

## 5. Income

Income affects consumer choice, local retail sales, and is an indicator of current economic conditions. Income influences buying power and income changes allow comparison of local economic performance to that of surrounding areas (see sales data in section six).

Income is one measure of the benefits to people provided by employment, government, or their own investments. It is the primary connection between employment and the overall benefit jobs provide for residents.

The data in this section is not adjusted for inflation. The annual inflation rate, measured by the national Consumer Price Index (CPI), varies from year to year, but the average annual rate between 1997 and 2007 was 2.6 percent.

Total personal income for El Dorado County rose by an annual average of 7 percent (4 percent when adjusted for inflation) between 1997 and 2007. Between 1989 and 1999, the median household income rose a total of 47 percent (9 percent when adjusted for inflation). During the same time, the poverty rate in El Dorado County fell 0.6 percent, from 7.7 percent to 7.1 percent. This does not necessarily mean that all residents no longer accounted for in the poverty figure for El Dorado County escaped poverty. It is possible that some of these people may have been squeezed out by higher home prices and a higher cost of living, and were forced to move to another county.

Transfer payments made up nearly 12 percent of total personal income in 2007, increasing slightly from 1990. Medical payments, as part of transfer payments, rose 12 percent during the same time. This increase can most likely be attributed to the rising costs of health care nationwide.

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## Total Personal Income

### Overview

Total personal income is calculated by the U.S. Department of Commerce, Bureau of Economic Analysis. It is the sum of all income collected by individuals, including but not limited to earned income, government payments, and returns on investment. It does not include personal contributions for social insurance (such as payments to Social Security or Medicare).

Total personal income is the basis for all other income indicators in this section. Growing personal income indicates a growing economy, as long as the growth is greater than the annual average inflation rate of 2.3 percent. The growth may be due to increasing

incomes, increasing population, or a combination of the two. See the demographics section (section one) and the indicator for per capita personal income later in this section to see which factor is more prominent.

NOTE: Graphs represent nominal figures.

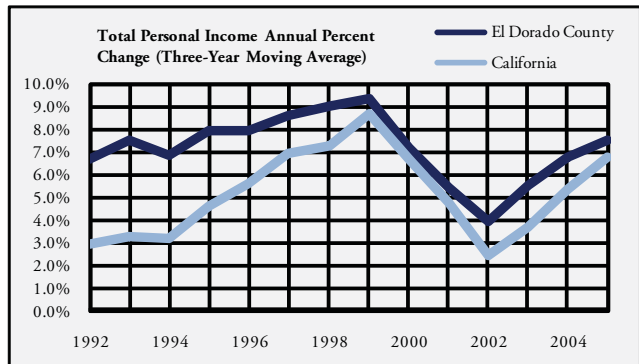
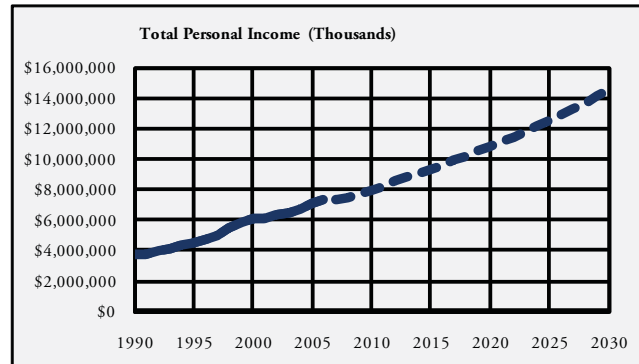
### El Dorado County

The total personal income in El Dorado County was over \$8 billion in 2007, a 3 percent increase from the previous year. When income was adjusted for inflation, the increase was a decrease of .1 percent. Adjusted personal income is expected to increase to over \$9.3 billion by 2015. This projection indicates an economy that is steadily growing, with a consumer driven market that will continue to gain spending power in the future. As the following figure shows, total personal income in El Dorado County has annually increased at a higher rate than the statewide average since 1991, until this past year.

