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The State of the Economy: Kern County, California

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California State University, Bakersfield

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PREFACE

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

The State of the Economy: Kern County, California is a “snapshot” of local economic conditions. In this report, I will evaluate trends of fifteen social and economic indicators and compare their averages with those of the state and national economies. Also, I will select ten appropriate indicators to measure the quality of life in Kern County. I will discuss the trend of the quality of life index in 1991-2001. The main source of data is RAND California (<http://ca.rand.org>).

I would like to thank our corporate sponsors for making this conference possible. I would also like to thank you for attending this event. I am grateful to the management and staff of the Kern Economic Development Corporation for their enthusiasm and professionalism in the planning and organizing of the second annual summit. I received valuable assistance from various CSUB entities including the University Advancement Office, Media Services, Food Services, and Print Shop. I would like to thank my administrative assistant, Dawn Carlon, and student assistant, Kimberly Duncan. I am indebted to Sylvia and Mick O’Brien of O’Brien Images for their valuable support services. Finally, I would like to thank Marla Iyasere, Founding Dean, School of Humanities and Social Sciences for her support and encouragement.

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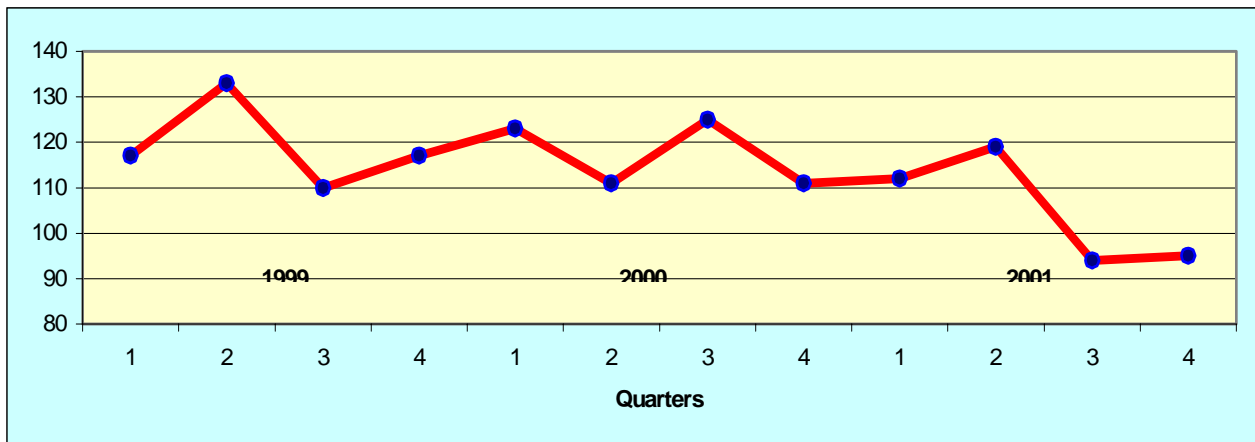
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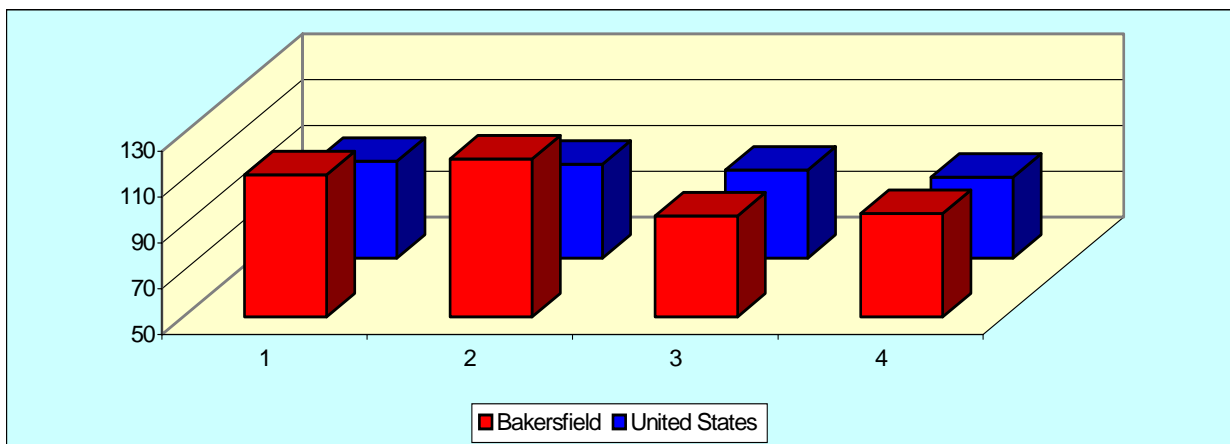
CONSUMER CONFIDENCE

The 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 consumer perceptions since the first quarter of 1999. Consumers remained optimistic until the third quarter of 2001. In this quarter, mainly because of the terrorist attacks of September 11, consumer perceptions turned pessimistic as the index plunged from 119 to 94. The index improved slightly to 95 in the fourth quarter.



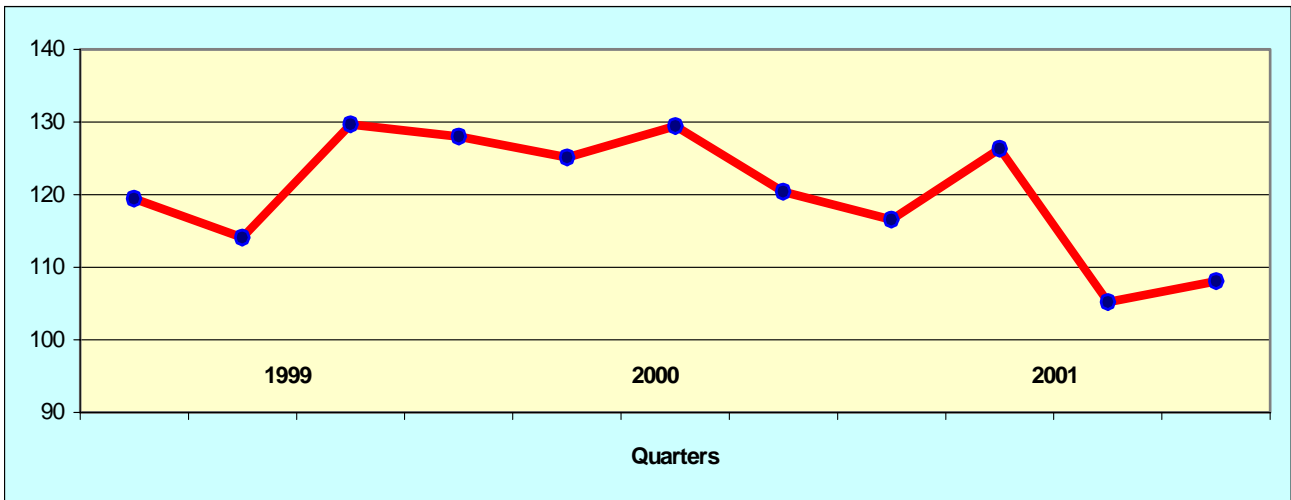
Although not fully equivalent in survey content, the local Consumer Sentiment Index has shown identical movements as the national Consumer Sentiment Index. Both indices exhibited a declining trend in 2001.



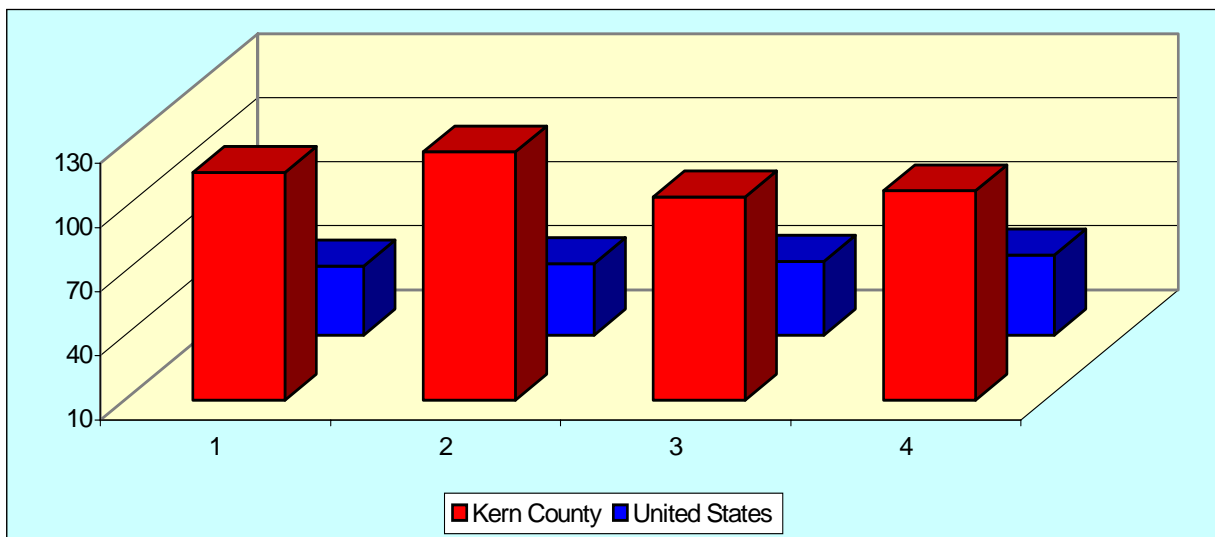
BUSINESS OUTLOOK

The 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 of Commerce. 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 business perceptions since the first quarter of 1999. In 2001, the index rose from 117 in the first quarter to 126 in the second quarter. Mainly because of the terrorist attacks of September 11, the index declined to 105 in the third quarter, but rose to 108 in the fourth quarter.

