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# KERN ECONOMIC JOURNAL

March 2001

## The State of the Economy: Kern County, California

Special Issue:

### Kern County Economic Summit

<i>Preface</i> .....	1
<b><i>Socio-economic Indicators:</i></b>	
<i>Economic Structure</i> .....	2
<i>Bakersfield Consumer Sentiment Index</i> .....	3
<i>Kern Business Outlook Index</i> .....	4
<i>Total Personal Income</i> .....	5
<i>Population Growth</i> .....	6
<i>Personal Income Per Capita</i> .....	7
<i>Income Disparity</i> .....	8
<i>Income Distribution</i> .....	9
<i>Cost of Living</i> .....	10
<i>Nonfarm Employment</i> .....	11
<i>Unemployment Rate</i> .....	12
<i>Educational Spending</i> .....	13
<i>Student Preparation</i> .....	14
<i>College Enrollment</i> .....	15
<i>Family Environment</i> .....	16
<i>Maternal Education</i> .....	18
<i>Health Care</i> .....	19
<i>Public Assistance</i> .....	19
<i>Crime Rate</i> .....	20
<i>Air Quality</i> .....	21

*KERN ECONOMIC JOURNAL* is a quarterly publication by the Center for Economic Education and Research at California State University, Bakersfield. Its main purpose is to track local trends and analyze regional, national, and global issues that affect the economic well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions.

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# ***Kern County Economic Summit***

***Presented by:  
Kern Economic Development Corporation  
and  
California State University Bakersfield  
March 29, 2001—CSUB Campus***

Continental Breakfast.....	7:45-8:15 am
Welcoming Remarks.....	8:15-8:30 am
• Tomás Arciniega, President, CSUB	
• Brent Dezember, Chairman of the Board of Directors, KEDC	
State of the Economy.....	8:30-9:00 am
• Abbas Grammy, Professor and Chair of Economics, CSUB	
• Sriram Khé, Director, Environmental Resource Management, CSUB	
Panel Discussion: Perspectives on Economic Issues .....	9:00-10:30 am
Moderator: Craig Gallet, Professor of Economics, CSUB	
• Nation: Bharat Trehan, Federal Reserve Bank of San Francisco	
• State: Jeanette Garretty, Senior Vice President, Bank of America Private Bank	
• Region: Susan Hood, Vice President, State Farm Insurance Companies	
• Local: Patrick Collins, President/CEO, KEDC	
Coffee Break.....	10:30-10:45 am
Panel Discussion: Economic Development in Kern County.....	10:45-12:15 pm
Moderator: Henry Lowenstein, Dean, Business & Public Admin., CSUB	
• Energy: Gene Voiland, President/CEO, Aera Energy LLC	
• Manufacturing: Mike Miller, President Kern Tech	
• Agriculture: Jeff Green, General Counsel, Grimmway Farms	
• Technology: Michael Galloway, President, webBASIS	
Lunch.....	12:30-1:30 pm
Luncheon Speakers	
• Opening Remarks: Hon. Roy Ashburn, Assemblyman, State of California.....	1:00-1:15 pm
• Keynote: Lon Hatamiya, Secretary, California Trade & Commerce Agency.....	1:15-2:00 pm
Concluding Remarks	

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## **We gratefully acknowledge the following sponsors:**

City of Bakersfield	
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## PREFACE

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One of the greatest challenges facing Kern County, California is to create high paying jobs for its rapidly growing labor force. To achieve this goal, cooperation between government and private business enterprise is required. The key to increasing the number of high paying jobs is to create an environment supportive of labor force development and business growth, retention, and attraction.

The purpose of *Kern Economic Summit* is twofold: (1) to provide a vehicle for better understanding of the strength and weakness of our local economy within the context of greater regional, state, and national economies and (2) to discuss the ways we can bring about and sustain economic prosperity to a region experiencing rapid population growth.

This one-day summit will provide information regarding the state of the local economy and present expert perspectives on how regional, state, and national issues affect local economic growth and development. Furthermore, the summit will provide an opportunity to learn how the key economic sectors help Kern County create jobs and achieve prosperity.

*The State of the Economy: Kern County, California* is a “snapshot” of economic conditions in Kern County. In this report, we evaluate trends of twenty socio-economic indicators and compare their averages with those of the state and national economies. The main source of data is RAND California (<http://ca.rand.org>).

For total personal income and population, we have constructed long enough time-series to forecast for 1999-2000. Monthly employment data are adjusted for seasonality and aggregated to construct annual time-series. Survey data for the Bakersfield Consumer Sentiment Index and Kern Business Outlook Index are collected each quarter in 1999-2000. Data on the structure of the economy and income distribution are analyzed for the most recent years. Monthly prices of single-family homes are averaged for the year 2000. For all other indicators, the RAND database covers the period of 1990-98 or 1990-99.

Analysis of the data enables us to identify the county’s areas of economic strength and weakness, which are presented in the county’s economic report card and economic grade sheet.

Abbas P. Grammy  
Professor and Chair of Economics  
California State University, Bakersfield

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## ECONOMIC STRUCTURE

**A**t the county level, production of final goods and services is measured by total personal income, which consists of farm and nonfarm income. Nonfarm income is generated in the public and private sectors. The share of private sector earnings is 75 percent and the share of public sector earnings is 25 percent of nonfarm income. Public sector income consists of earnings from federal, state, and local governments, and educational institutions.

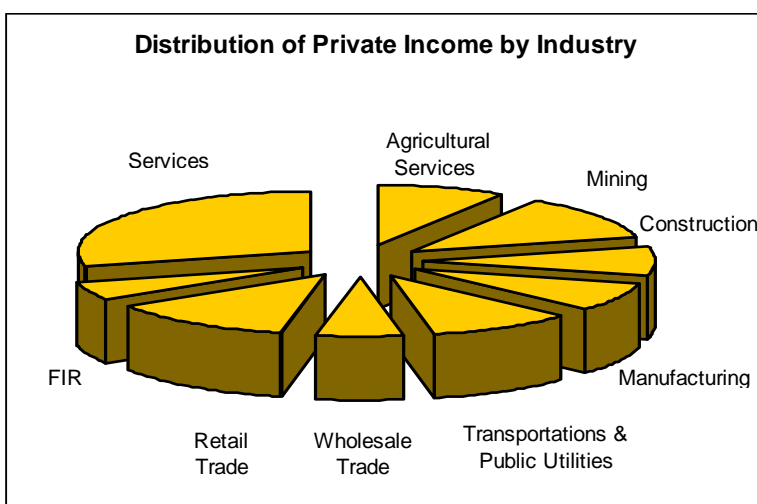
Kern County's main private sector industries are services, agricultural services, mining (i.e., oil and natural gas), construction, manufacturing, transportation and public utilities, wholesale and retail trade, and finance, insurance, and real estates (FIRE). Nearly 30 percent of the private sector income is generated by services industries. Retail trade, mining, and transportation and public utilities have income shares between 10 and 15 percent. Agricultural services, construction, manufacturing, wholesale trade, and FIRE have income shares between 5 and 10 percent.

The economic structure of Kern County exhibits noticeable differences from that of the state and nation. Farm earnings in Kern County account for 8 percent of total earnings as compared with 2 percent in California and 1 percent in the United States. Likewise, public sector earnings as a percentage of nonfarm earnings is 25 in Kern, but 15 in both California and United States. The local private sector earns 75 percent of the nonfarm income as compared with 85 percent in the state and nation.

These structural differences are also evident in the private sector. Kern County's agricultural services industries generate 9 percent of private sector earnings, which is much larger than the 1 percent share for California and the United States. Similarly, mining with an income share of 12 percent plays a much larger role in Kern County as opposed to only 1 percent in the state and nation. In contrast, Kern County is less dependent on manufacturing industries as shown by an income share of 8 percent, which is 10 and 13 percentage points lower than those of the state and nation.

There is a similar scenario with services industries as well. Kern County with an income share of 29 percent is a less service-oriented private economy than California and the United States with income share of 38 and 34 percent, respectively. In relative terms, the size of the local FIRE industries is half that of the state and national FIRE industries.

In sum, Kern County has a sizable private economy, but its public sector is comparatively larger than that of the state and nation. Although the local economy exhibits comparative advantage in farming and mining production, there is

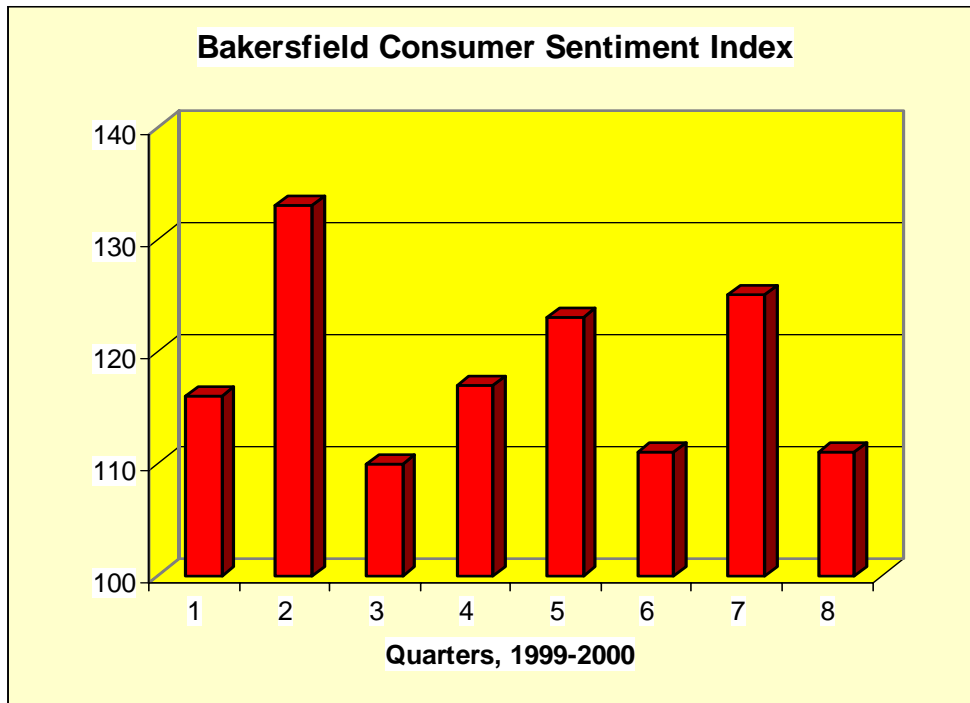


Percentage Income Share by Sector and Industry			
	Kern	California	United States
Farm	8	2	1
Nonfarm	92	98	99
Public Sector	25	15	15
Private Sector:	75	85	85
Agricultural Services	9	1	1
Mining	12	1	1
Construction	8	6	7
Manufacturing	8	18	21
Transportation & Public Utilities	10	7	8
Wholesale Trade	6	7	8
Retail Trade	13	11	11
FIRE	5	10	10
Services	29	38	33

# BAKERSFIELD CONSUMER SENTIMENT INDEX

The Bakersfield Consumer Sentiment Index measures current conditions and future expectations of households. It is compiled from telephone surveys administered to a random sample of households listed in the Bakersfield section of the phone book. Index values over 100 are indicative of consumer *optimism*, while values below 100 suggest *pessimism*.

The Center for Economic Education and Research has assessed local economic conditions for eight quarters. In 1999, the Bakersfield Consumer Sentiment Index rose from 116 in the first quarter to 133 in the second, but fell to 110 in the third quarter, and rose again to 117 in the last quarter. The index increased to 123 in the first quarter of 2000, fell to 111 in the second quarter, rose again to 125 in the third quarter, and fell again to 111 in the fourth quarter.



