (See [Map 2.](#))

On the other end, states with the largest numeric and percentage upward adjustments from regional cost differences are more rural in nature, including South Dakota (+\$2,950, or 6.4%), Mississippi (+\$2,528, or 7.5%), Arkansas (+\$2,421, or 6.6%), Alabama (+\$2,313, or 6.3%), West Virginia (+\$1,940, or 5.5%), Missouri (+\$1,838, or 4.5%) and Kentucky (+\$1,702, or 4.7%).

Maryland's per capita income ranked 11th, change near bottom of all states

With its above average reduction to account for regional price differences, Maryland's 2013 per capita income is ranked 11th highest in the U.S. by this measure compared to sixth highest without the cost differential or inflation adjustments.² States which are now ranked above Maryland according to this measure (but were ranked below Maryland without the cost adjustments) include: North Dakota (\$54,261), Wyoming (\$51,410), South Dakota (\$48,989), Nebraska (\$48,600), Iowa (\$46,247), Kansas (\$45,619) and Minnesota (\$45,385). (See [Table 1.](#))

Adjusted for inflation and cost differences, Maryland's per-capita income dropped by \$475 dollars in 2013, or by 1.0 percent. This numeric drop was ranked 49th among all the states and the District of Columbia, exceeded only by the losses in the District of Columbia (-\$1,075) and North Dakota (-\$4,303). (See [Table 2.](#)) Maryland's 1.0 percentage point decline was ranked 48th. (See [Table 3.](#))

¹ See the discussion on Maryland's personal and per capita personal income growth through 2013 in both current and constant dollars [here](#).

² For current dollar per capita income data for states with ranks, see this [table](#).

Maryland's higher costs driven principally by higher rents

Tables four through seven are the U.S. BEA's calculated "regional price parities" (RPPs) which measures the differences in the price levels of goods and services across states and metropolitan areas for a given year. RPPs are expressed as a percentage of the overall national price level for each year, which is equal to 100.³ Maryland's RPP for all items is 110.9 in 2013, the sixth highest in the country, and means that the overall cost of goods and services in Maryland are 10.9 percent higher than the U.S. average. (See [Table 4](#).) There is not that much variation in Maryland's RPP across the six years for which there are data, varying from a low of 110.3 in 2008 (ranked seventh) to a high of 111.3 in 2009 (ranked sixth).

Among the various components of RPPs: 1) goods, 2) services: rent and 3) services: other, clearly the highest adjustment for Maryland is for rents. In 2013, Maryland's rent RPP was 125.9, ranked seventh highest, and which means that the state's rental costs to its residents are 25.9 percent higher than the national average. (See [Table 6](#).)

While Maryland's rent RPPs are the highest, the highest ranked RPP (among the states and the District of Columbia) in 2013 was for other services, where the 109.2 RPP was the fourth highest in the country (exceeded by only New Jersey, New York and the District of Columbia). (See [Table 7](#).)

Maryland's RPP for goods (104.0) was also ranked high (fifth), but the variation among the states for the cost of goods was the smallest among the three separate measures, with a high of 108.3 (Hawaii) and a low of 94.1 (Missouri and South Dakota), for a total difference from top to bottom of 14.2 percentage points. (See [Table 5](#).) Rents had the largest cost variation among the states, with a high of 158.7 (Hawaii) and a low of 62.9 (Arkansas) in 2013, for a total difference from top to bottom of 95.8 percentage points, or nearly seven times the variation for goods.

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³ A description of the BEA methodology (as part of the 2015 data release) can be found [here](#).