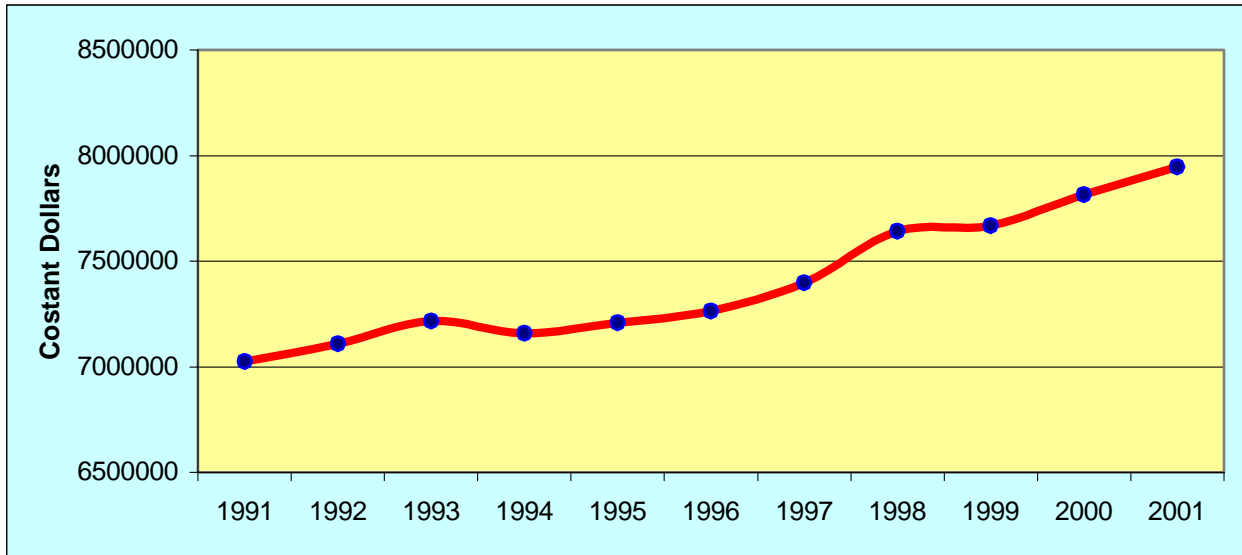


Not fully equivalent in survey content, the local Business Outlook Index did not show movements similar to the national Purchasing Managers Index. The local index reflected the decline that had occurred in the third quarter and the slow recovery in the fourth quarter, whereas the national index exhibited a slow rising trend throughout the year.

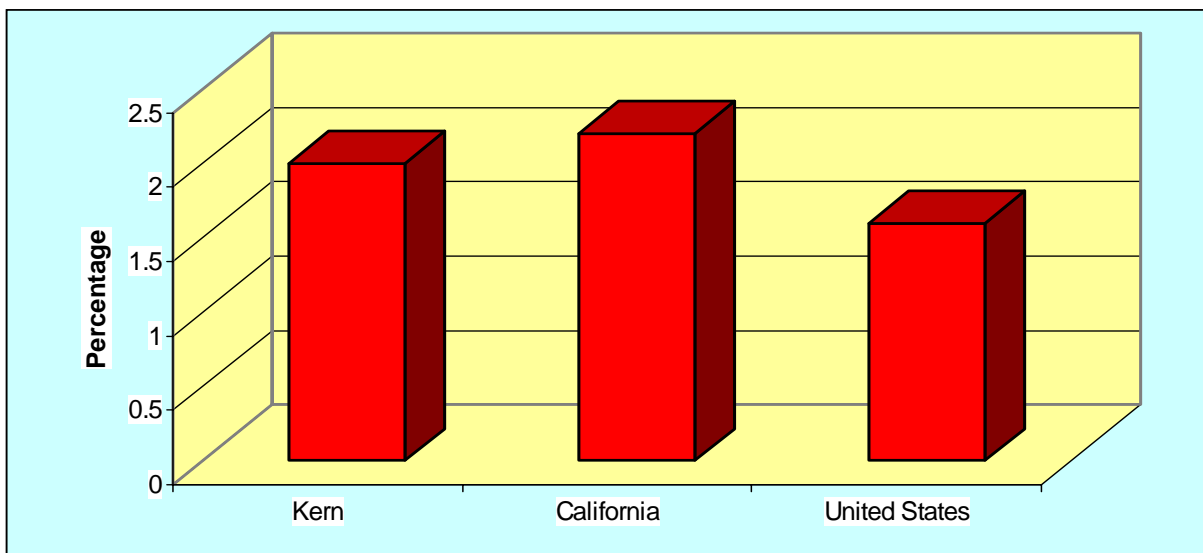


PERSONAL INCOME

Personal income is the sum of labor income, capital income, and transfer payments, less payroll taxes. Since, consistent data are available for the local economy with a two-year time lag, I used an economic forecasting model to project personal income for 2000-1. In Kern County, total personal income (in constant dollars) increased from \$7 billion in 1991 to \$8 billion in 2001.

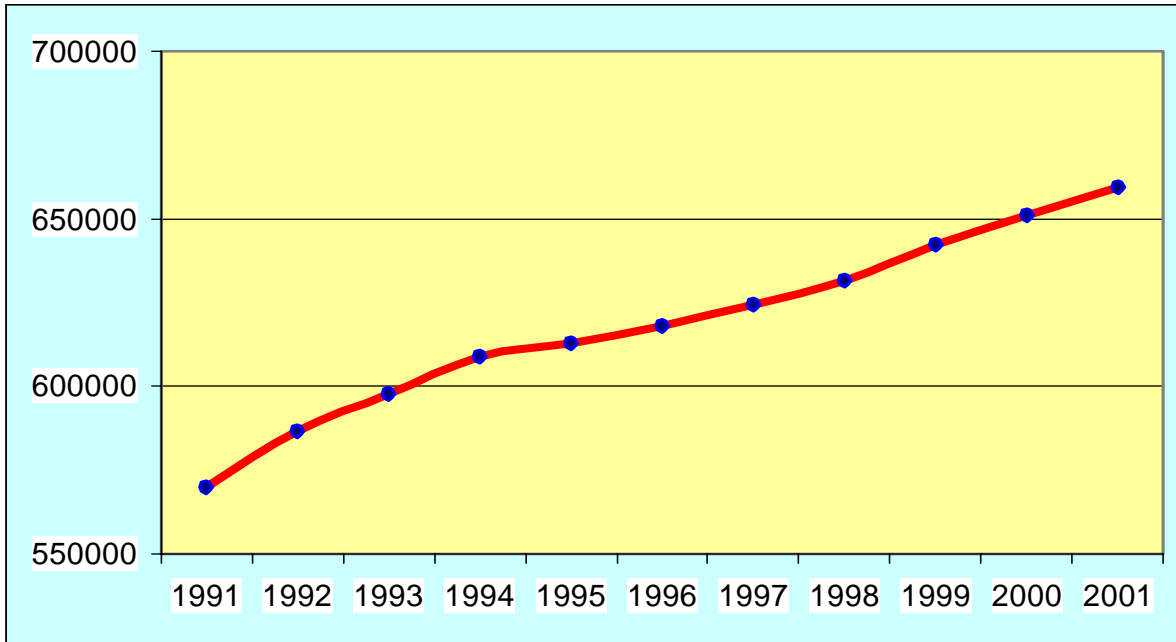


I measure *economic growth* as the percentage change of personal income over the previous year. In 1991-2001, personal income increased at an average annual rate of 1.5 percent in Kern County, 2.2 percent in California, and 2.7 percent in the United States. For 2001, I measured an annual growth rate of 2.0 percent in Kern County, 2.2 percent in California, and 1.5 percent in the United States.

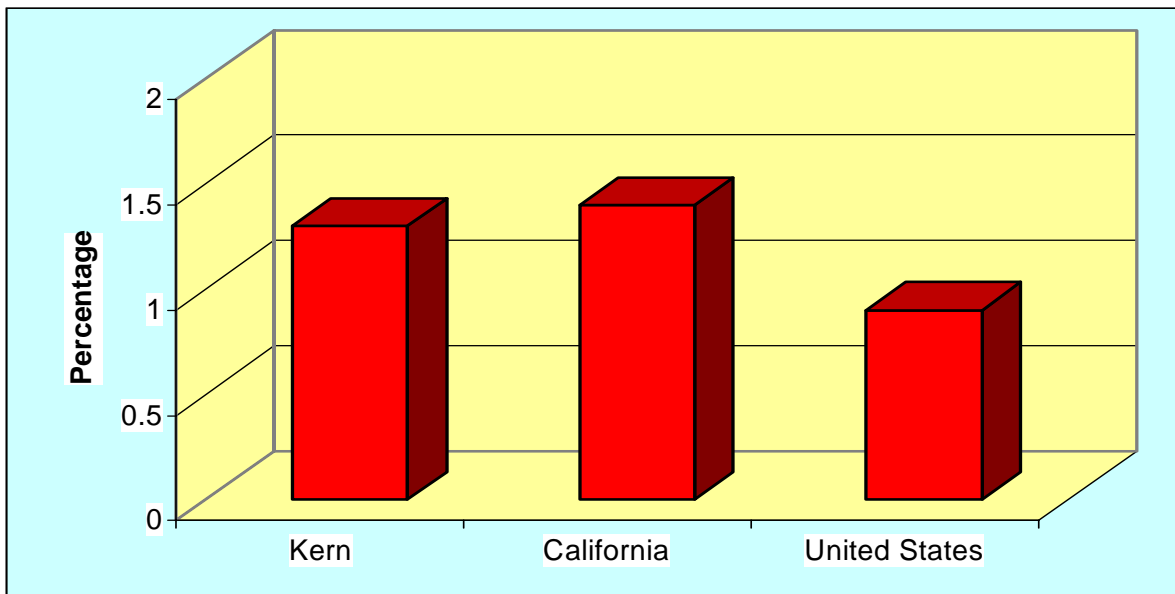


POPULATION

Kern County's population increased from 570,000 in 1991 to nearly 660,000 in 2001. Over the past eleven years, Kern County added 90,000 persons to its population.