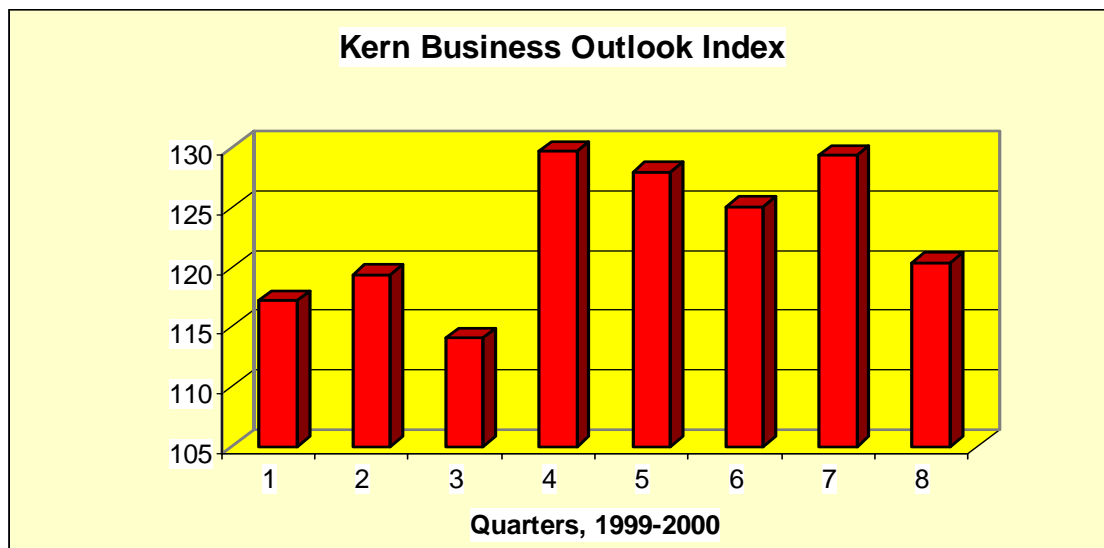
Although not fully equivalent in survey content, the Bakersfield Consumer Sentiment Index has shown movements similar to the national Consumer Confidence Index. In all eight quarters, both indices moved in the same direction.

Quarter	Movement from Previous Quarter	
	Bakersfield Consumer Sentiment Index	National Consumer Confidence Index
1999.1		
1999.2	Up	Up
1999.3	Down	Down
1999.4	Up	Up
2000.1	Up	Up
2000.2	Down	Down
2000.3	Up	Up
2000.4	Down	Down

## KERN BUSINESS OUTLOOK INDEX

The Kern County Business Outlook Index measures current conditions and future expectations of business managers. It is compiled from telephone surveys administered to a random sample of members of the Greater Bakersfield Chamber of Commerce. Responses are enumerated to construct the index, for which 100 indicates *neutrality* about local business conditions. A value greater than 100 expresses *optimism* and less than 100 *pessimism*.

In 1999, the Kern Business Outlook Index rose from 117 in the first quarter to 119 in the second, but fell to 114 in the third quarter, and rose again to 130 in the last quarter. The index decreased to 128 and 125 in the first two quarters of 2000, increased to 129 in the third quarter, and fell again to 120 in the fourth quarter.



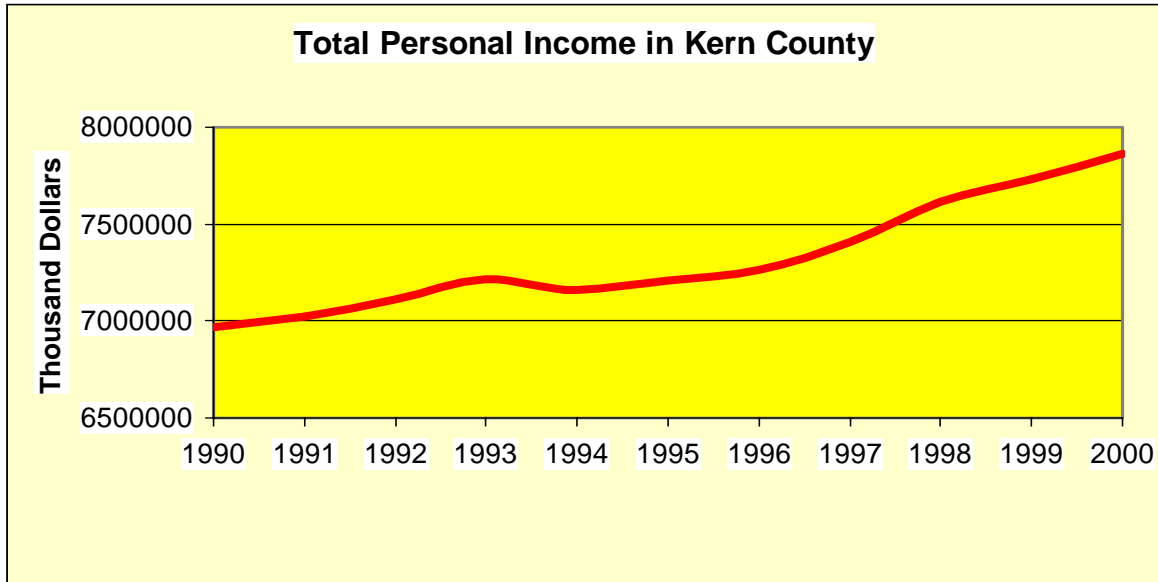
Although not fully equivalent in survey content, the Kern Business Outlook Index has shown movements similar to the national Purchasing Managers Index. In six out of the eight quarters, both indices moved in the same direction.

Quarter	Movement from Previous Quarter	
	Kern County Business Outlook Index	National Purchasing Managers Index
1999.1		
1999.2	Up	Up
1999.3	Down	Up
1999.4	Up	Up
2000.1	Up	Up
2000.2	Down	Down
2000.3	Up	Down
2000.4	Down	Down

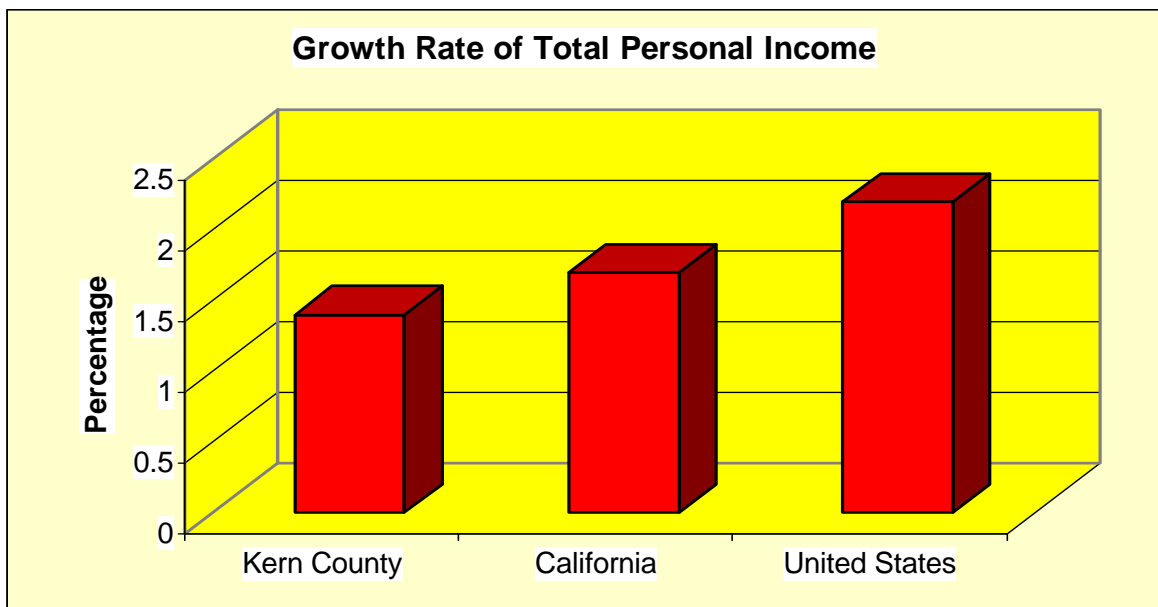
# TOTAL PERSONAL INCOME

Total personal income is the sum of labor income, capital income, and transfer payments, less payroll taxes. Personal income is converted from current to constant dollars to measure the growth of output over time. We divide total personal income by population to find personal income per capita.

Kern County's total personal income (in constant dollars) increased from \$7 billion in 1990 to nearly \$8 billion in 2000.

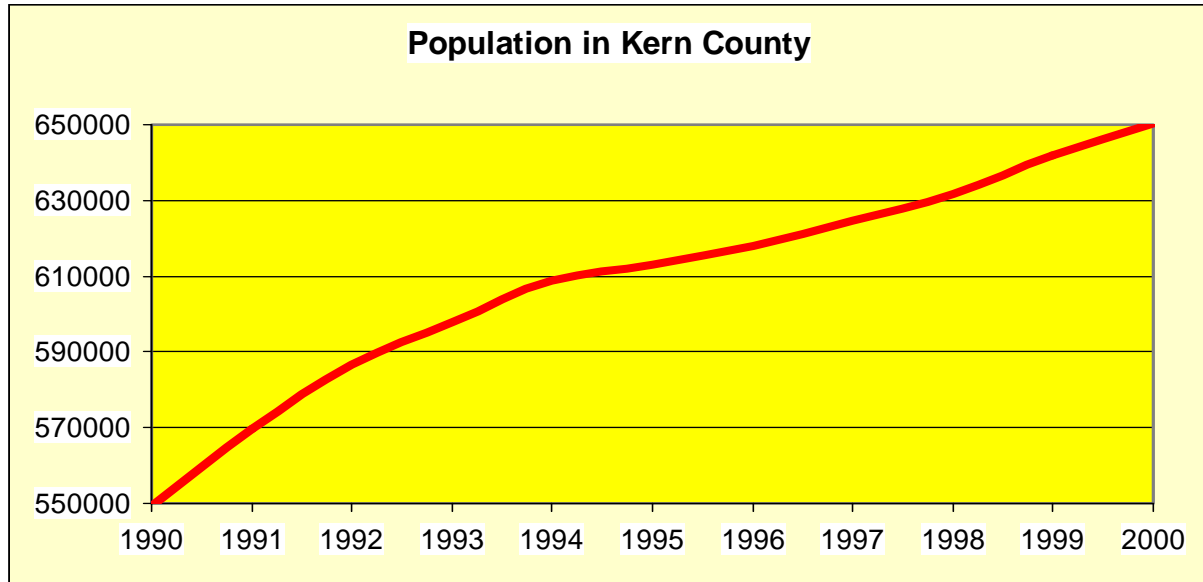


During 1990-2000, total personal income has grown at an average annual rate of 1.4 percent in Kern County, 1.7 percent in California, and 2.2 percent in the United States.