### Total Personal Income

Year	Nominal		Adjusted for Inflation (2004\$)	
	Total personal income (thousands)	Annual percent change	Total personal income (thousands)	Annual percent change
1990	\$ 2,591,889	n/a	\$ 3,746,043	n/a
1991	\$ 2,741,503	5.8 %	\$ 3,802,275	1.5 %
1992	\$ 2,996,875	9.3 %	\$ 4,034,994	6.1 %
1993	\$ 3,142,981	4.9 %	\$ 4,108,714	1.8 %
1994	\$ 3,404,865	8.3 %	\$ 4,339,939	5.6 %
1995	\$ 3,655,705	7.4 %	\$ 4,531,251	4.4 %
1996	\$ 3,947,070	8.0 %	\$ 4,752,081	4.9 %
1997	\$ 4,277,644	8.4 %	\$ 5,034,560	5.9 %
1998	\$ 4,684,243	9.5 %	\$ 5,428,549	7.8 %
1999	\$ 5,117,082	9.2 %	\$ 5,802,022	6.9 %
2000	\$ 5,595,834	9.4 %	\$ 6,138,519	5.8 %
2001*	\$ 5,762,650	3.0 %	\$ 6,146,610	0.1 %
2002	\$ 5,993,822	4.0 %	\$ 6,293,680	2.4 %
2003	\$ 6,280,680	4.8 %	\$ 6,447,937	2.5 %
2004	\$ 6,766,107	7.7 %	\$ 6,766,107	4.9 %
2005	\$ 7,299,144	7.9 %	\$ 7,059,950	4.3 %
2006	\$ 7,797,681	6.8 %	\$ 7,306,458	3.5 %
2007	\$ 8,011,051	2.7 %	\$ 7,299,988	- 0.1 %
2015(p)	n/a	n/a	\$ 9,361,348	n/a
2030(p)	n/a	n/a	\$ 14,556,057	n/a

Source: U.S. Department of Commerce, Bureau of Economic Analysis



## Components of Total Personal Income

### Overview

According to the U.S. Department of Commerce, total personal income can be broken down into the following five major categories shown in this indicator:

**Earnings by place of work** is the total income earned from jobs located in a given county. Based on business tax returns, these earnings can be wages, salary disbursements, other labor income, or proprietor (the owner's) income earned within the county regardless of the employee's place of residence.

**Dividends, interest, and rent** are various types of returns on investments. These include payments by corporations, located at home and abroad, to U.S. resident stockholders, as well as monetary and/or imputed interest received by individuals, nonprofit institutions, estates, and trusts. An individual's income from real property rentals and royalties received from patents, copyrights, and rights to natural resources is also included.

**Personal contributions for social insurance** are a component of earnings, but not a component of income because the income is counted when the social insurance is received as a benefit, such as Social Security payments, rather than when it was earned. In other words, contributions are taken out of a paycheck prior to disbursement. Therefore, as a component of personal income, this measure is always negative. These contributions include payments made by employers, employees, the self-employed, and by other individuals to programs. In addition to Social Security, payments include those to the Federal Deposit Insurance Corporation (FDIC) and Medicare.

NOTE: Parentheses indicate a negative value.

**Adjustment by place of residence** is made so that total personal income is an indicator that reveals income by place of residence instead of by place of work. This is help-

ful when evaluating the economic well-being of workers who live within the county, whether or not they commute out. Positive residence adjustments indicate that more people live in the county and work outside the county. Negative residence adjustments indicate that more people work in the county, but live outside of it.

**Transfer payments** are compensations for work not immediately performed. They include payments made by government and businesses to individuals and nonprofit institutions. Transfer payments include a wide variety of payments that are described in the following indicator.

Understanding how income is earned in the community can shed light on the structure of the local economy. If a greater proportion is in earnings by place of work, then industry performance is driving economic growth. If there is a greater proportion of adjustment by place of residence or of transfer payment, then people living in the community are importing income into the area, which means that the community's economic performance may be driven by factors currently outside the area's influence. A negative adjustment by place of residence typically means that the community is not providing enough opportunities to house people working in the community in terms of price, availability, or quality.

\*Beginning in 2001, data reflects the newly implemented North American Industry Classification System (NAICS). Therefore, data may reflect these altered classifications. This system is to replace the previous U.S. Standard Industrial Classification (SIC) database for all future annual economic census information.