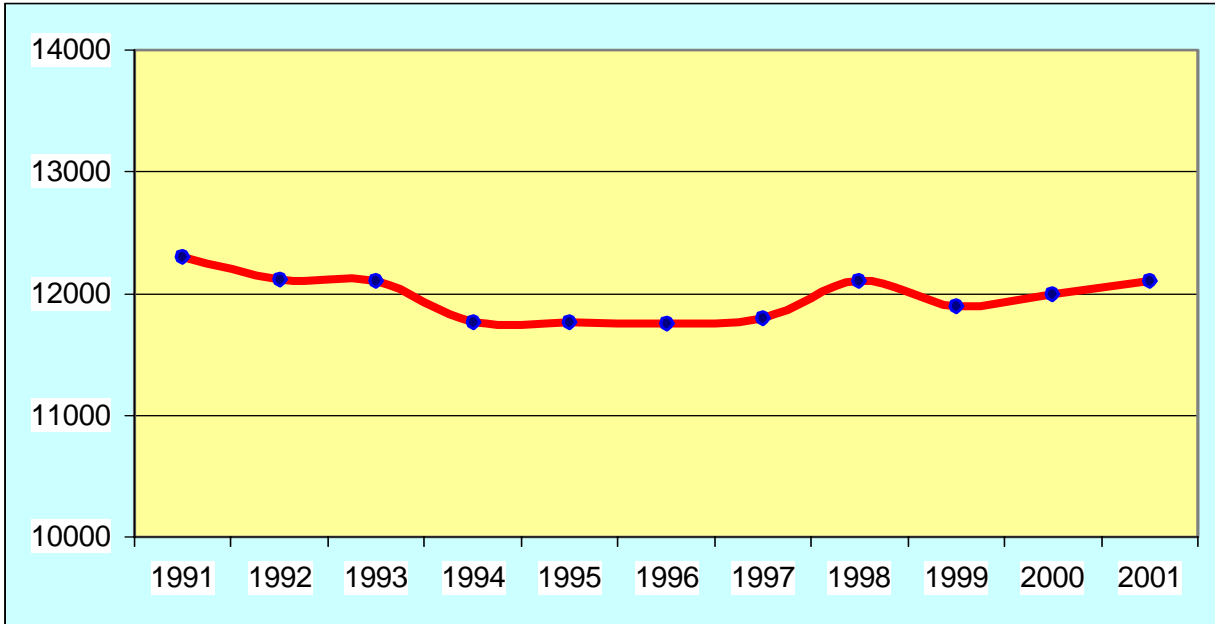


In 1991-2001, the rate of population growth averaged 1.7 percent in Kern County, 1.0 percent in California, and 0.9 percent in the United States. The chart below illustrates that , Kern County's rate of population growth slowed to 1.3 percent compared with 1.4 percent in California, and 0.9 percent in the United States in 2001.

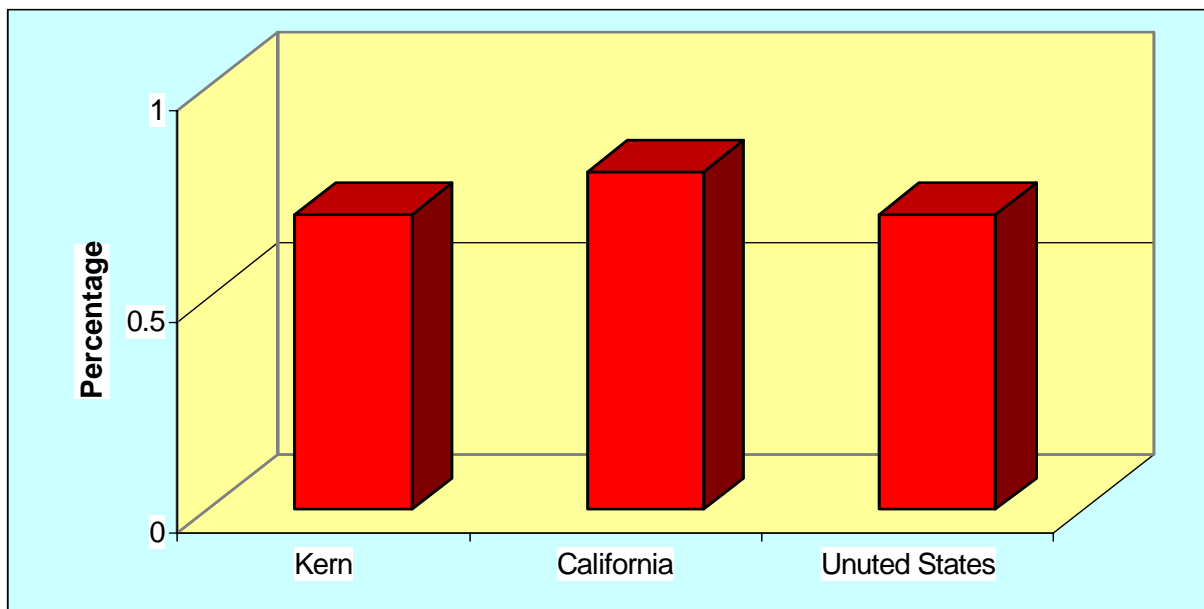


PERSONAL INCOME PER CAPITA

Personal income per capita (in constant dollars) declined continually from \$12,300 in 1991 to \$11,700 in 1996. It then increased to \$11,900 in 1999. I forecasted personal income per capita to be \$12,100 in 2001.

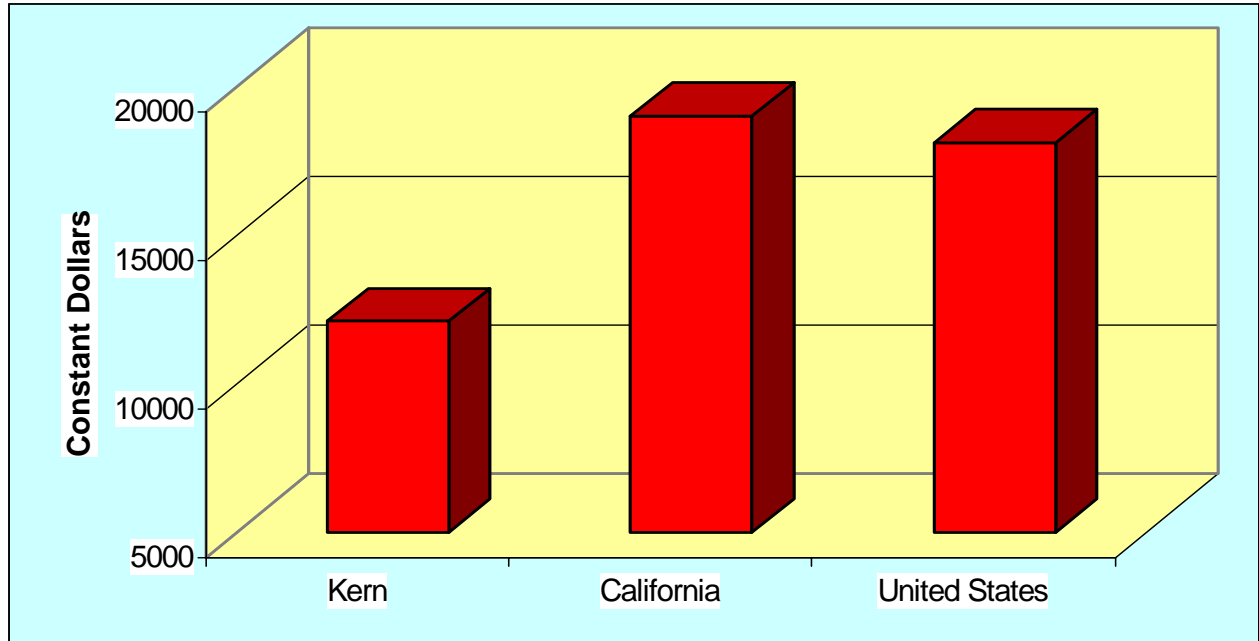


In 1991-2001, Kern County’s personal income per capita fell at an average annual rate of 0.2 percent. In contrast, personal income per capita grew by 1.3 in California and 1.9 in the United States. As depicted in the following graph, I projected personal income per capita to increase at a rate of 0.7 percent in Kern County, 0.8 percent in California, and 0.6 percent in the United States.



PERSONAL INCOME DISPARITY

Personal income per capita is projected to be \$12,100 in Kern County, \$19,000 in California, and \$18,100 in the United States for the year 2001. Kern County's faster population growth accounts partly for the lower per capita income.