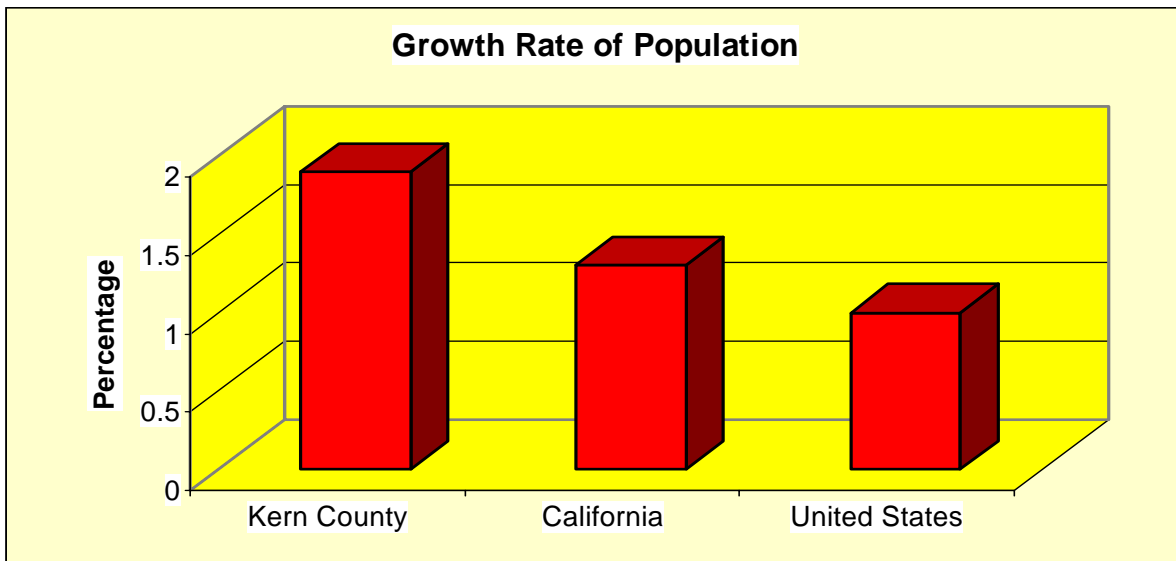


# POPULATION GROWTH

**K**ern County's population increased from 549,000 in 1990 to nearly 650,000 in 2000. During 1999-2000, Kern County added over 100,000 people to its population.

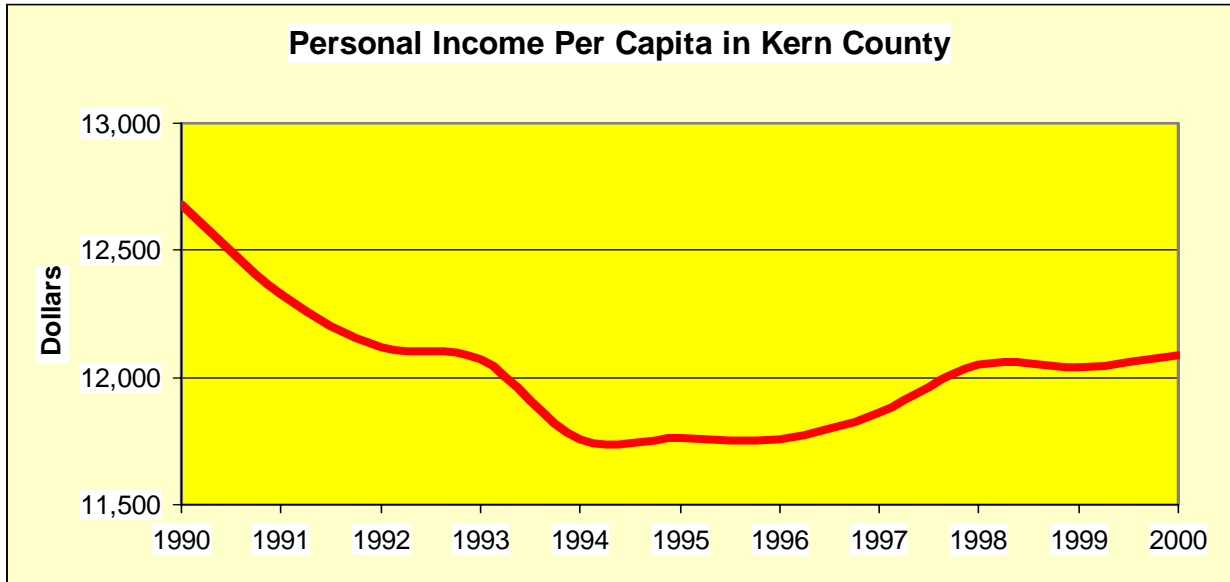


Population has grown at an average annual rate of 1.9 percent in Kern County, 1.2 percent in California, and 1.0 percent in the United States.

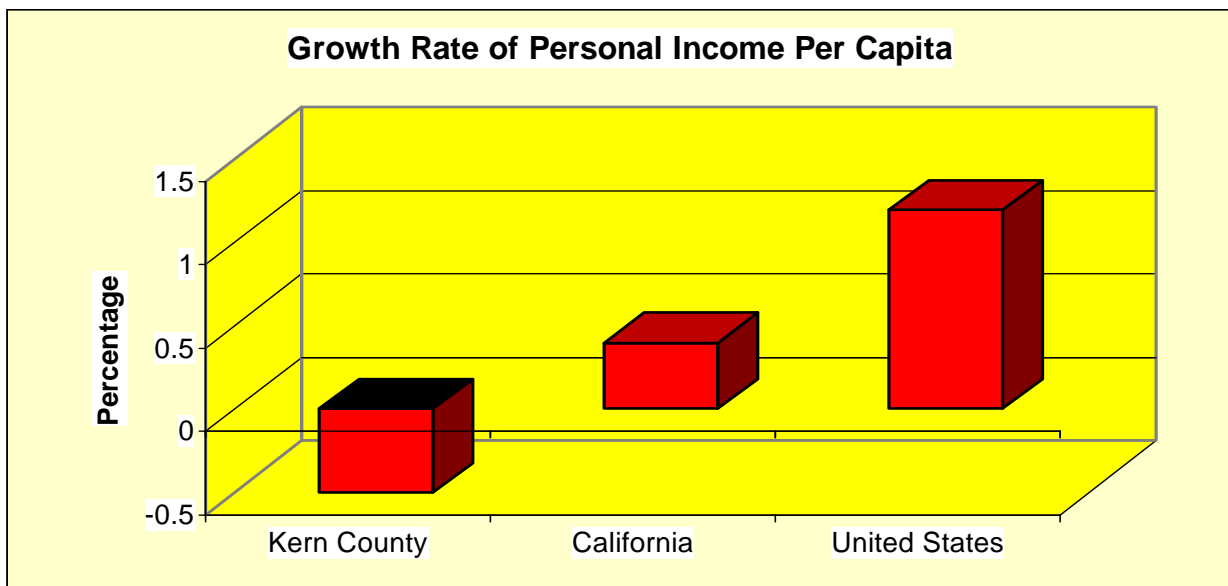


# PERSONAL INCOME PER CAPITA

Personal income per capita (in constant dollars) declined continually from \$12,680 in 1990 to \$11,760 in 1996. It then increased to \$12,000 in 1999. For the year 2000, personal income per capita is projected at \$12,100.

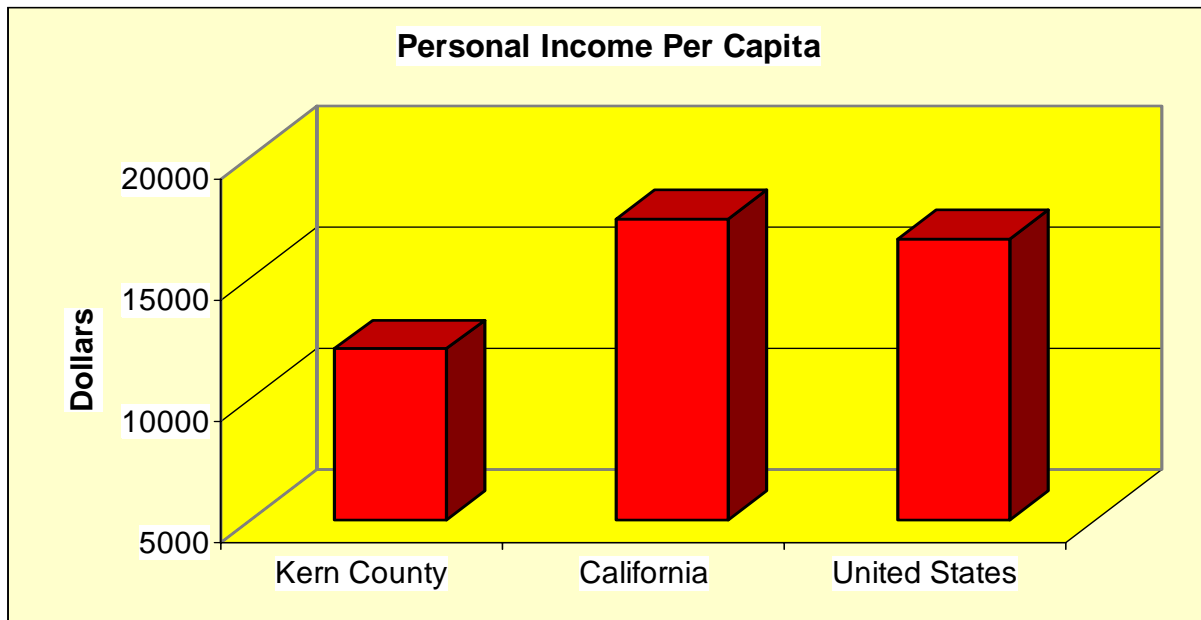


Because of its rapid population growth, Kern County's personal income per capita has fallen at an annual rate of 0.5 percent. In contrast, personal income has increased at an average annual rate of 0.5 percent in California and 1.2 percent in the United States.



# INCOME DISAPARITY

**P**ersonal income per capita is projected to be \$12,100 in Kern County, \$17,500 in California, and \$16,600 in the United States for the year 2000. As demonstrated above, Kern County's rapid population growth has been responsible for this large regional income disparity.



Income disparity between the local economy and state and national economies has grown over the past three decade. The per capita income gap between Kern County and California widened from \$4,100 (or 32.1 percent) in 1990 to \$5,400 (or 44.5 percent) in 2000. In the meantime, Kern County-United States per capita income gap more than doubled. It rose from \$2,000 (15.4 percent) in 1990 to \$4,500 (37.4 percent) in 2000.

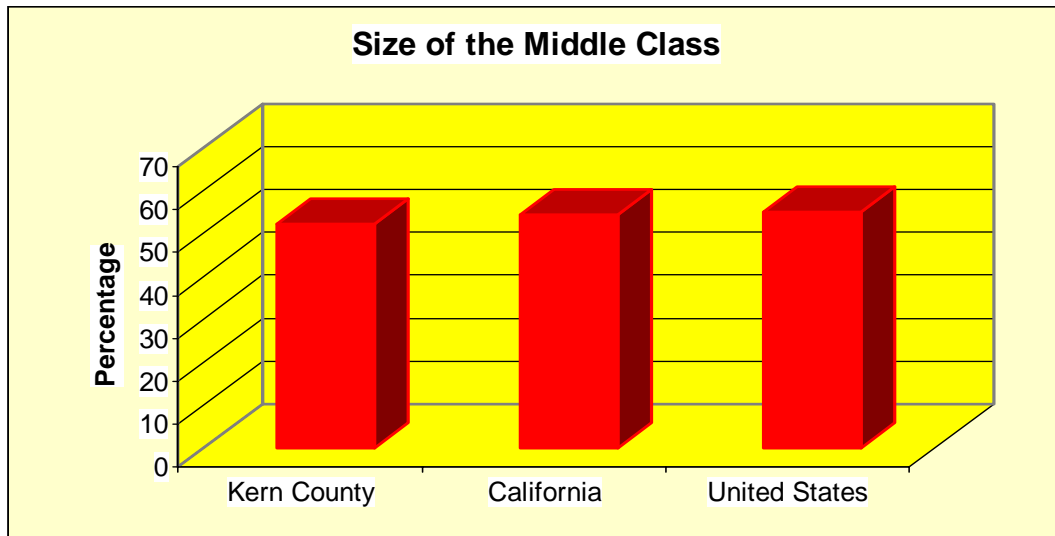
	1990	2000
<b>Kern County-California Income Gap:</b>		
Dollar value	4,100	5,400
Percentage	32.1	44.5
<b>Kern County-United States Income Gap:</b>		
Dollar value	2,000	4,500
Percentage	15.4	37.4

# INCOME DISTRIBUTION

**K**ern County has greater inequality in the distribution of personal income than the state and nation. Of the 137,814 families living in the county, 28,457 (or 20.6 percent) earn less than \$15,000, whereas 1,728 (or 1.3 percent) make more than \$150,000. The percentage of families earning less than \$15,000 is 14.3 in California and 16.8 percent in the United States. In contrast, the percentage of families with income more than \$150,000 is 3.0 percent in the state and 1.9 in the nation.

