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| **How AP measured the meltdown at the local level**  **By MIKE SCHNEIDER** Last updated: May 17th, 2009 08:44 AM (PDT)  The Associated Press Economic Stress Index combines three economic indicators - unemployment, foreclosures and bankruptcy - as a way of gauging how the recession has affected each of America's 3,141 counties.  That measurement is expressed on a scale of 0 to 100. The information comes from three sources:  -The unemployment data comes from the Bureau of Labor Statistics, which releases a monthly report on unemployment in every county in America. The rate is calculated by dividing the number of unemployed workers by the number of eligible workers in the county.  -The foreclosure rates track an inventory of all properties in various stages of foreclosure during a given month. These are collected by a private company, RealtyTrac, which compiles data for most U.S. counties.  Most of the counties that lack foreclosure data have very small populations - in March 2009 they accounted for about 1.1 percent of the U.S. population - and are heavily concentrated in midwestern states with low foreclosure rates.  For such counties that have less than 25,000 residents, the Stress Index is calculated with a foreclosure value of zero, in accordance with RealtyTrac's own methodology. The handful of counties with more than 25,000 residents that have no foreclosure data were not rated in the Stress Index.  -AP reporters compiled the bankruptcy data, almost 3 million filings from the 90 U.S. bankruptcy districts. They then tabulated the number of new bankruptcy filings in the current month with the 11 months previous and divided that figure by the number of IRS tax filings in the county. This annualized rate avoids seasonal gyrations in filings.  The formula was created with the help of University of Pennsylvania professor Tony Smith, an expert in spatial statistics. It calculates the chances that someone in a county is unemployed, has a property in foreclosure or is facing bankruptcy.  The three variables are treated as independent events and weighted equally, to avoid valuing any of the three variables more than the others. If one person lost a job and their home, they count twice in the formula. If they also filed for bankruptcy, they count three times.  That gives us a numerical value on a scale of 1 to 100. If a county has an Economic Stress score of 20, this means that there is a 20 percent chance that a random worker, property owner or taxpayer in the county is suffering at least one of these three misfortunes.  One cautionary point: When ranking the hardest-hit places, it's best to focus on counties with more than 25,000 residents, about 95 percent of the U.S. population. This avoids a bias that comes from sparsely populated counties. After all, a job loss in a county of 100 residents has a much bigger proportional impact then one in a county with 100,000 people.  Originally published: May 17th, 2009 08:44 AM (PDT) |

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