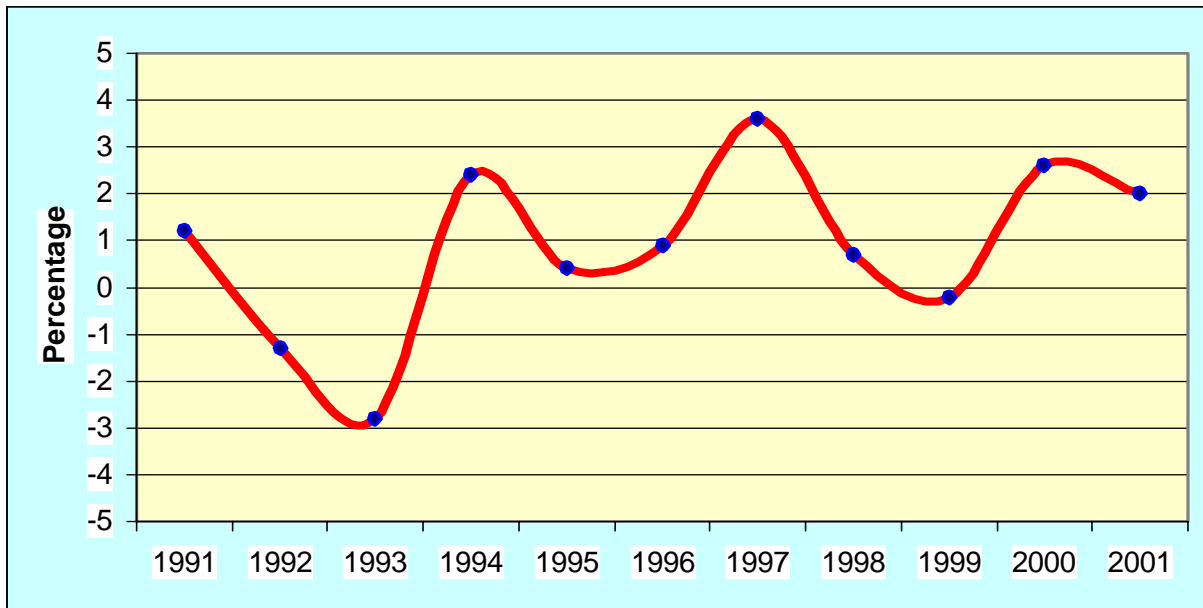


The gap in personal income per capita between Kern County and California widened from \$3,900 (33%) in 1991 to \$4,500 (38%) in 1996 and to \$6,900 (or 57%) in 2001. Meanwhile, The gap in personal income per capita between Kern County and the United States increased from \$2,100 (17%) in 1991 to \$3,600 (31%) in 1996 and \$6,000 (50%) in 2001.

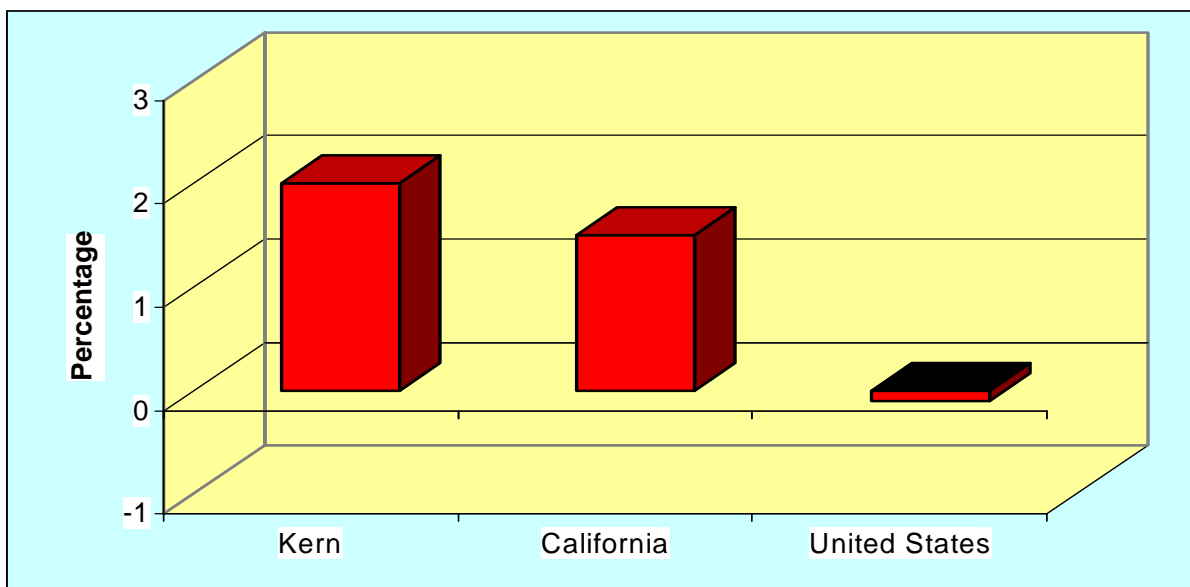
	1991	1996	2001
Kern County-California Income Gap:			
Dollar value	3,900	4,500	6,900
Percentage	33	38	57
Kern County-United States Income Gap:			
Dollar value	2,100	3,600	6,000
Percentage	17	31	50

EMPLOYMENT GROWTH

Kern County's *seasonally adjusted* total employment rose from 237,000 in 1991 to 257,100 in 2001. This increase in total employment accounted for 20,000 more jobs in eleven years. The growth rate of total employment was unstable during this period. Total employment sharply declined in 1992-93, but increased rapidly in 1994, 1997, and 2000-1. Total employment grew at an average annual rate of about 1 percent in 1991-2001, 0.6 percent in the 1990s, and 2.3 percent in 2000-1.



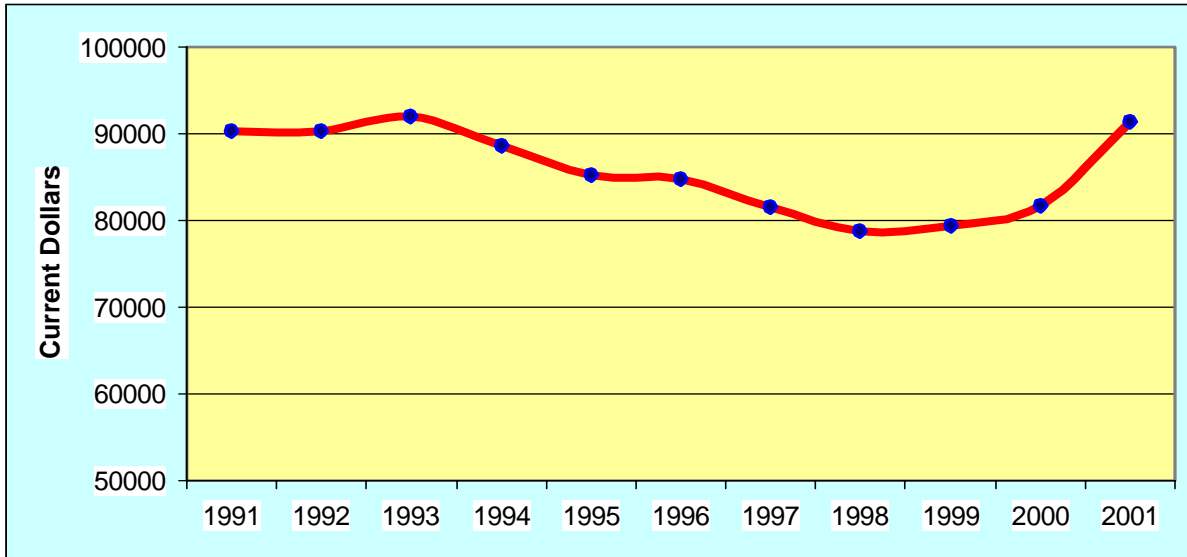
In 2001, Kern County created jobs at a faster pace than the state and national economies. Total employment increased at an annual rate of 2.0 percent in Kern County and 1.5 percent in California. In the United States, however, total employment declined 0.1 percent.



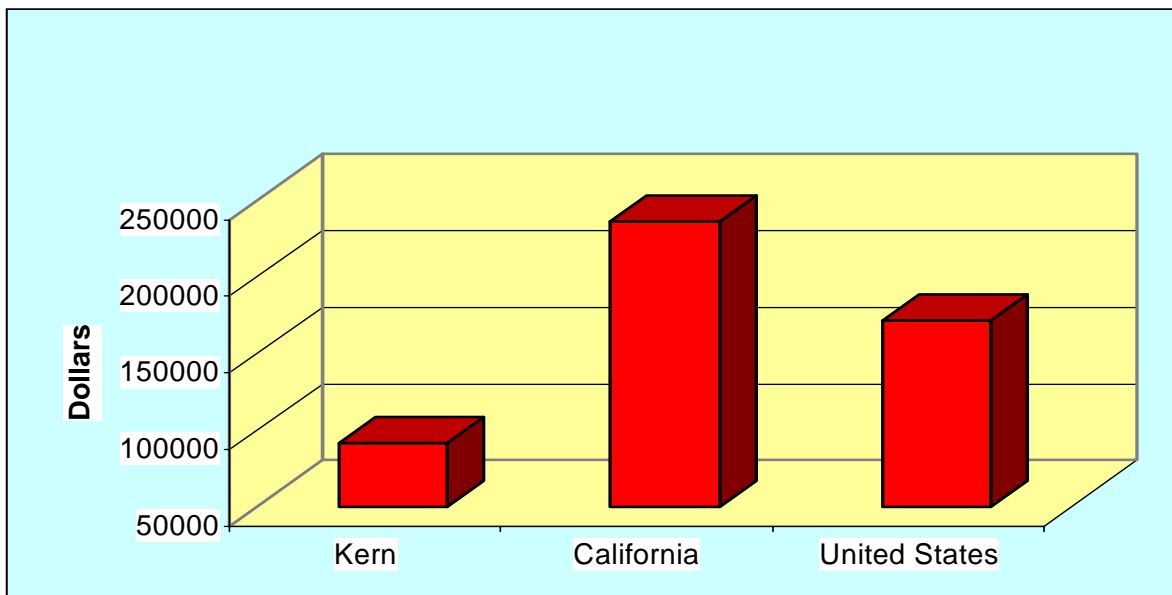
COST OF LIVING

Kern County ranks as one of the most affordable places in California. In constant 1997 dollars, the median sales price of all homes including the land price declined from \$103,000 in 1991 to \$75,100 in 2000. It then rose to \$80,700 in 2001.