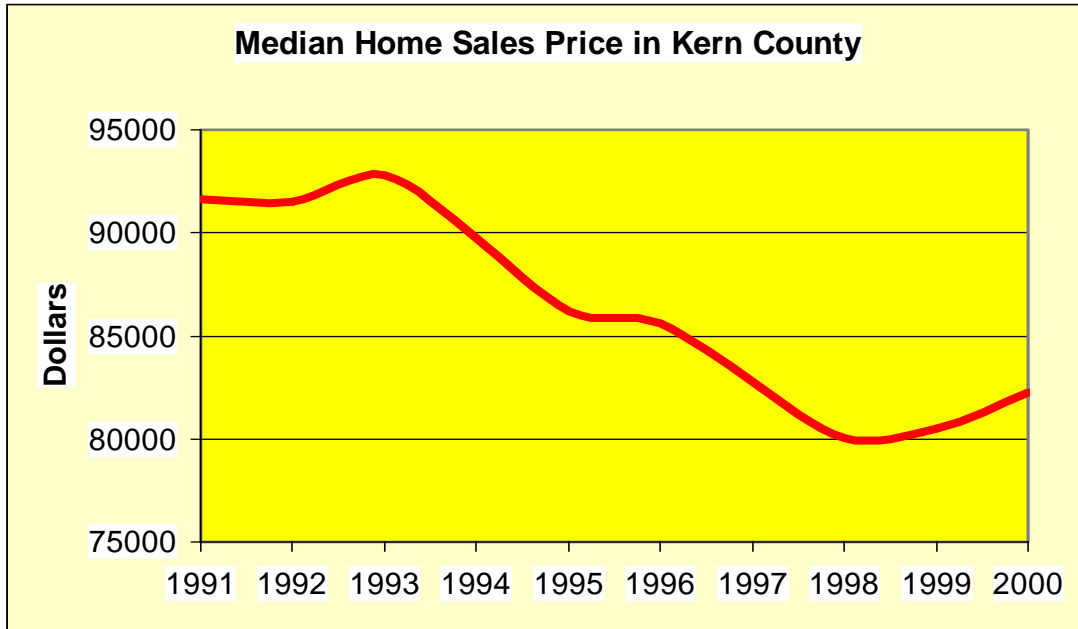
Level of Income (In \$1,000)	Classification	Percentage of Population		
		Kern County	California	United States
Less than 15	<i>Poor</i>	20.6	14.3	16.8
15 to 25	<i>Low-income</i>	18.2	13.9	16.4
25 to 35	<i>Lower-middle-income</i>	16.1	14.3	16.5
35 to 50	<i>Middle-income</i>	19.6	19.1	20.4
50 to 75	<i>Upper-middle-income</i>	16.5	21.0	18.2
75 to 100	<i>High-income</i>	5.2	9.0	6.3
100 to 150	<i>Affluent</i>	2.5	5.4	3.5
More than 150	<i>Rich</i>	1.3	3.0	1.9

The “middle class” is identified as families earning income between \$25,000 and \$75,000. Kern County with 52.2 percent of its families included in this combined income bracket has a smaller “middle class” than both California (54.4 percent) and the United States (55.1 percent).

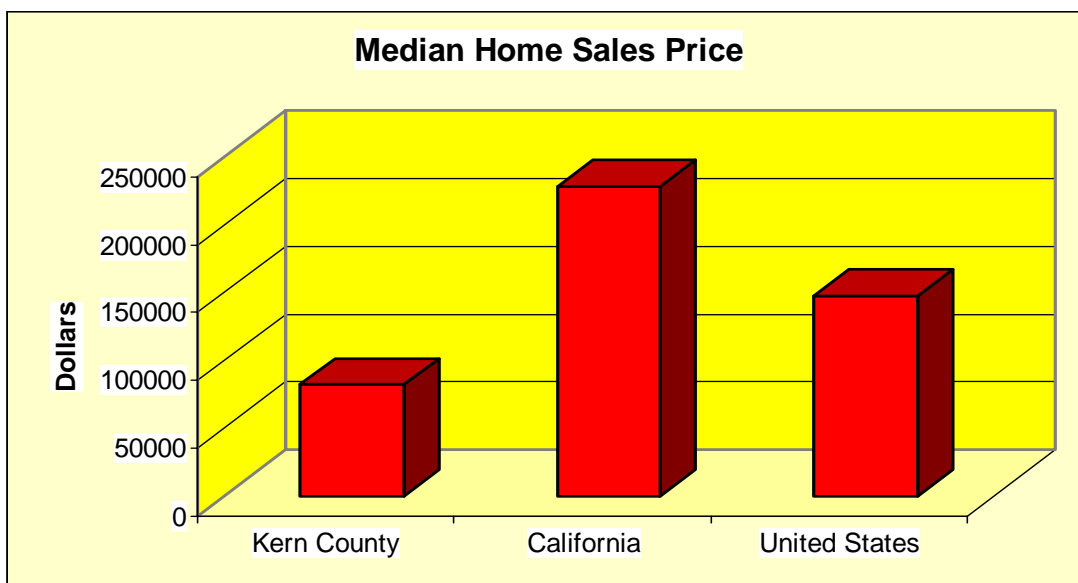


## COST OF LIVING

**K**ern County ranks as one of the most affordable places to live in California. Indeed, when comparing home prices throughout the state, it is hard to beat Kern County. The monthly median price for single-family home sales rose from \$91,625 in 1991 to \$92,818 in 1993. It then fell gradually to \$80,062 in 1998, but rose again to \$82,227 in 2000.

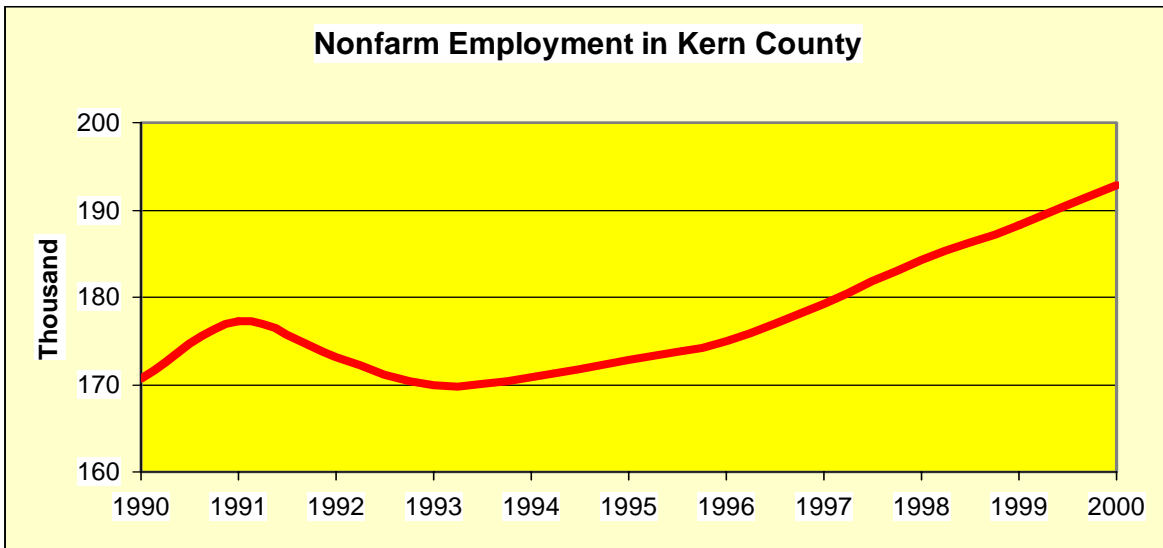


The monthly median single-family home sales price in the year 2000 averaged only \$82,230 in Kern County as compared with \$227,900 in California and \$147,500 in the United States. A major price difference is the construction cost. For example, the median price per square foot for all single family homes averages \$73 in Kern County, but \$172 in California.

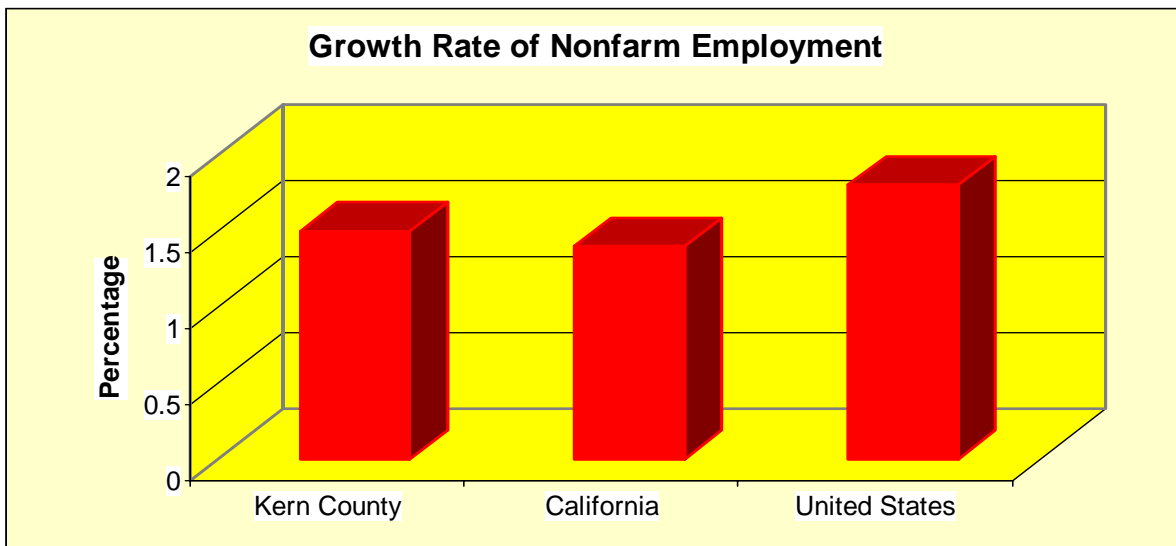


# NONFARM EMPLOYMENT

**K**ern County's seasonally adjusted labor force increased by 24,000 persons from 262,200 in 1990 to 286,200 in 2000. In the meantime, total employment rose by 21,200 jobs from 234,200 to 255,400. This increase in total employment accounted for an additional 18,400 jobs in the farm sector, 22,200 new jobs in the nonfarm sector, but a loss of 19,400 positions in the market for self-employed labor and those who work outside their place of residence. In particular, nonfarm employment increased from 170,700 in 1990 to 177,300 in 1991. It then fell in the next two years reaching a record low of 169,900 in 1993. Since then, nonfarm employment has continually risen to 192,900 in 2000.