### *El Dorado County*

Approximately 44 percent of the income of El Dorado County residents came from earnings by place of work in 2007, compared to 77 percent in California. Another 16 percent of income in the county came from

dividends, interest, and rent, and 12 percent came from transfer payments. There was a 33 percent adjustment for residence in the county in 2007, indicating that

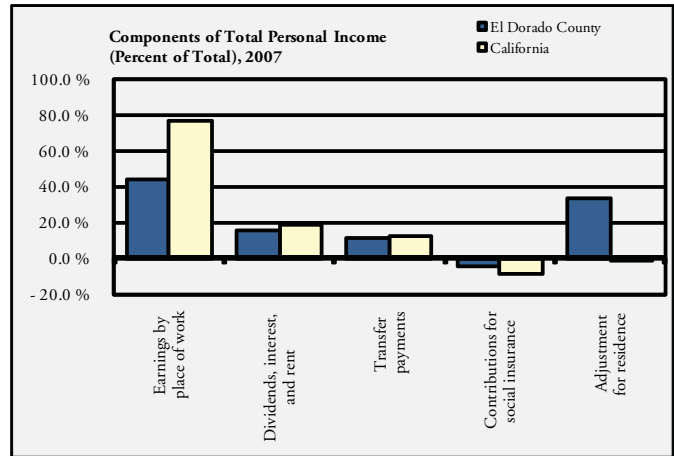
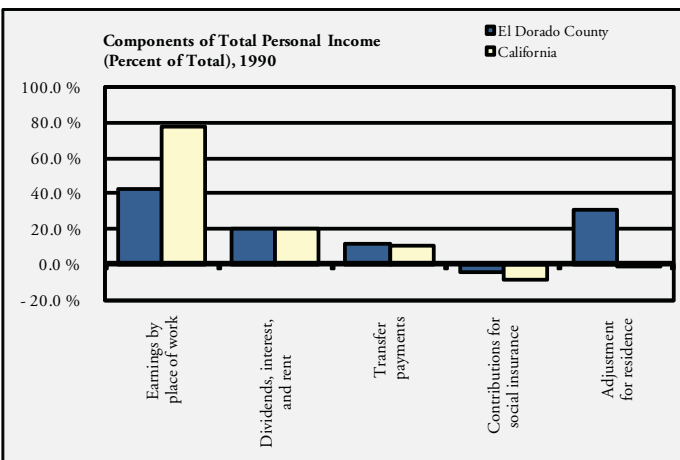
a large number of residents commuted outside of El Dorado County for work; therefore, wages earned by those persons were a part of the county's total personal income, but were not earned there.

Components of Total Personal Income (Thousands)

Year	Earnings by place of work	Dividends, interest, and rent	Transfer payments	Contributions for social insurance	Adjustment for residence	Total personal income
1990	\$ 1,586,617	\$ 755,231	\$ 419,345	- \$ 167,919	\$ 1,152,768	\$ 3,746,043
1991	\$ 1,555,883	\$ 754,794	\$ 460,148	- \$ 171,825	\$ 1,203,276	\$ 3,802,275
1992	\$ 1,629,345	\$ 747,760	\$ 519,406	- \$ 176,358	\$ 1,314,841	\$ 4,034,994
1993	\$ 1,645,507	\$ 726,587	\$ 537,504	- \$ 177,681	\$ 1,376,797	\$ 4,108,714
1994	\$ 1,695,746	\$ 779,343	\$ 523,112	- \$ 183,373	\$ 1,525,113	\$ 4,339,939
1995	\$ 1,682,921	\$ 814,839	\$ 538,955	- \$ 182,798	\$ 1,677,334	\$ 4,531,251
1996	\$ 1,725,049	\$ 853,650	\$ 555,013	- \$ 179,938	\$ 1,798,306	\$ 4,752,081
1997	\$ 1,822,164	\$ 929,051	\$ 555,122	- \$ 186,328	\$ 1,914,552	\$ 5,034,560
1998	\$ 2,055,838	\$ 974,135	\$ 574,013	- \$ 207,128	\$ 2,031,691	\$ 5,428,549
1999	\$ 2,290,113	\$ 985,746	\$ 589,870	- \$ 228,233	\$ 2,164,525	\$ 5,802,022
2000	\$ 2,531,419	\$ 1,070,286	\$ 607,001	- \$ 252,366	\$ 2,182,179	\$ 6,138,519
2001	\$ 2,629,410	\$ 1,072,503	\$ 658,890	- \$ 273,571	\$ 2,059,378	\$ 6,146,610
2002	\$ 2,779,977	\$ 1,035,694	\$ 704,872	- \$ 296,541	\$ 2,069,678	\$ 6,293,680
2003	\$ 2,882,207	\$ 990,497	\$ 733,591	- \$ 311,803	\$ 2,153,445	\$ 6,447,937
2004	\$ 3,073,217	\$ 1,012,483	\$ 755,677	- \$ 340,711	\$ 2,265,441	\$ 6,766,107
2005	\$ 3,208,497	\$ 1,058,034	\$ 776,363	- \$ 356,674	\$ 2,373,730	\$ 7,059,950
2006	\$ 3,293,840	\$ 1,077,838	\$ 818,594	- \$ 361,030	\$ 2,477,217	\$ 7,306,458
2007	\$ 3,243,627	\$ 1,130,805	\$ 858,823	- \$ 359,300	\$ 2,426,033	\$ 7,299,988
2015(p)	\$ 4,311,551	\$ 1,287,143	\$ 1,164,845	- \$ 495,817	\$ 3,093,626	\$ 9,361,348
2030(p)	\$ 6,532,924	\$ 2,361,944	\$ 1,996,169	- \$ 764,667	\$ 4,429,687	\$ 14,556,057