In nominal dollars, the median sales price rose from \$90,290 in 1991 to \$92,000 in 1993. It then fell gradually to \$79,300 in 1999, but rose again to \$91,300 in 2001.

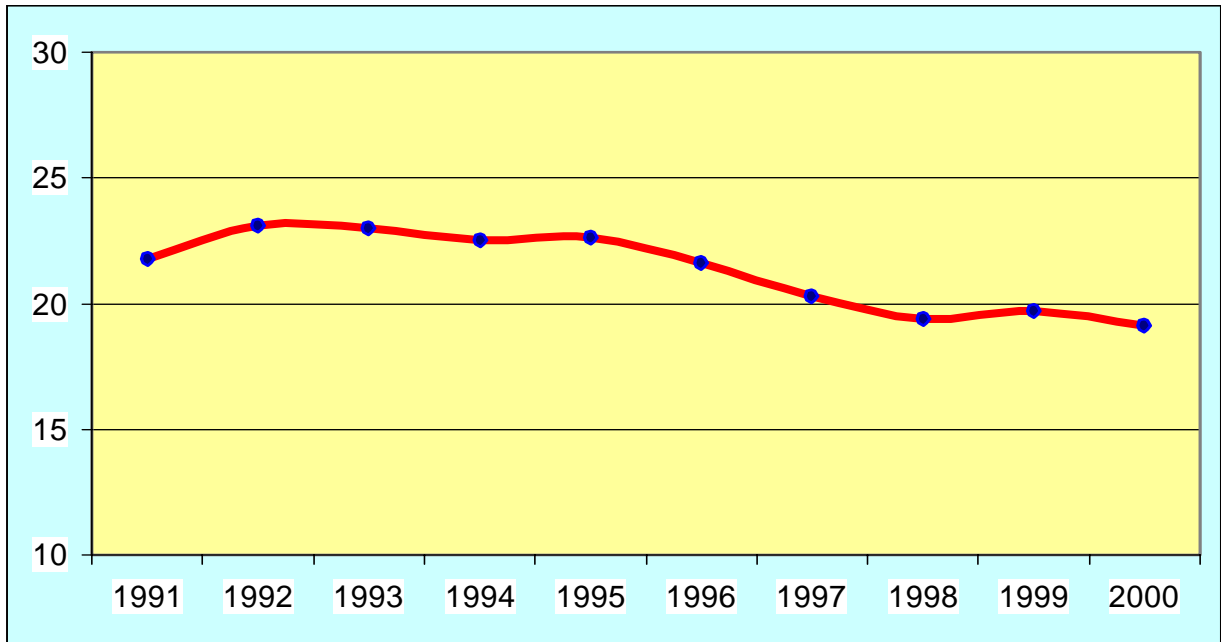


The monthly median sales price of all homes including the land price in the year 2001 averaged \$91,300 in Kern County compared with \$236,000 in California and \$171,300 in the United States. The major price difference is the construction cost. The median square footage of all homes sold in 2001 was 1,375 in Kern County and 1,390 in California. However, the median sales price per square foot of all homes sold that year

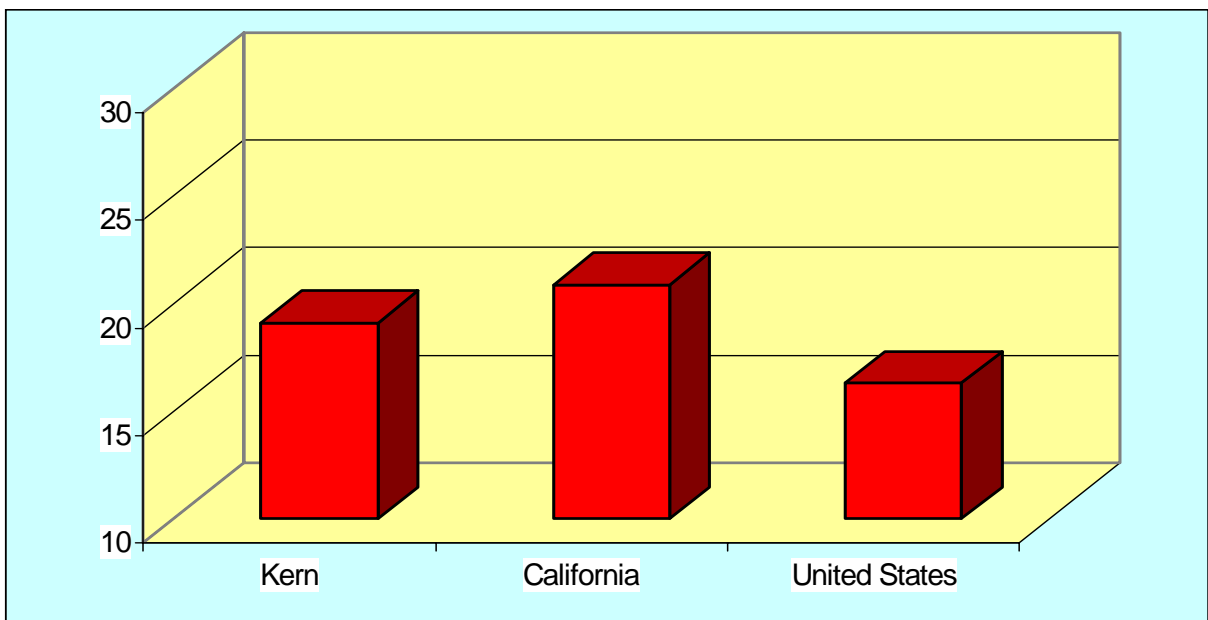


EDUCATION

The public school annual pupil-teacher ratio in Kern County has had a declining trend from 22 in 1991 to 19 in 2000. The state-funded class size reduction program, which limits the pupil-teacher ratio for kindergarten through third grade classes, has contributed to this declining trend.

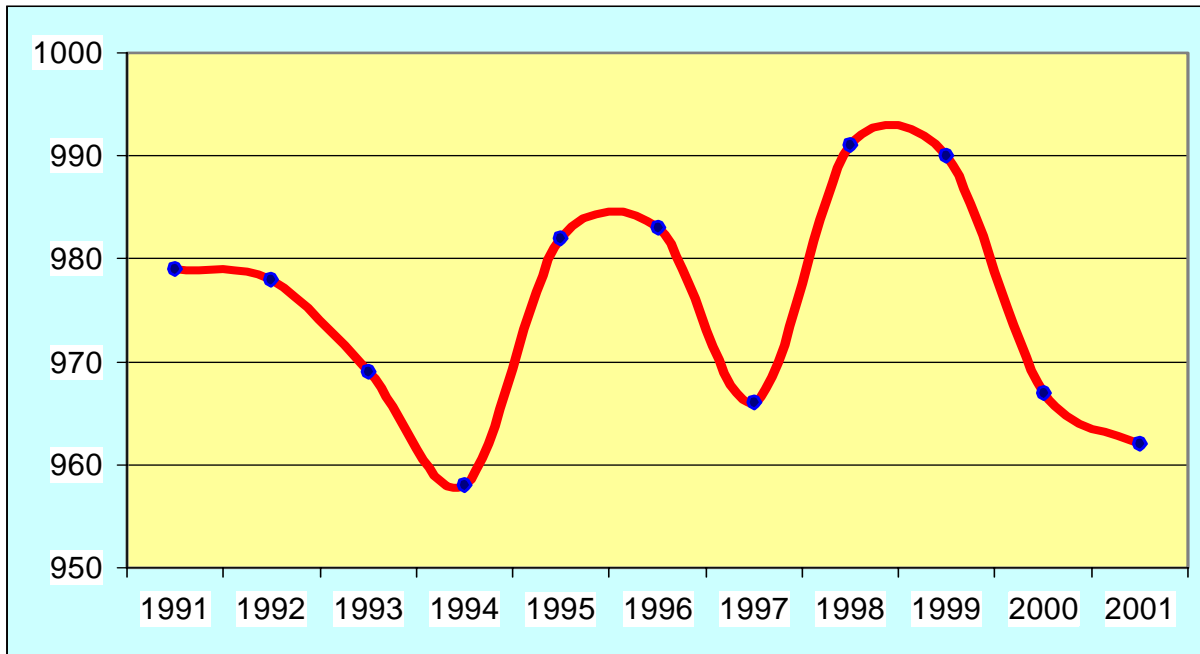


In 2001, the annual pupil-teacher ratio for all public schools averaged 19 in Kern County, 22 in California, and 16 in the United States. California had the second highest pupil-teacher ratio in the country.