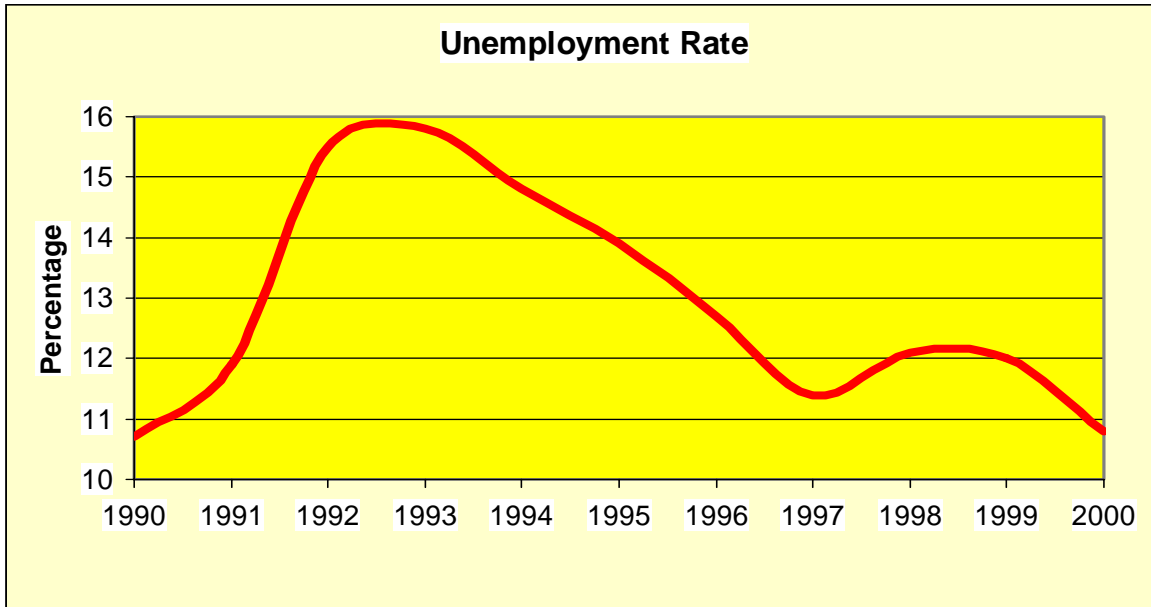


The growth rate of Kern County's nonfarm employment is comparable with that of the state and nation. During 1990-2000, nonfarm employment grew at an average annual rate of 1.5 percent in Kern County, 1.4 percent in California, and 1.8 percent in the United States.

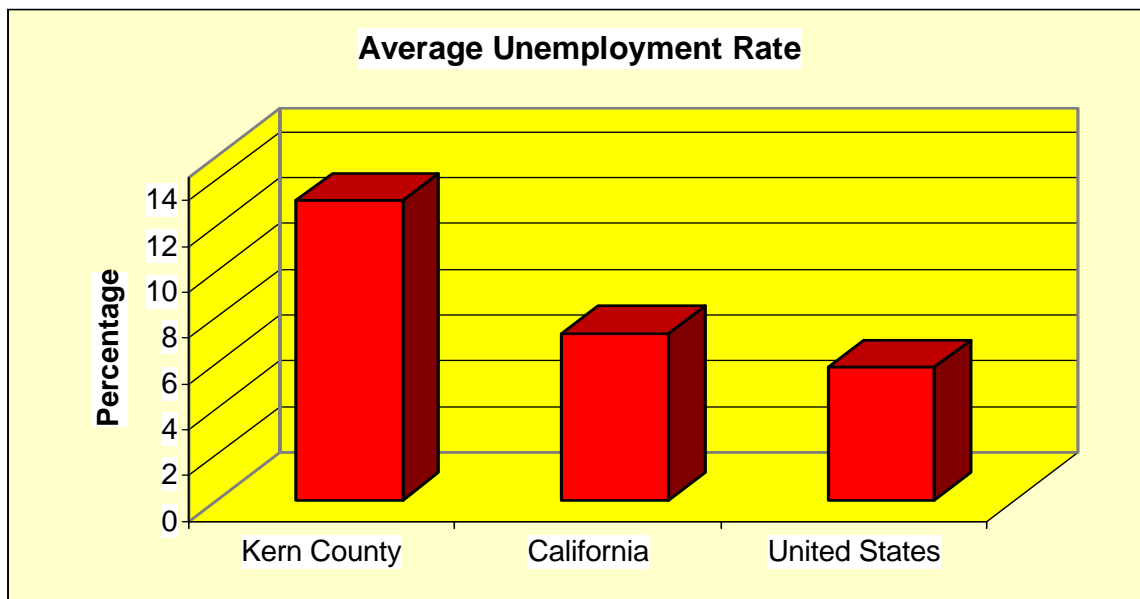


# UNEMPLOYMENT RATE

The rate of unemployment in Kern County has stayed in double digits. The unemployment rate rose from 10.7 percent in 1990 to a record high of 15.8 percent in 1993, fell to 11.4 percent in 1997, rose again to 12.1 percent in 1998, and fell again to 12 percent in 2000.

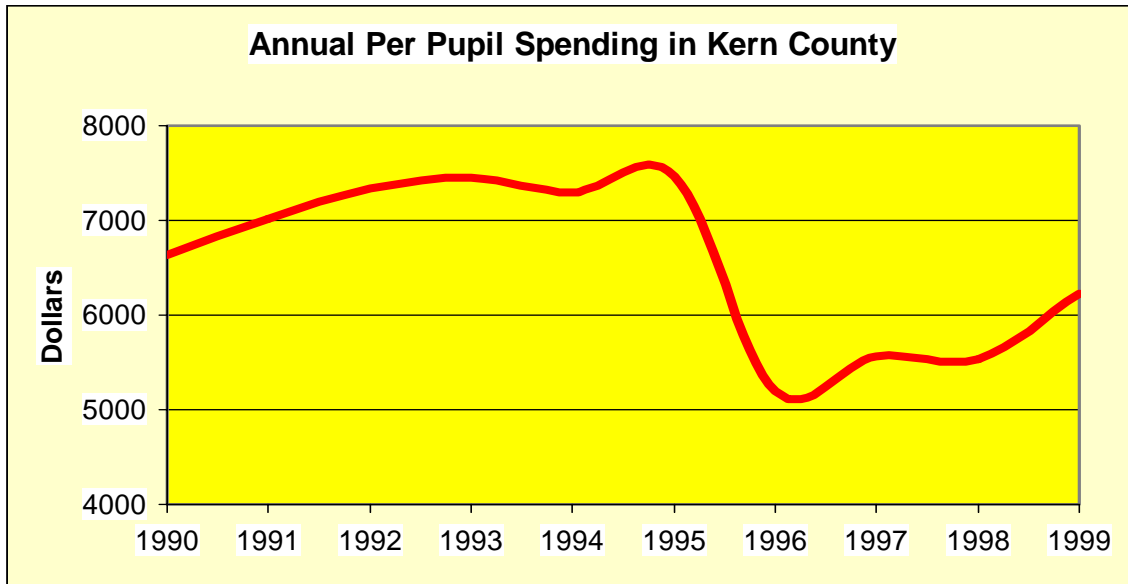


Kern County's unemployment rate is nearly twice higher than the state and three times as large as the nation. The rate of unemployment averaged 13.1 percent in Kern County, 7.3 percent in California, and 5.8 percent in the United States.

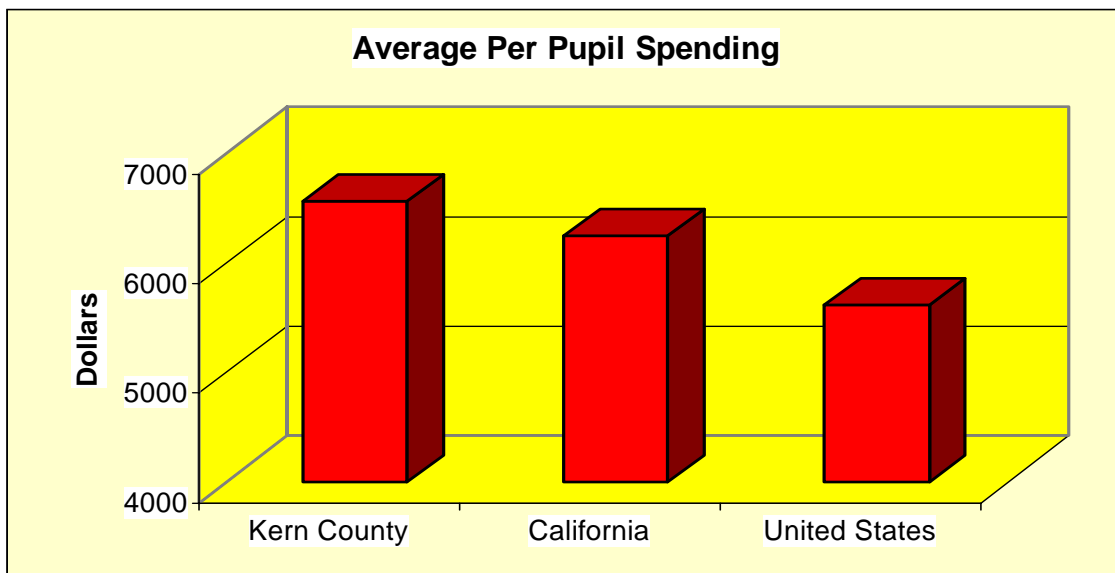


# EDUCATIONAL SPENDING

Annual per pupil spending in Kern County has had a declining trend. It rose from \$6,640 in 1990 to \$7,450 in 1993, fell to \$7,300 in 1994, rose to \$7,460 in 1995, fell again to \$5,200 in 1996, and rose again to \$6,220 in 1999. It is interesting to note that annual per pupil spending was \$420 less in 1999 than that in 1990.