Source: U.S. Department of Commerce, Bureau of Economic Analysis

NOTE: Figures are in 2004 dollars.



## Components of Transfer Payments

### Overview

Transfer payments are a component of total personal income. They are payments made by the government or a business to an individual or nonprofit institution. The payment cannot be compensation for current work, or else it would be considered earnings. Returns on investments, such as dividends, interest, and rent, are not considered to be transfer payments. Transfer payments can be broken down into the following nine major categories:

**Retirement and disability insurance benefit payments** include the Old Age, Survivors and Disability Insurance (OASDI), commonly known as Social Security, and a variety of other programs, such as federal, state, and local government employee retirement benefits.

**Medical payments** include Medicare, Medicaid, and

the Civilian Health and Medical Plan of the Uniformed Services program (CHAMPUS) payments.

**Income maintenance benefit payments** include SSI, TANF, CalWORKs, food stamps, and other income supplements.

**Unemployment insurance benefit payments** include state, federal, veteran, and other unemployment compensation.

**Veteran benefit payments** include veteran pensions, life insurance, educational assistance, and other payments to veterans and their survivors.

**Federal education and training assistance payments** include payments to nonveterans in the form of

Components of Transfer Payments (Thousands)

Year	Government Payments to Individuals								
	Ret. & disab. insurance benefit payments	Medical payments	Income maintenance benefit payments	Unemp. insurance benefit payments	Veterans' benefit payments	Fed. educ. & training assistance payments	Other payments to individuals	Payments to non-profit institutions	Business payments to individuals
1990	\$ 146,835	\$ 77,345	\$ 29,088	\$ 8,548	\$ 8,465	\$ 1,616	\$ 967	\$ 8,283	\$ 8,998
1991	\$ 165,420	\$ 90,736	\$ 32,276	\$ 15,623	\$ 8,627	\$ 1,393	\$ 981	\$ 9,788	\$ 6,930
1992	\$ 182,126	\$ 114,179	\$ 35,351	\$ 26,608	\$ 8,509	\$ 1,482	\$ 1,319	\$ 10,672	\$ 5,528
1993	\$ 191,604	\$ 127,973	\$ 36,912	\$ 27,903	\$ 8,670	\$ 1,407	\$ 622	\$ 11,910	\$ 4,165
1994	\$ 186,877	\$ 137,181	\$ 40,204	\$ 17,597	\$ 9,194	\$ 1,693	\$ 631	\$ 13,687	\$ 3,339
1995	\$ 196,112	\$ 147,142	\$ 42,776	\$ 15,594	\$ 9,375	\$ 2,337	\$ 540	\$ 14,799	\$ 6,141
1996	\$ 206,477	\$ 159,403	\$ 44,480	\$ 14,944	\$ 10,361	\$ 2,108	\$ 495	\$ 14,479	\$ 8,246
1997	\$ 216,721	\$ 165,559	\$ 40,336	\$ 13,188	\$ 10,427	\$ 3,398	\$ 490	\$ 15,440	\$ 6,104
1998	\$ 227,910	\$ 173,608	\$ 40,321	\$ 12,472	\$ 11,946	\$ 2,820	\$ 477	\$ 16,161	\$ 9,595
1999	\$ 238,953	\$ 182,121	\$ 40,544	\$ 11,759	\$ 12,684	\$ 2,947	\$ 480	\$ 17,854	\$ 12,893
2000	\$ 256,127	\$ 190,831	\$ 42,573	\$ 11,181	\$ 13,611	\$ 2,352	\$ 759	\$ 18,141	\$ 17,763
2001	\$ 279,149	\$ 222,398	\$ 42,976	\$ 14,169	\$ 14,672	\$ 2,501	\$ 1,297	\$ 20,325	\$ 20,244
2002	\$ 299,984	\$ 236,579	\$ 46,599	\$ 30,152	\$ 16,030	\$ 2,108	\$ 798	\$ 23,452	\$ 15,587
2003	\$ 319,919	\$ 253,049	\$ 50,273	\$ 32,453	\$ 17,725	\$ 1,747	\$ 496	\$ 25,192	\$ 13,708
2004	\$ 343,771	\$ 277,411	\$ 52,394	\$ 25,595	\$ 19,752	\$ 2,009	\$ 465	\$ 27,770	\$ 6,510
2005	\$ 367,080	\$ 294,169	\$ 55,918	\$ 23,599	\$ 21,783	\$ 2,617	\$ 673	\$ 30,573	\$ 6,254
2006	\$ 392,461	\$ 336,621	\$ 57,527	\$ 24,128	\$ 22,729	\$ 2,850	\$ 545	\$ 30,739	\$ 6,029
2007	\$ 419,321	\$ 364,968	\$ 60,011	\$ 28,224	\$ 24,216	\$ 3,093	\$ 787	\$ 31,552	\$ 10,306