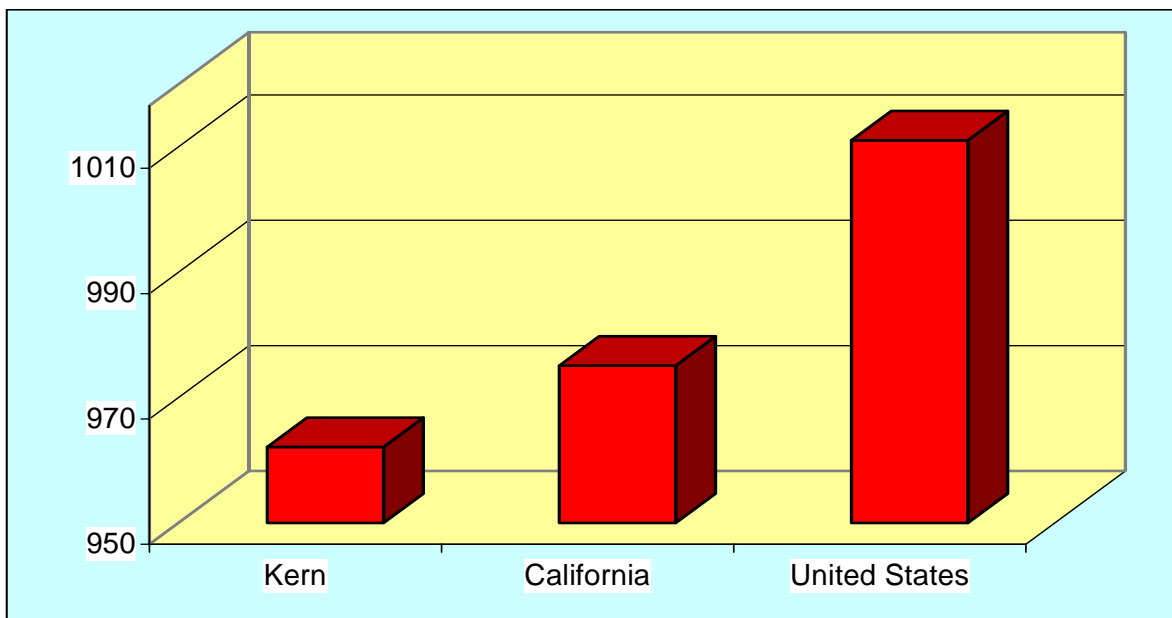


COLLEGE PREPARATION

The Scholastic Aptitude Test (SAT) scores of Kern County students attending public schools have shown a fluctuating trend. It declined from 979 in 1991 to 958 in 1994. It then increased to 983 in 1993, fell to 966 in 1997, rose again to 990 in 1999, and fell to 962 in 2001.

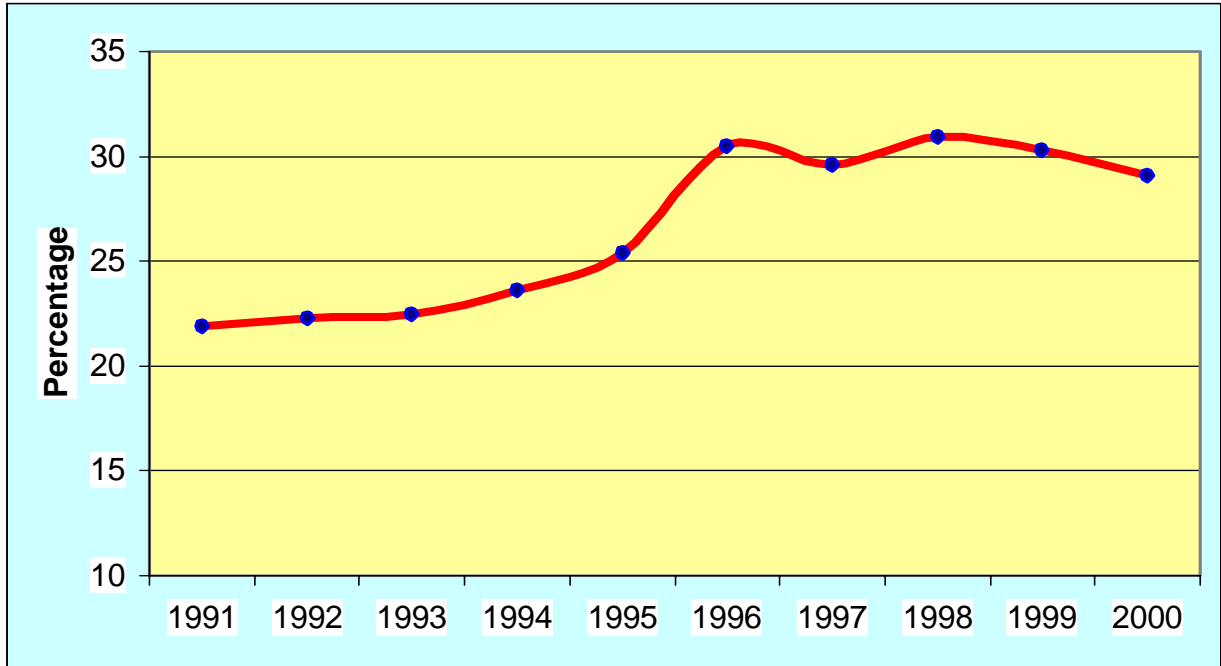


In 2001, the total SAT scores of students attending public schools averaged 962 in Kern County, 975 in California, and 1,011 in the United States.

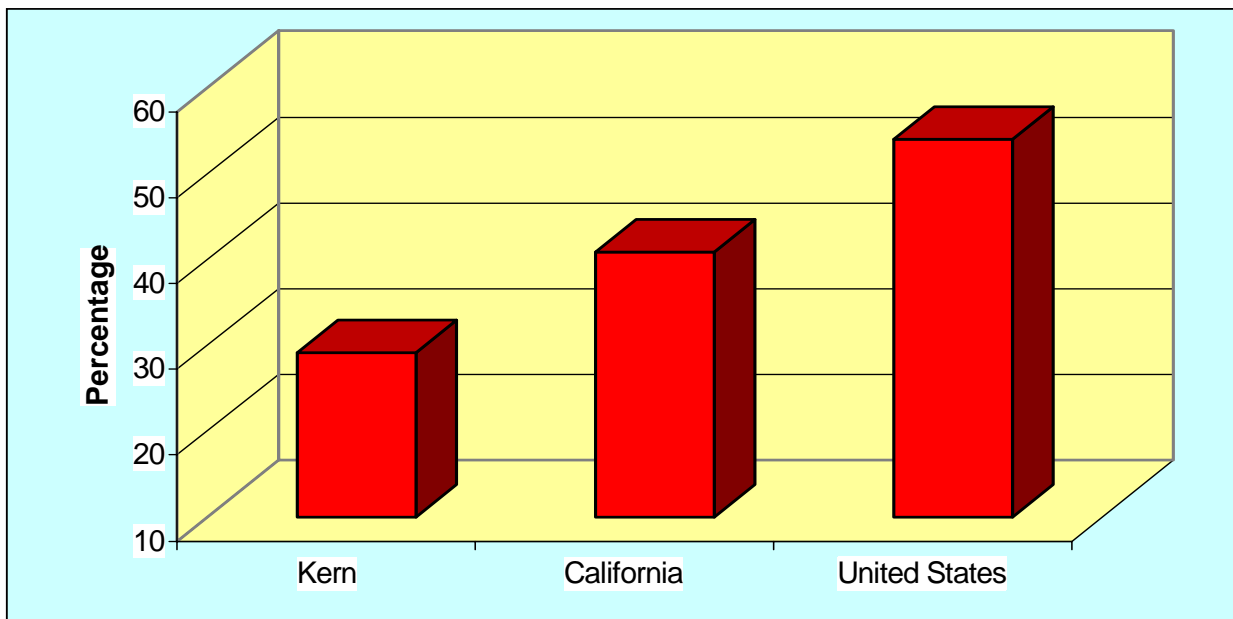


FAMILY ENVIRONMENT

Mother's education is used as a proxy for the socio-economic well-being of the family and potential educational attainment of children. The percentage of mothers with "some" college education increased gradually to 31 in 1998, but fell to 29 in 2000.

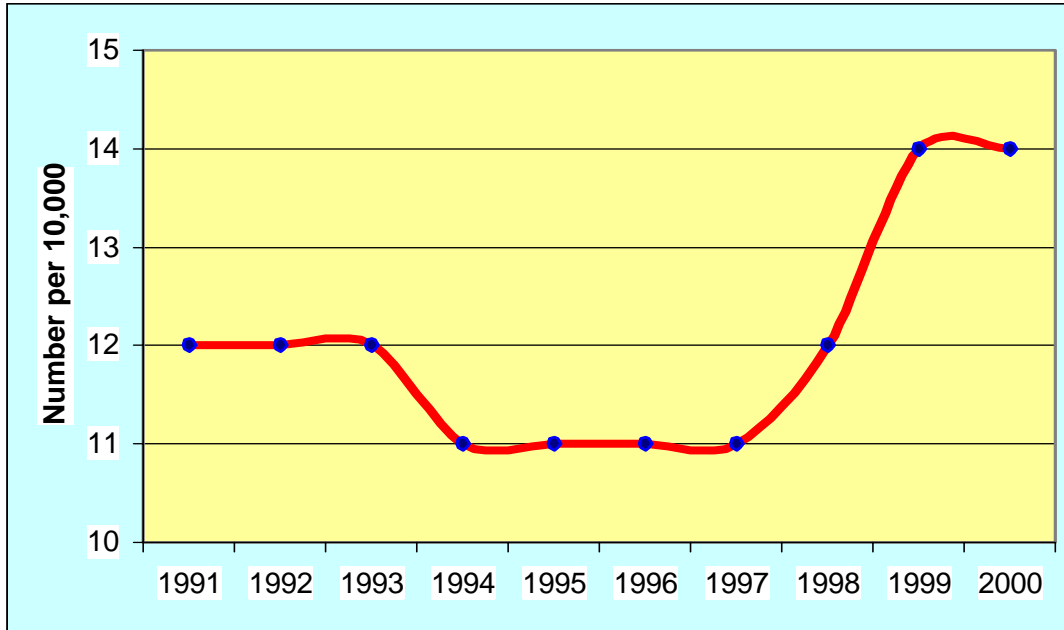


In 2000, the number of mothers with "some" college education as a percentage of all mothers was 29 in Kern County, 41 percent in California, and 54 in the United States.