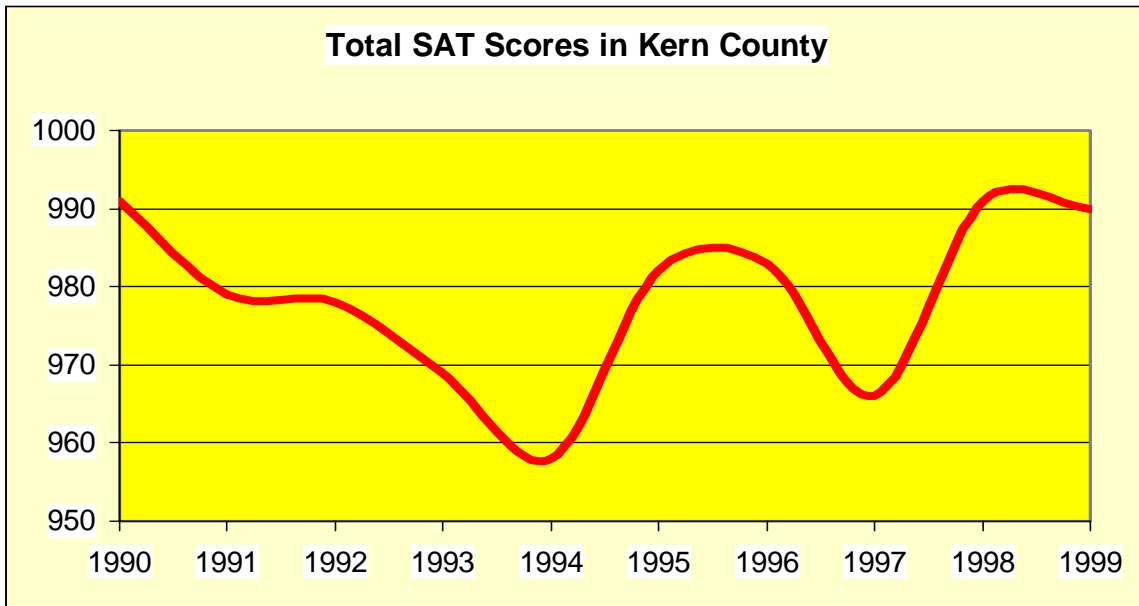


On average, annual per pupil spending is greater in Kern County than the state and nation. During 1990-99, annual per pupil spending averaged \$6,570 in Kern County, \$6,250 in California, and \$5,620 in the United

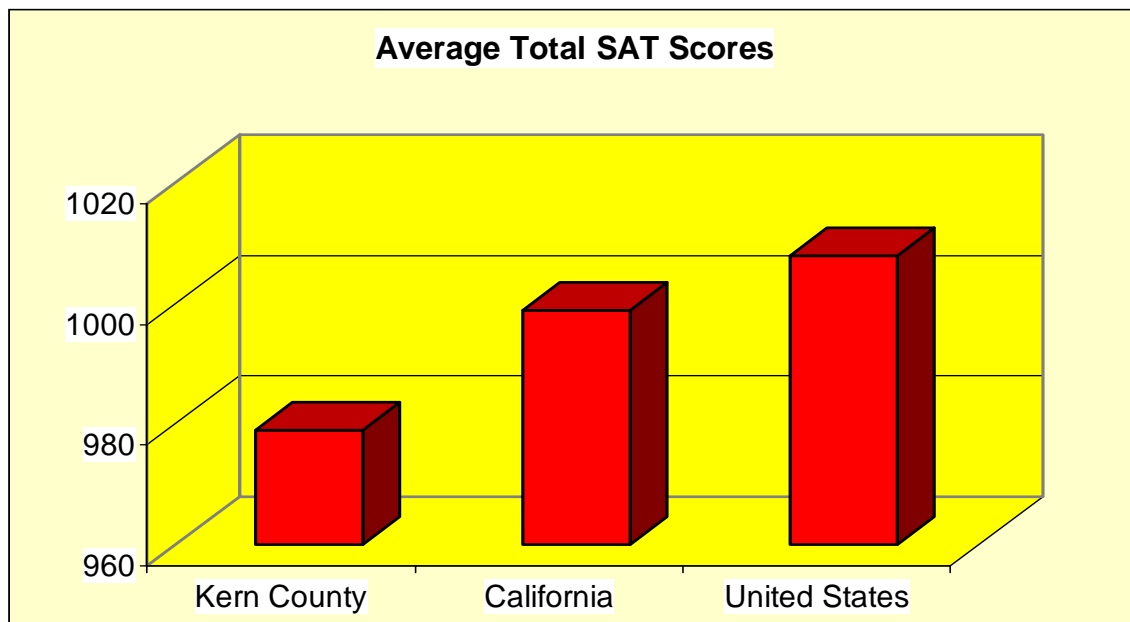


# STUDENT PREPARATION

Total SAT scores declined from 991 in 1990 to 958 in 1994. It then increased to 983 in 1995, fell to 966 in 1997, and rose again to 990 in 1999.

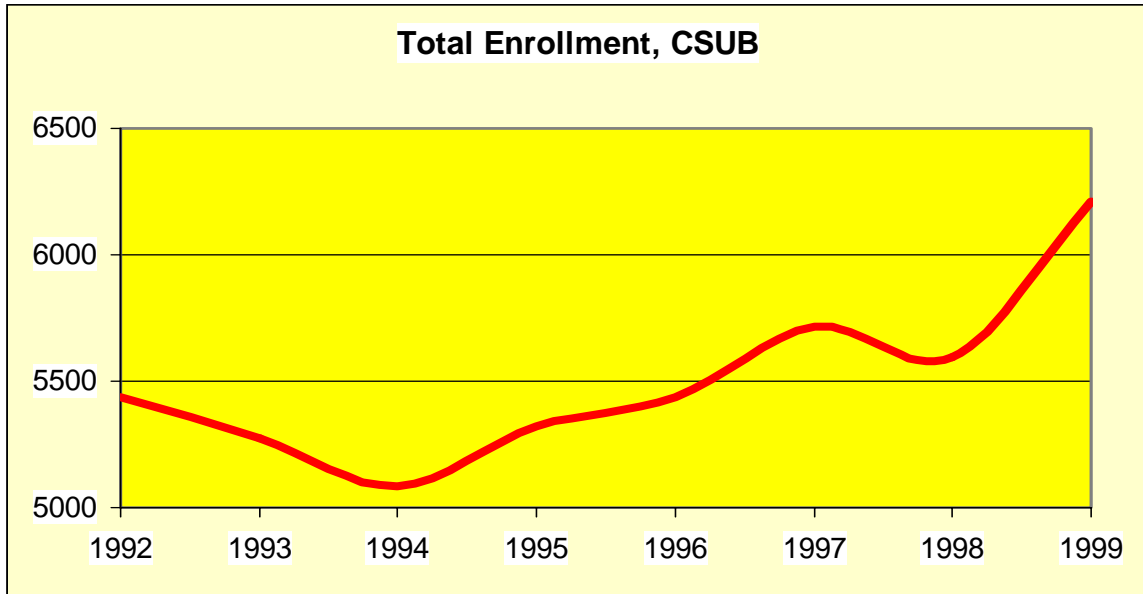


Total SAT scores average 979 in Kern County, 999 in California, and 1,008 in the United States.

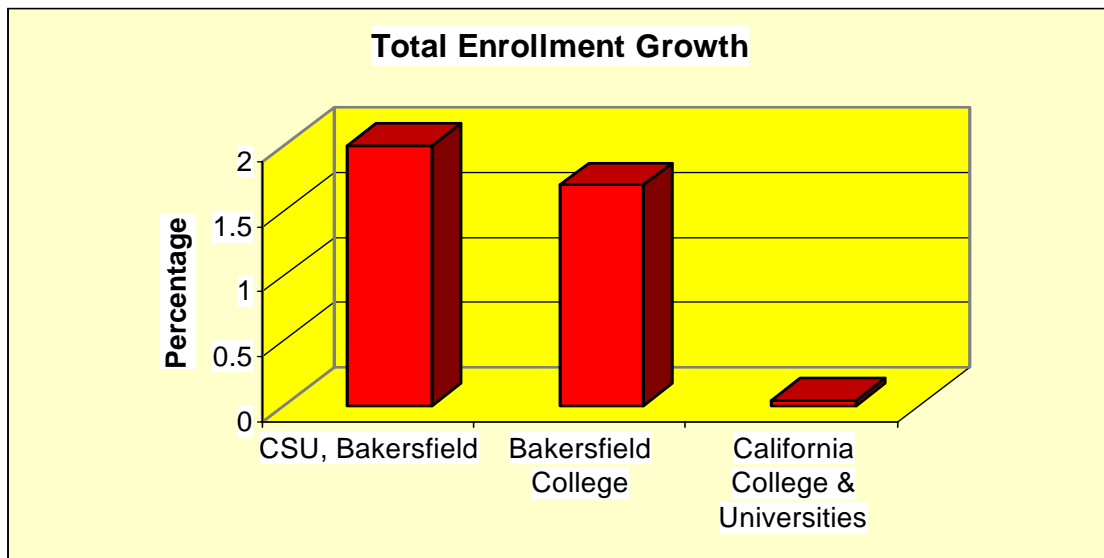


# COLLEGE ENROLLMENT

Total enrollment at California State University, Bakersfield declined from 5,435 full-time equivalent students in 1992 to 5,086 in 1994. It then rose to 5,717 in 1997, but fell to 5,594 in 1998, and rose again to 6,210 in 1999.

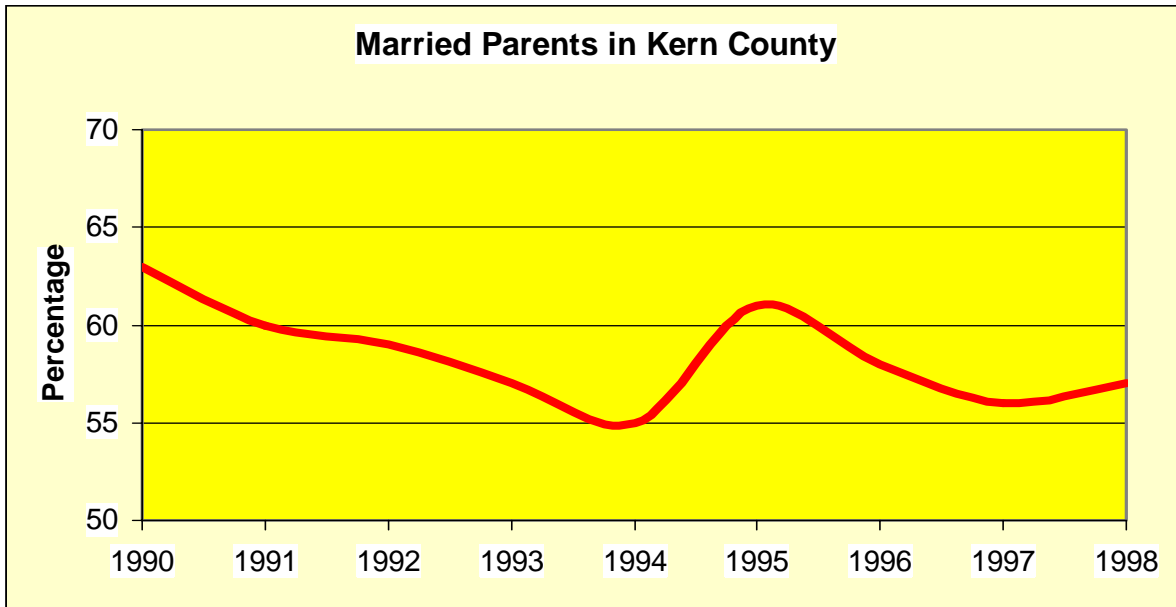


Total enrollment increased at an average annual rate of 2 percent at California State University, Bakersfield, 1.7 percent at Bakersfield College, and only 0.04 percent in all California community colleges and public universities.

