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HB 1044
REP. DUBA

Linda Duba

From: Mike Derby
Sent: Monday, December 11, 2023 7:54 AM
To: Tony Venhuizen; Chris Karr; John Mills; Chris Kassin; Dennis Krull; Lance Koth; Ernie Otten
Cc: Linda Duba
Subject: FW: median household income for SD

Dear House Appropriation Members,

Here is a follow up to the question I asked at dinner with Gov. Noem prior to the budget address about our pay cut.

Chair Derby

From: Mike Derby <Mike.Derby@sdlegislature.gov>
Sent: Sunday, December 10, 2023 9:01 PM
To: Mike Derby <Mike.Derby@sdlegislature.gov>
Subject: FW: median household income for SD

From: Terwilliger, Jim <Jim.Terwilliger@state.sd.us>
Sent: Sunday, December 10, 2023 7:29 AM
To: Mike Derby <Mike.Derby@sdlegislature.gov>; Jean Hunhoff <Jean.Hunhoff@sdlegislature.gov>; Tony Venhuizen <Tony.Venhuizen@sdlegislature.gov>; Bryan Breitling <Bryan.Breitling@sdlegislature.gov>
Subject: FW: median household income for SD

Good morning – I know this question came up earlier this week when we met before the budget address. Senator Novstrup had also asked about it and I am passing along some background data. Thanks

From: Terwilliger, Jim
Sent: Sunday, December 10, 2023 7:23 AM
To: Novstrup, Al <Al.Novstrup@sdlegislature.gov>
Cc: Johnson, Derek <Derek.Johnson@state.sd.us>
Subject: median household income for SD

Hi Senator Novstrup – when we saw household income had declined, that was a bit perplexing to us as it does not track with any other economic data that we track for South Dakota. Thus, I had Derek Johnson, our state economist dig into this and do some research and this is what we found:

There are two different surveys and consequently two different measures of median household income that come from the US Census Bureau:

- 1) U.S. Census Bureau's Annual Social and Economic Supplement of the Current Population Survey (CPS ASEC). **The CPS survey is the survey that is tied to Legislative Salary in SDCL.**
- 2) The American Community Survey (ACS).

There are several differences between the two surveys. The ACS is currently the largest household survey in the United States with a sample size of about 3 million addresses per year. The CPS annual sample size is much smaller at about 100,000 addresses. The ACS is a mandatory survey. The CPS is a voluntary survey. Below is a chart that shows the last few years of data from the two different surveys. With the CPS being a voluntary survey and smaller sample size, it is less reliable, especially at the state level data. Here is a link for more information:

<https://www.census.gov/topics/income-poverty/poverty/guidance/data-sources/acs-vs-cps.html>.

According to the United States Census Bureau itself, "Because of its large sample size, the ACS is preferred for subnational data on income and poverty by detailed demographic characteristics. The Census Bureau recommends using the ACS for 1-year estimates of income and poverty at the state level." (<https://www.census.gov/topics/income-poverty/guidance/data-sources.html>)

| YEAR | SD Median HH Income (ACS) | SD Median HH Income (CPS ASEC) |
|------|---------------------------|--------------------------------|
| 2019 | 59,533 | 64,260 |
| 2020 | 59,896 | 70,190 |
| 2021 | 66,143 | 73,890 |
| 2022 | 69,728 | 67,180 |

I can't speak to why the CPS survey was used as the measure for legislative salary in SDCL 2-4-2, but clearly it isn't the most reliable state level estimate for median household income. Due to its limited sample size of 100,000 addresses and the fact that it is a voluntary survey, you can imagine that a small populated state like SD could have some fairly large errors in the data compared to the more robust ACS survey. As you can see from the table above, based on the ACS survey, SD median household income actually went up 5.4% in 2022 compared to 2021.

If you have any further questions, don't hesitate to reach out to Derek Johnson, our state economist. Thanks

Jim Terwilliger

Commissioner

South Dakota Bureau of Finance and Management

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