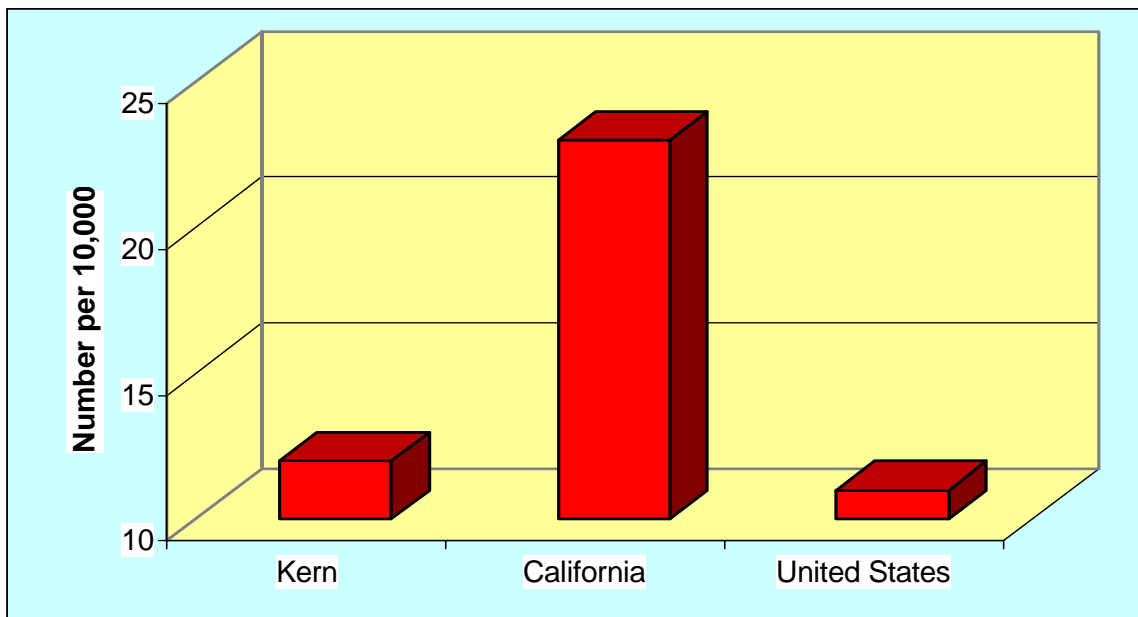


HEALTH CARE

The number of physicians is taken as a proxy for the provision of health care services. The number of physicians per 10,000 persons declined from 12 in 1991 to 11 in 1998, but increased to 14 in 2000.

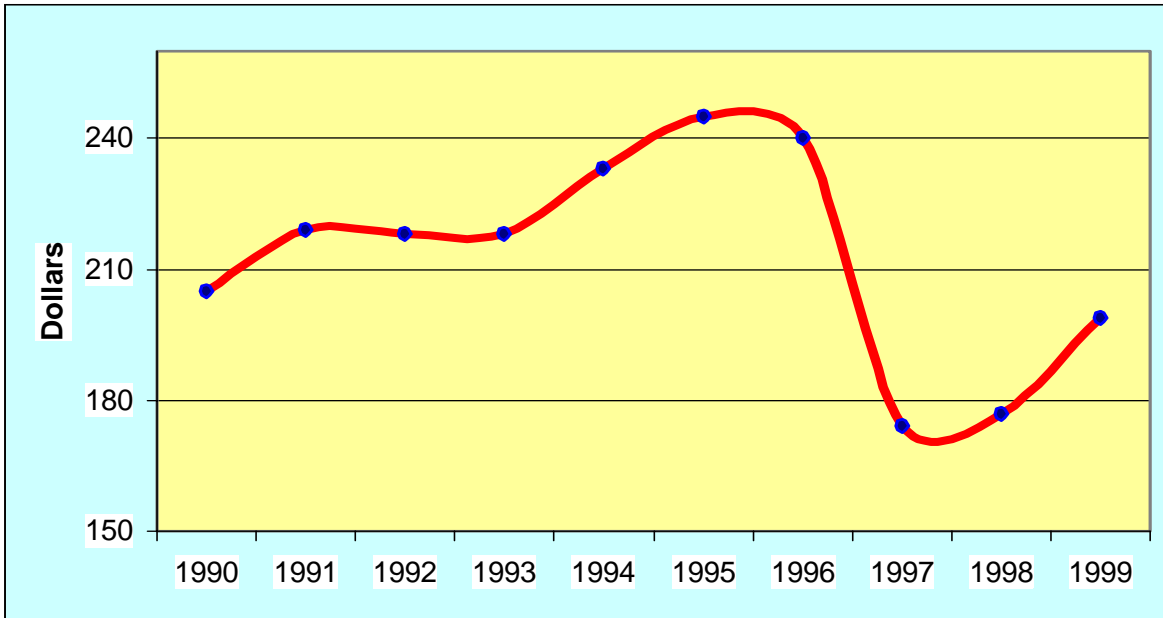


In 2000, the number of physicians per 10,000 persons was 14 in Kern County, 25 in California, and 11 in the United States.

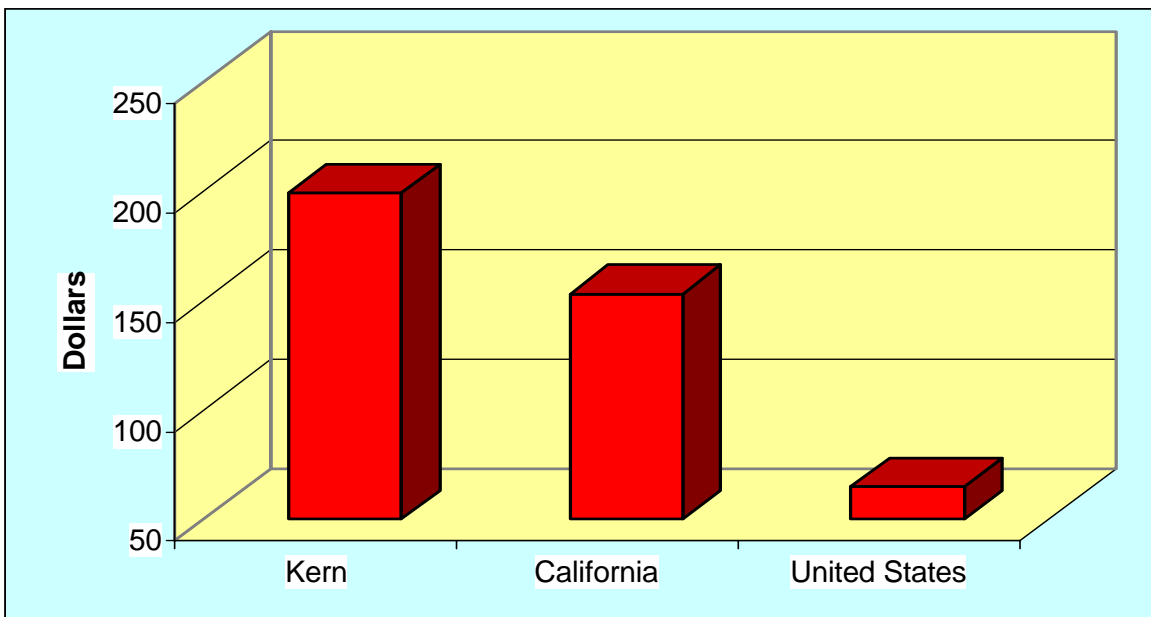


PUBLIC ASSISTANCE

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 declined to \$174 in 1997, but rose to \$199 in 1999.