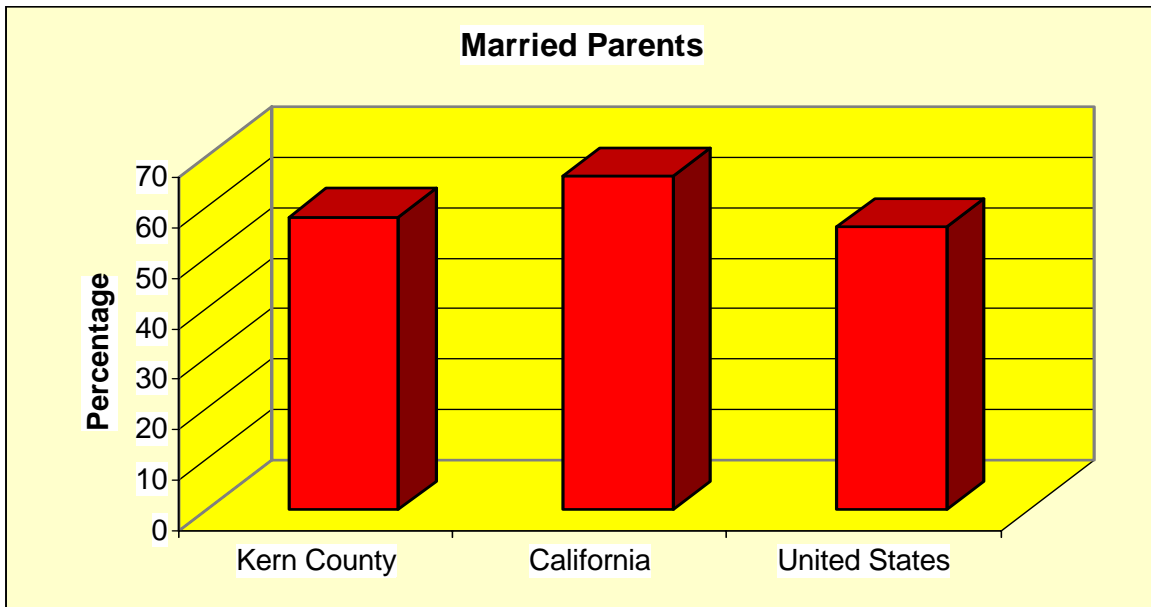


# FAMILY ENVIRONMENT

In Kern County, the percentage of married parents declined from 63 in 1990 to 55 in 1994. It then increased to 61 in 1995, declined again to 56 in 1997, and increased again to 57 in 1998.

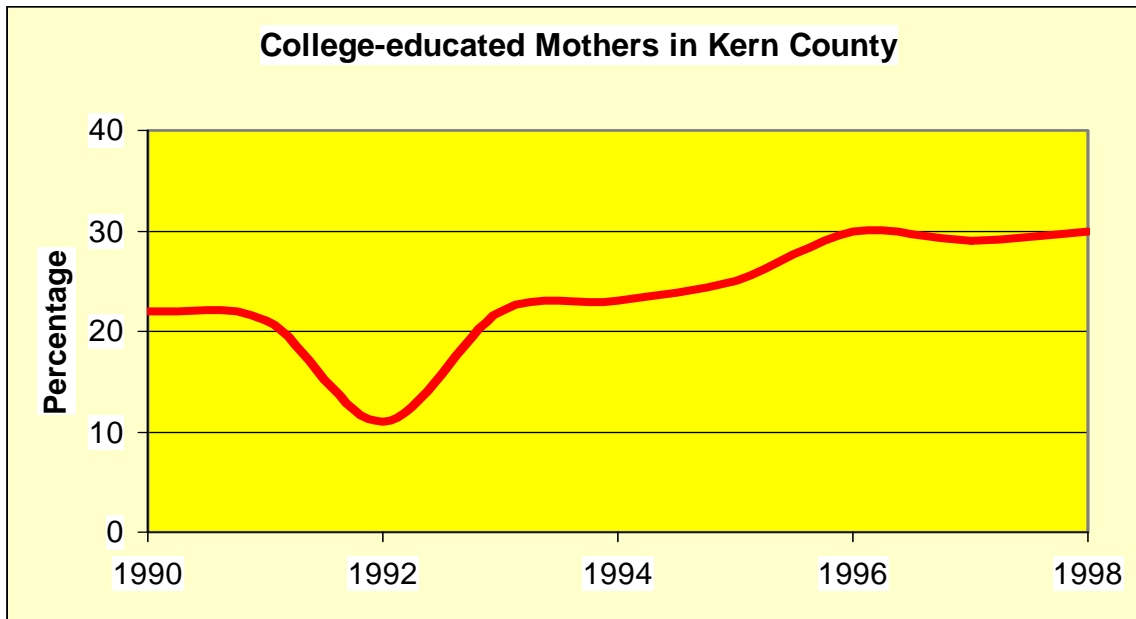


The percentage of married parents averaged 58 in Kern County, 66 in California, and 56 in the United States.

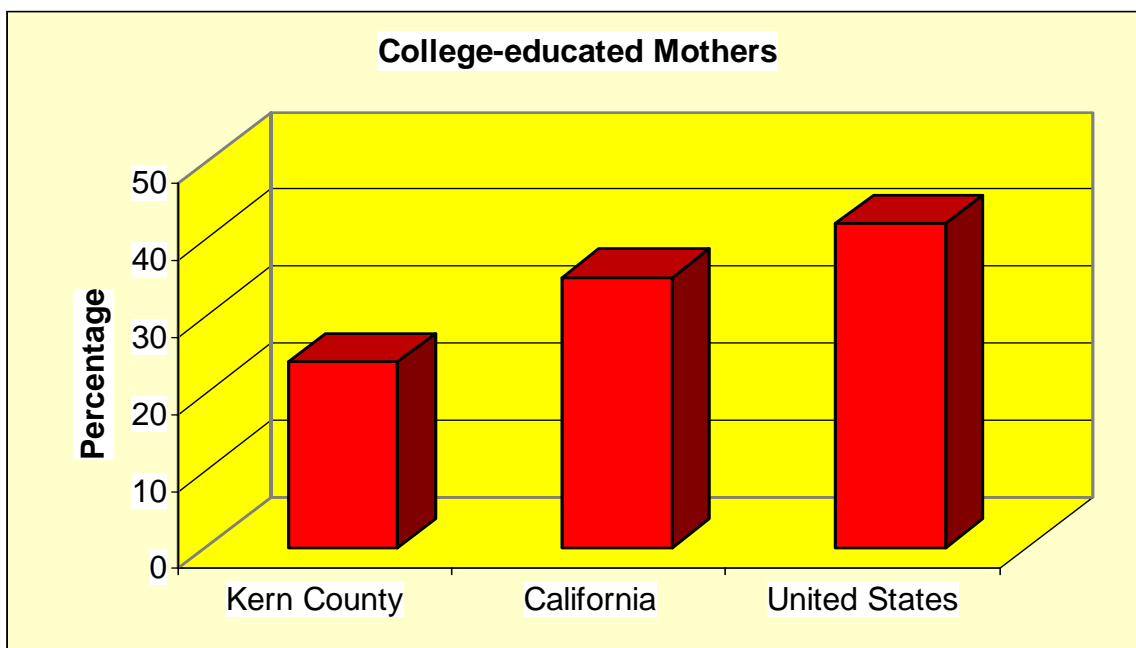


# MATERNAL EDUCATION

Percentage of mothers with “some” college education declined from 22 percent in 1990 to 11 in 1992, but gradually rose to 30 in 1996, and fell to 29 in 1997, and rose again to 30 in 1998.

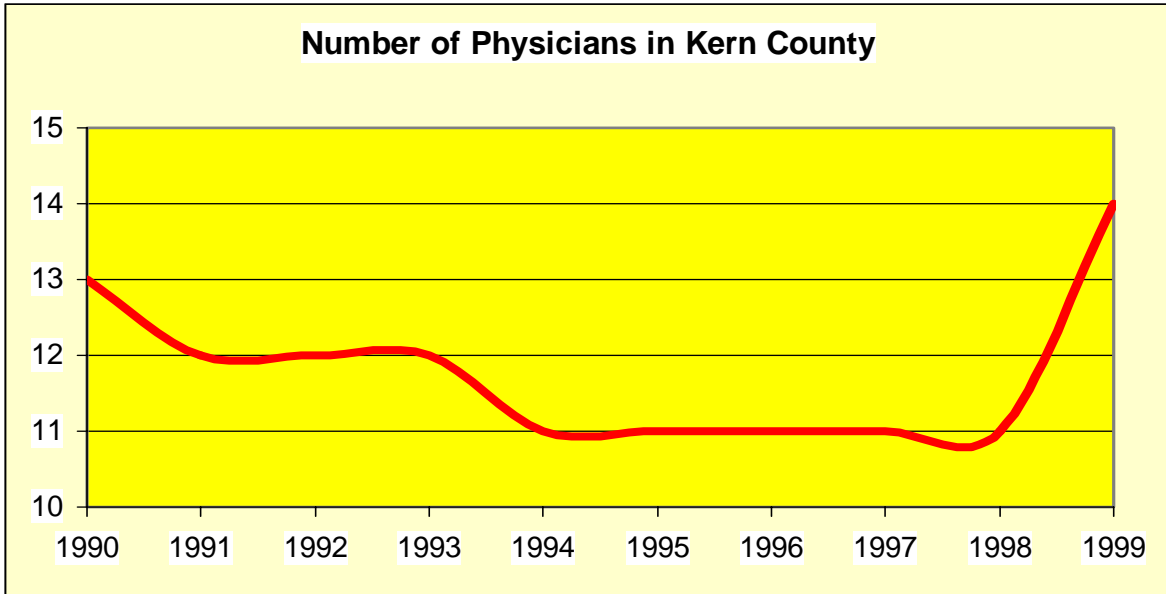


College-educated mothers averaged 24 percent in Kern County, 35 percent in California, and 42 percent in the United States.

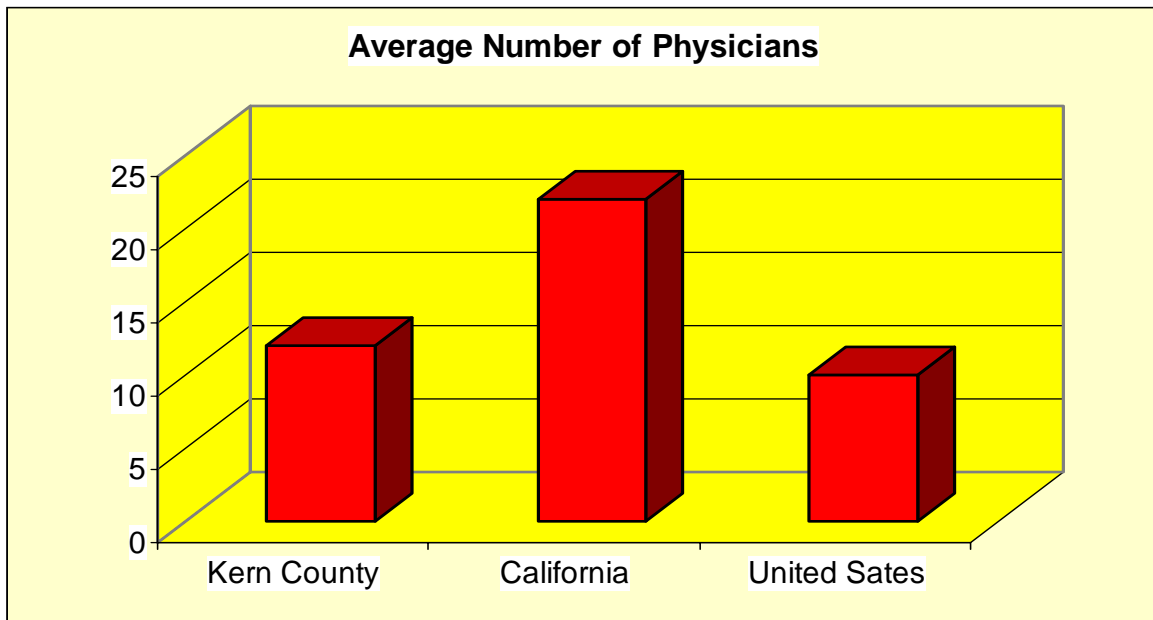


# HEALTH CARE

The number of physicians per 10,000 people declined from 13 in 1990 to 11 in 1998, but increased to 14 in 1999.

