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Adjusting per Capita Personal Income for Lower Cost of Living Puts Tyler near the Top

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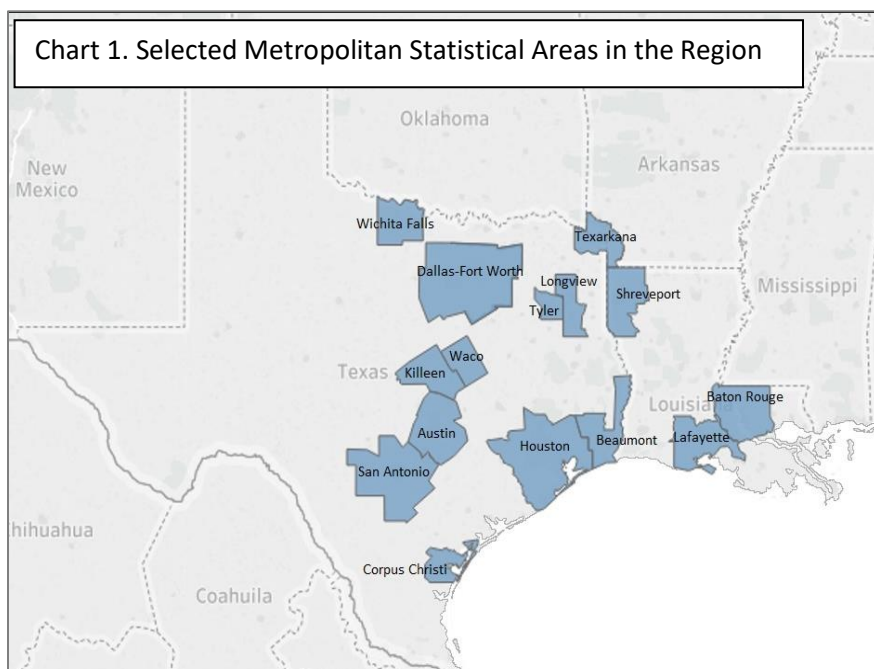
Adjusting per Capita Personal Income for Lower Cost of Living Puts Tyler near the Top

Manuel Reyes, D.E.D.

In this issue of the ***Hibbs Brief***, we examine Tyler's personal income adjusted for cost of living in its region to MSAs in East Texas and Louisiana.

It is not uncommon to hear comments regarding how much people earn in different regions across the nation, such as California, Florida, and the Northeast, among others. Wages and people's income, in general, are higher in those areas than what we typically see in southern states such as Texas, Louisiana, Arkansas, etc. However, we rarely consider living costs while looking at those high wages, or eagerly hearing that someone makes six figures in San Francisco. Are we fair to Tyler and other cities in East Texas when we make those comparisons?

Chart 1. Selected Metropolitan Statistical Areas in the Region



We, at the ***Hibbs Institute***, have done an exercise where we compare the Tyler MSA and other metropolitan areas in the region (**Chart 1**). First, we use one of the most common indicators to measure income, *per capita personal income*. Personal income is the income received by persons from all different sources, such as employee compensation, wage supplements, proprietor's income, and transfer receipts, etc.¹ Its per capita version simply discounts for population; therefore, a comparison among cities with different sizes can be done more accurately.

Second, we use a *cost of living index* produced by the Council for Community and Economic Research (C2ER).² This index provides a measure to assess differences in living expenses between any of the included MSAs and the national average, which is set at 100. A unit above 100 represents one percentage point more expensive than the national average; a unit below 100 represents one percentage less expensive than the national average.

Finally, we divided the *per capita personal income* by the *cost of living index* and multiplied the result by 100. This number, the *adjusted income value*, is an indicator which considers both income and living costs at the same time (**Table 1**).

Tyler MSA ranked third on the list in *adjusted income value*. Once living costs are considered, Tyler surpasses Dallas and lessens the gap in *per capita personal income* with respect to Austin and Houston. Although these three MSAs have higher incomes, on average, the lower living costs in Tyler compensates, in large part, making Tyler a great place to live with substantial income, considering its very affordable cost of living.

The **Hibbs Institute** has completed a whitepaper that incorporates several variables in addition to those discussed in this brief such as housing prices, unemployment rates, crime rates, and others. Please click the [Standard of Living Comparison](#) link on our [Whitepapers and Technical Reports](#) page to access it.

Table 1. Per Capita Personal Income, Cost of Living Index and Adjusted Income Value

	MSA	State	Per Capita ^a Personal Income	Cost of Living ^b Index	Adjusted ^c Income Value
1	Austin	TX	\$54,817	98.4	\$55,708
2	Houston	TX	\$52,765	96.2	\$54,849
-	National Average	-	\$53,617	100.0	\$53,617
3	Tyler	TX	\$47,200	90.9	\$51,925
4	San Antonio	TX	\$44,808	87.8	\$51,034
5	Dallas / Fort Worth	TX	\$52,995	105.4	\$50,280
6	Wichita Falls	TX	\$40,617	82.3	\$49,352
7	Killeen-Temple	TX	\$40,773	85.0	\$47,968
8	Shreveport	LA	\$42,662	89.8	\$47,508
9	Lafayette	LA	\$41,145	90.1	\$45,666
10	Baton Rouge	LA	\$45,775	100.3	\$45,638
11	Beaumont	TX	\$42,780	94.5	\$45,270
12	Corpus Christi	TX	\$42,184	95.9	\$43,987
13	Longview	TX	\$40,229	91.9	\$43,775
14	Waco	TX	\$39,263	90.7	\$43,289
15	Texarkana	TX-AR	\$36,634	86.6	\$42,303

a: Per capita Personal Income: Bureau of Economic Analysis (BEA);

b: Cost of Living Index: Council for Community and Economic Research (C2ER);

c: Adjusted Income Value: Calculated by the **Hibbs Institute**.

¹ Personal Income is the sum of compensation of employees (received), supplements to wages and salaries, proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, personal income receipts on assets, and personal current transfer receipts, less contributions for government social insurance. Bureau of Economic Analysis (BEA). www.bea.gov.

² The Council for Community and Economic Research (C2ER) builds the Cost of Living Index (COLI) from nationwide data collected in 270 metropolitan and nonmetropolitan participating areas every year. It includes one main figure, the Composite Index, and six disaggregated categories: Grocery Items, Housing, Utilities, Transportation, Health Care, and Miscellaneous Goods and Services. www.c2er.org.