Source: U.S. Department of Commerce, Bureau of Economic Analysis

fellowships, loan interest subsidies, educational grants, and Job Corps payments.

**Other payments to individuals** include Indian Affairs payments, compensation to survivors of fallen public safety officers and victims of crime or disaster, compensation for Japanese internment, and other special payments to individuals.

**Payments to nonprofit institutions** consist of the payments made by the federal government, state governments, local governments, and businesses to nonprofit organizations that serve individuals. These payments

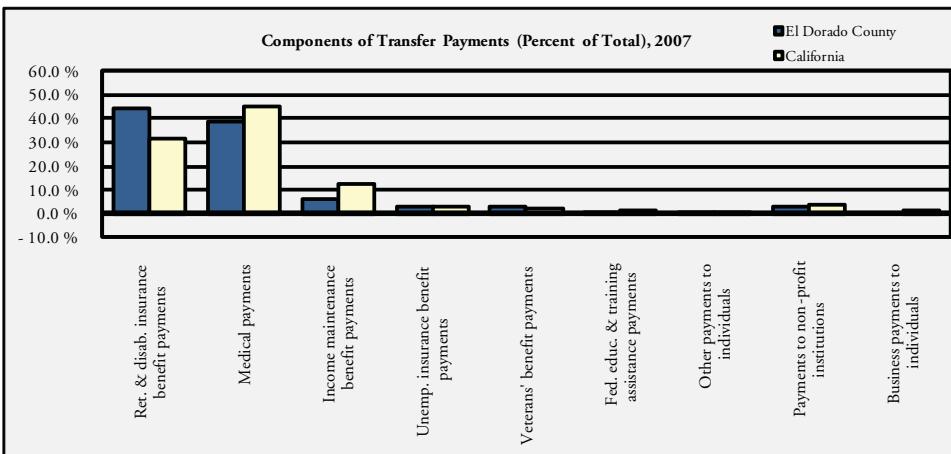
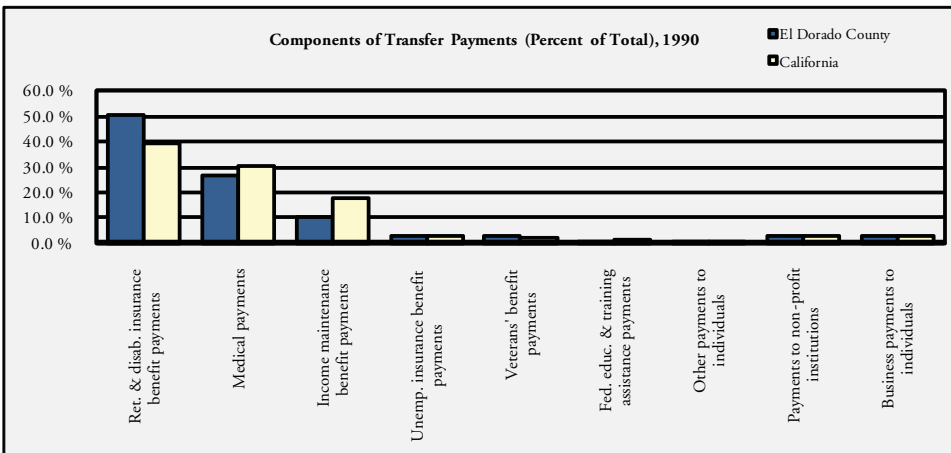
exclude federal government payments for work under research and development contracts.