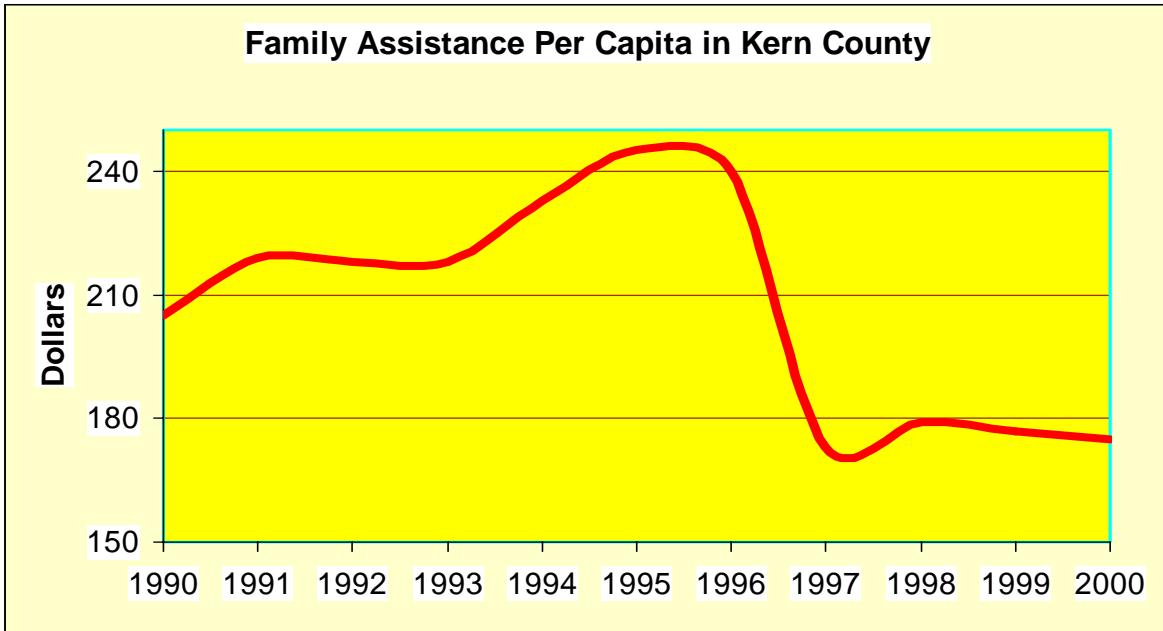


The number of physicians per 10,000 people averaged 12 in Kern County, 22 in California, and 10 in the United States.

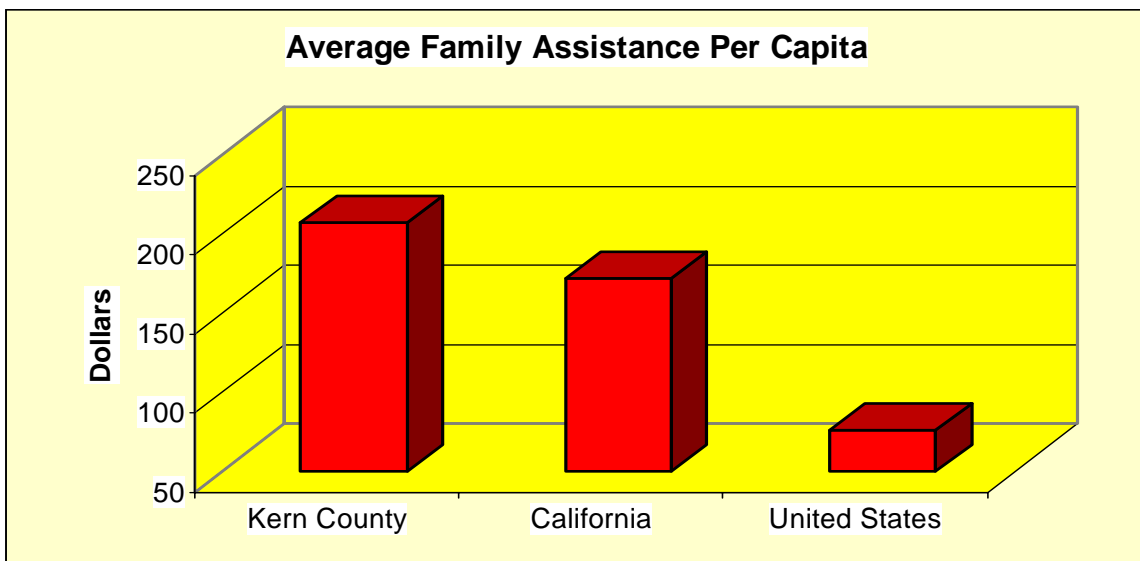


# PUBLIC ASSISTANCE

Family assistance per capita in Kern County increased continuously from \$205 in 1990 to \$245 in 1995. With the implementation of welfare-to-work programs, however, family assistance per capita has declined to \$175 in 2000.

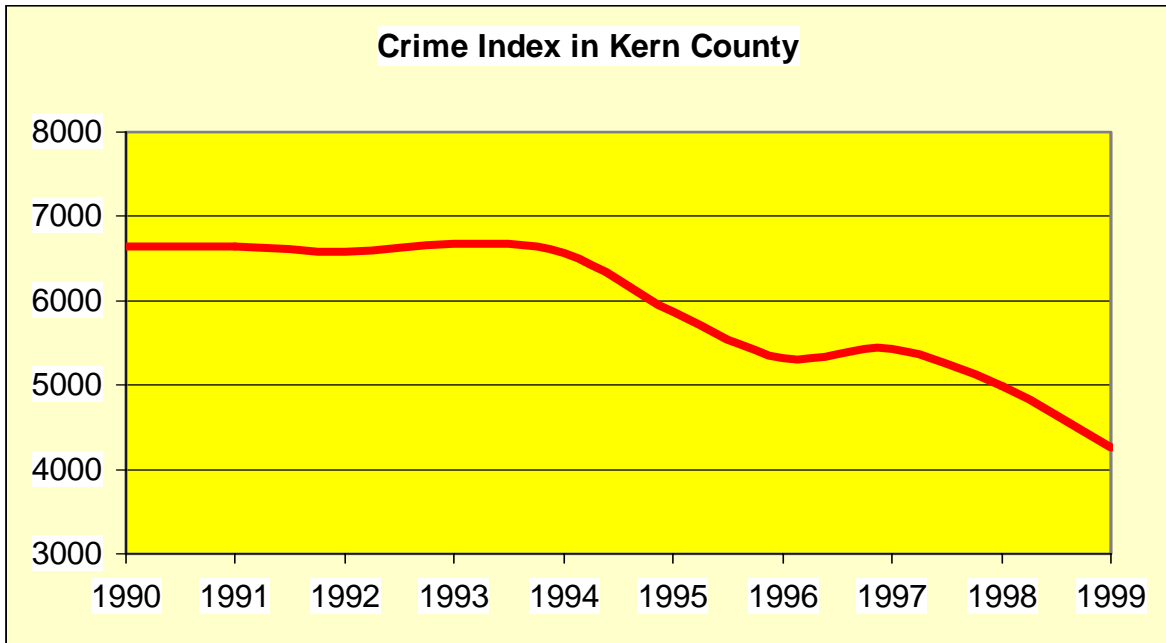


Welfare payments are more generous in Kern County than the state and nation. Family assistance per capita average \$207 in Kern County, \$172 in California, and \$76 in the United States.

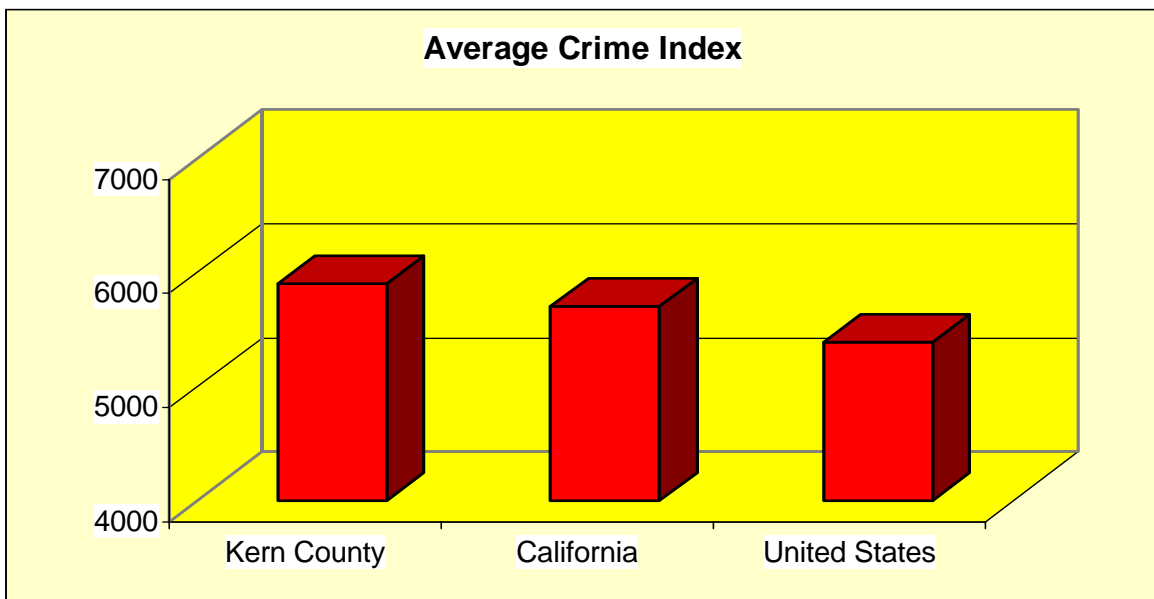


# CRIME RATE

**K**ern County's rate of violent crimes has shown a sharp declining trend. The FBI Index (homicide, rape, robbery, aggravated assault, burglary, theft, larceny, arson) per 100,000 people remained stable at about 6,600 between 1990 and 1993. It then declined continuously to 4,259 in 1999. The county's crime rate fell by nearly 24 percent over the past decade.



On average, Kern County's crime rate is greater than that of the state and nation. Crime rate per 100,000 people averaged 5,899 in Kern County, 5,699 in California, and 5,385 in the United States.



# AIR QUALITY

Data are provided on seven major kinds of wastes dumped into the atmosphere: carbon monoxide, hydrogen sulfide, nitrogen dioxide, ozone, heavy particulate matter, light particulate matter, and sulfur dioxide. Of these air pollutants, complete data are available for the ozone and heavy particulate matter.

Production of the ozone is measured in “number of day above the national 8-hour standard.” Complete data are available for six Kern County locations (Oildale, Arvin, Shafter, San Joaquin Valley AB Max, Edison, and Maricopa). The average number of ozone days increased from 53 days in 1990 to 68 in 1991, fell to 47 in 1992, rose continually to 79 in 1996, fell again to 29 in 1997, and rose again to 56 in 1998. During 1990-98, Kern County averaged 57 days with ozone production above the national standard as compared with 31 days in the San Joaquin Valley, and 20 days in California.

The average quarterly means of the heavy particulate matter (PM10) measured in micrograms per cubic meter increased from 56 in 1990 to 65 in 1991. It then declined to 34 in 1994, increased to 36 in 1995, declined again to 30 in 1997, and increased again to 36 in 1998. During 1990-98, Kern County averaged 41 micrograms per cubic meter of PM10 as compared with 66 in the San Joaquin Valley, and 91 in California.