**Business payments** to individuals include any payments to nonemployees and consist largely of personal injury liability payments to individuals.

Understanding the routes through which transfer payments are being distributed to individuals in the community can further understanding about the economic structure of the economy. If a greater proportion of payments are from retirement and medical payments, then retirees are a relatively important part of the economy. If the greater proportion is in income maintenance and unemployment insurance payments, then there may be some social issues affecting employment growth within the community.

*El Dorado County*

In El Dorado County, retirement and disability insurance benefit payments accounted for 45 percent of total transfer payments in 2007, compared to 32 percent in California. Medical payments made up the next largest portion with 39 percent of total transfer payments, and saw the highest increase (371 percent) between 1990 and 2007. A similar trend occurred throughout the state, with medical payments increasing 319 percent. Total government payments to individuals in El Dorado County accounted for 51 percent of all transfer payments in 2007, compared to 64 percent in California.



## Per Capita Income

### Overview

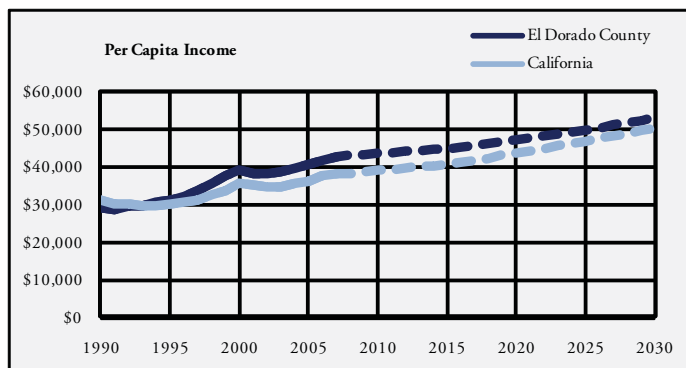
Per capita income is defined as total personal income divided by total population. It is one of the primary measures of economic well-being in a community. Changes in per capita income can indicate trends in a county's standard of living, or the availability of resources to an individual, family, or society. Per capita income tends to follow the business cycle, rising during expansions and falling during contractions. The level of per capita income is also a determinant of the amount of funding that a county is eligible to receive from grant-making organizations.

It is important to evaluate per capita income growth against inflation. The average annual inflation rate between

Per Capita Income by City or Town

	1989	1989, Adjusted for inflation (1999\$)	1999
City of Placerville	\$ 13,783	\$ 18,518	\$ 19,151
City of South Lake Tahoe	\$ 12,580	\$ 16,902	\$ 18,452

Source: U.S. Department of Commerce, Bureau of the Census



1995 and 2005 was 2.3 percent. Growth in excess of this amount indicates real per capita income growth. If growth is less than this amount, then real per capita income levels are falling. It is also important to evaluate relative per capita income with cost of living differentials.

NOTE: Graphs represent nominal figures.

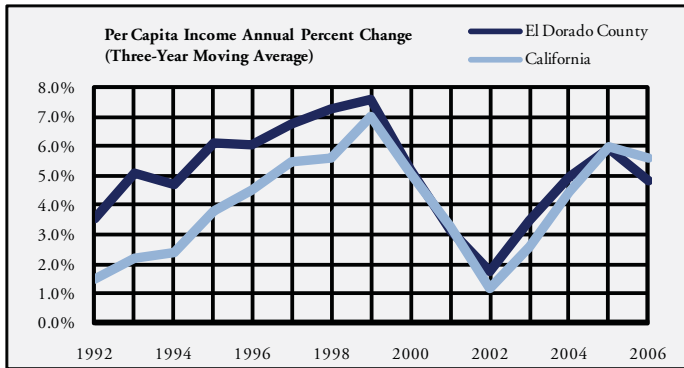
### El Dorado County

The nominal per capita income in El Dorado County in 2007 was \$45,725 or 2.5 percent more than the previous year. When adjusted for inflation, the increase was also 2.5 percent between 2006 and 2007. Per capita income is expected to rise to \$44,780 by 2015. Typically, the per capita income of El Dorado County has matched statewide trends, rising and falling with the California average.

### Per Capita Income

Year	Nominal		Adjusted for Inflation (2004\$)	
	Per capita income	Annual percent change	Per capita income	Annual percent change
1990	\$ 20,257	n/a	\$ 29,277	n/a
1991	\$ 20,656	2.0 %	\$ 28,648	- 2.1 %
1992	\$ 22,034	6.7 %	\$ 29,667	3.6 %
1993	\$ 22,507	2.1 %	\$ 29,423	- 0.8 %
1994	\$ 23,963	6.5 %	\$ 30,544	3.8 %
1995	\$ 25,286	5.5 %	\$ 31,342	2.6 %
1996	\$ 26,876	6.3 %	\$ 32,357	3.2 %
1997	\$ 28,596	6.4 %	\$ 33,656	4.0 %
1998	\$ 30,755	7.6 %	\$ 35,642	5.9 %
1999	\$ 33,146	7.8 %	\$ 37,583	5.4 %
2000	\$ 35,612	7.4 %	\$ 39,066	3.9 %
2001	\$ 35,834	0.6 %	\$ 38,222	- 2.2 %
2002	\$ 36,410	1.6 %	\$ 38,232	0.0 %
2003	\$ 37,525	3.1 %	\$ 38,524	0.8 %
2004	\$ 39,705	5.8 %	\$ 39,705	3.1 %
2005	\$ 42,092	6.0 %	\$ 40,713	2.5 %
2006	\$ 44,591	5.9 %	\$ 41,782	2.6 %
2007	\$ 45,725	2.5 %	\$ 42,845	2.5 %
2015(p)	n/a	n/a	\$ 44,780	n/a
2030(p)	n/a	n/a	\$ 53,228	n/a

Source: U.S. Department of Commerce, Bureau of Economic Analysis





## Median Household Income

### Overview

Median household income is the income level at which half of the area's households earn more and the other half earn less. It can be conceptualized as the income midpoint and is measured every ten years by the U.S. Census Bureau. The Census Bureau has also estimated change in median household income annually since 2000 based on household survey results; however, none of the households surveyed were within El Dorado County, so the estimate may not take into account local factors producing changes in the economy after 2000.

Median household income is a better measure of average income than per capita income when evaluating income growth among all economic classes. Changes in per capita income may be driven by growth increases in the high income ranges only, whereas growth in median household income indicates expansion across the full range of incomes. Median household income is a statistic frequently requested by grant providers.

NOTE: Graphs represent nominal figures.

### El Dorado County

The total nominal median household income in El Dorado County in 1999 was \$51,484, compared to \$47,493 in California in the same year. The city of

#### Median Household Income (Nominal)

	1989	1999	Percent change
City of Placerville	\$ 22,722	\$ 36,454	60.4 %
City of South Lake Tahoe	\$ 25,596	\$ 34,707	35.6 %
El Dorado County	\$ 35,058	\$ 51,484	46.9 %
California	\$ 35,798	\$ 47,493	32.7 %

Source: U.S. Department of Commerce, Bureau of the Census

#### Median Household Income (1999 Dollars)

	1989	1999	Percent change
City of Placerville	\$ 30,528	\$ 36,454	19.4 %
City of South Lake Tahoe	\$ 34,389	\$ 34,707	0.9 %
El Dorado County	\$ 47,102	\$ 51,484	9.3 %
California	\$ 48,096	\$ 47,493	- 1.3 %

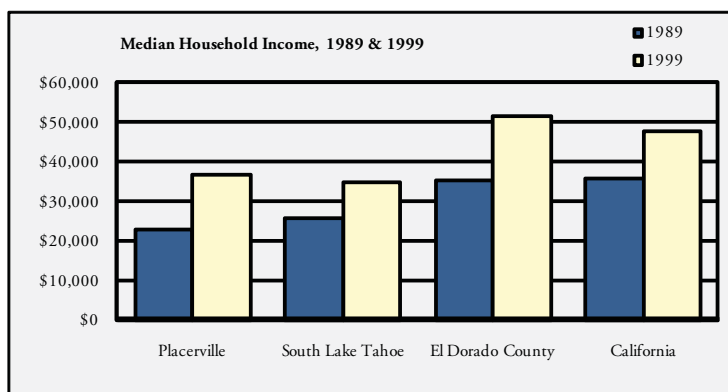
Source: U.S. Department of Commerce, Bureau of the Census

Placerville had the highest median household income in the county, at \$36,454, and saw the highest increase between 1989 and 1999. El Dorado County's median household income was higher than the state average in 1999, indicating that its residents have more spending power than the average Californian. This trend remained as of 2007.

#### Median Household Income by County (Nominal)

	El Dorado County	California
2000	\$ 52,155	\$ 46,836
2001	\$ 51,861	\$ 47,064
2002	\$ 53,182	\$ 47,323
2003	\$ 54,034	\$ 48,440
2004	\$ 56,629	\$ 49,894
2005	\$ 62,199	\$ 53,627
2006	\$ 67,605	\$ 56,646
2007	\$ 64,256	\$ 59,928

Source: U.S. Department of Commerce, Bureau of the Census



## Poverty Rate

### Overview

Poverty is a situation where people do not earn enough income to achieve a basic standard of living that is acceptable to society. Measurement of poverty is challenging in general because an assumption must be made about the standard of living that society considers to be acceptable. The U.S. Census Bureau measures poverty as that level of income on which a household is able to live in a community with an average cost of living and spend no more than 30 percent of their income on basic food items and 35 percent on basic housing. This measure is controversial because of disagreements over the assumed standard of living and the higher average cost of living in some areas, especially in California.

Following the Office of Management and Budget’s (OMB) Statistical Policy Directive 14, the Census Bureau uses a set of money income thresholds that vary by household size and composition to determine whether or not a household is classified as living in poverty. Poverty status is defined for each household; either everyone or no one in the household is in poverty. The characteristics of the household used to determine poverty status are: number of people, number of related children under 18, and whether the primary tenant is over age 65. If a family’s total income is less than their threshold, then that family is considered to be impoverished. The poverty thresholds do not change geographically, but they

are updated annually for inflation using Consumer Price Index (CPI-U). The official poverty definition includes money income before taxes and does not include capital gains or noncash benefits, such as public housing, Medi-Cal, or food stamps.

Poverty is not defined for people in military barracks, institutional group quarters (such as prisons or nursing homes), or for unrelated individuals under the age of 15, such as foster children.

A high poverty rate in an area can indicate social issues within the community. Evaluation of social indicators, sections nine through thirteen, can help identify what those issues might be. It may also indicate a scarcity of available employment. The poverty rate also affects such indicators as educational attainment and cost of living.

### El Dorado County

The average poverty rate in El Dorado County in 1999 was 7.1 percent, well below the statewide average of 14.2 percent. While the poverty rate throughout California as a whole increased between 1989 and 1999, the rate in El Dorado County actually decreased. This is certainly a positive trend for the county, and indicates a healthy and growing economy. By 2007, the county poverty rate had risen to 8.2 percent, compared to 12.4 percent statewide.

#### Poverty Rates

Year	El Dorado County	California
1989	7.7 %	12.5 %
1999	7.1 %	14.2 %
2000	7.3 %	12.7 %
2001	7.3 %	12.9 %
2002	7.1 %	13.3 %
2003	7.5 %	13.8 %
2004	6.9 %	13.2 %
2005	7.4 %	13.3 %
2006	7.6 %	13.1 %
2007	8.2 %	12.4 %

Source: U.S. Department of Commerce, Bureau of the Census

#### Poverty Rates by City

	1989	1999
City of Placerville	11.9 %	12.1 %
City of South Lake Tahoe	12.8 %	12.5 %
El Dorado County	7.7 %	7.1 %
California	12.5 %	14.2 %

Source: U.S. Department of Commerce, Bureau of the Census