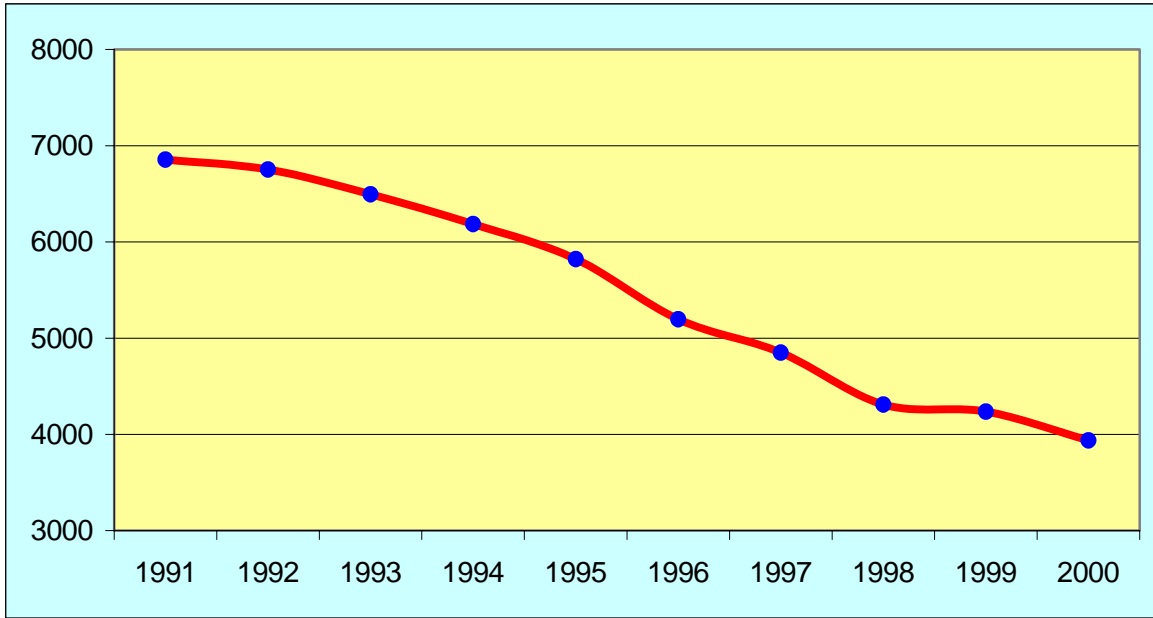


Welfare payments were more generous in Kern County than California and the United States. In 1999, the latest year for the revised data, family assistance per capita was \$199 in Kern County, \$177 in California, and \$78 in the United States.

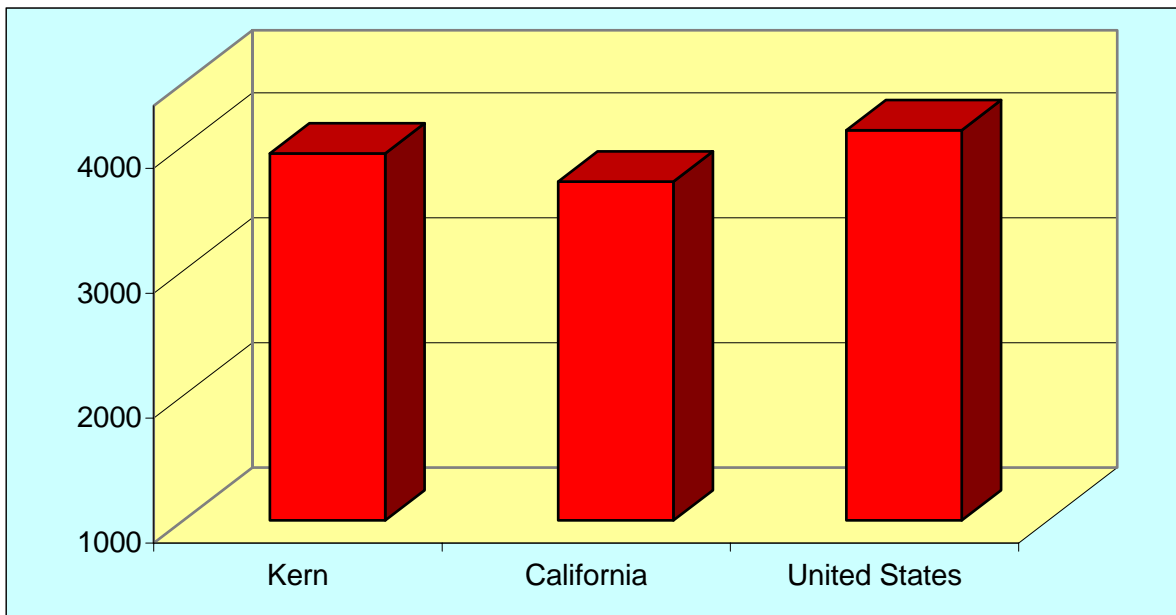


CRIME RATE

Kern County's rate of violent crimes exhibited a sharp declining trend. The FBI Index (homicide, rape, robbery, aggravated assault, burglary, theft, larceny, arson) per 100,000 persons declined from 6,856 in 1990 to 3,938 in 2000. The county's crime rate fell by nearly 43 percent during this time period.



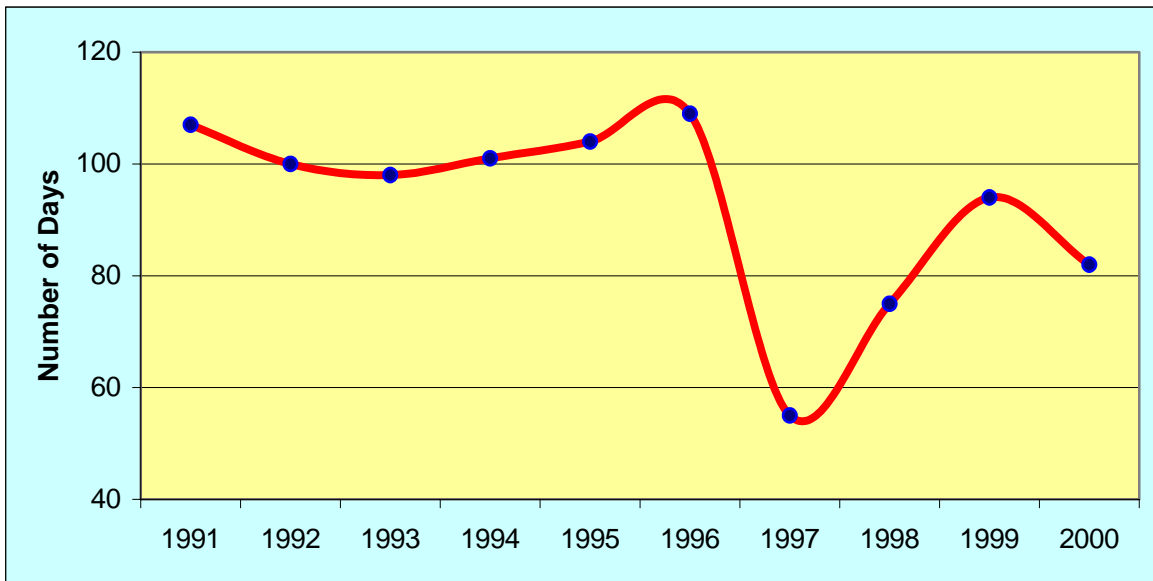
In 2000, Kern County's crime rate was greater than the state rate, but less than the national rate. Crime rate per 100,000 persons averaged 3,938 in Kern County, 3,712 in California, and 4,124 in the United States.



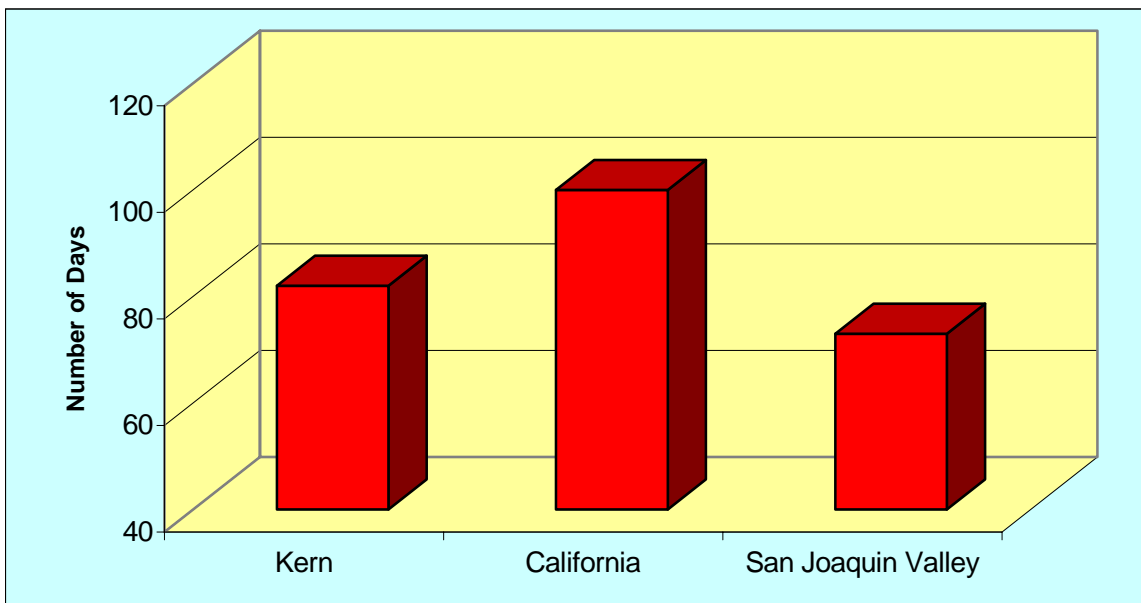
AIR QUALITY

The *State of the Air, 2001* lists Kern County as the third most “ozone-polluted” county of the nation behind San Bernardino, Riverside, but ahead of Fresno, and Tulare counties. Furthermore, the report lists Bakersfield as the second most “ozone-polluted” metropolitan area in the country just behind Los Angeles-Riverside-Orange, but ahead of Fresno and Visalia-Tulare-Porterville.

The number of days that ozone emission exceeded the federal maximum 8-hour concentration had a declining trend in Kern County. The number of days the county exceeded the federal standard was near of above 100 in 1991-1996. It fell to 55 in 1997, rose to 94 in 1999, and fell again to 82 in 2000.



In 2000, the number of days that ozone emission exceeded the federal standard was 82 in Kern County, 73 in the San Joaquin Valley Air Basin, and 100 in California.



THE QUALITY OF LIFE INDEX

To measure the quality of life in Kern County, I consider ten relevant social and economic indicators analyzed in the previous section:

Economic indicators:

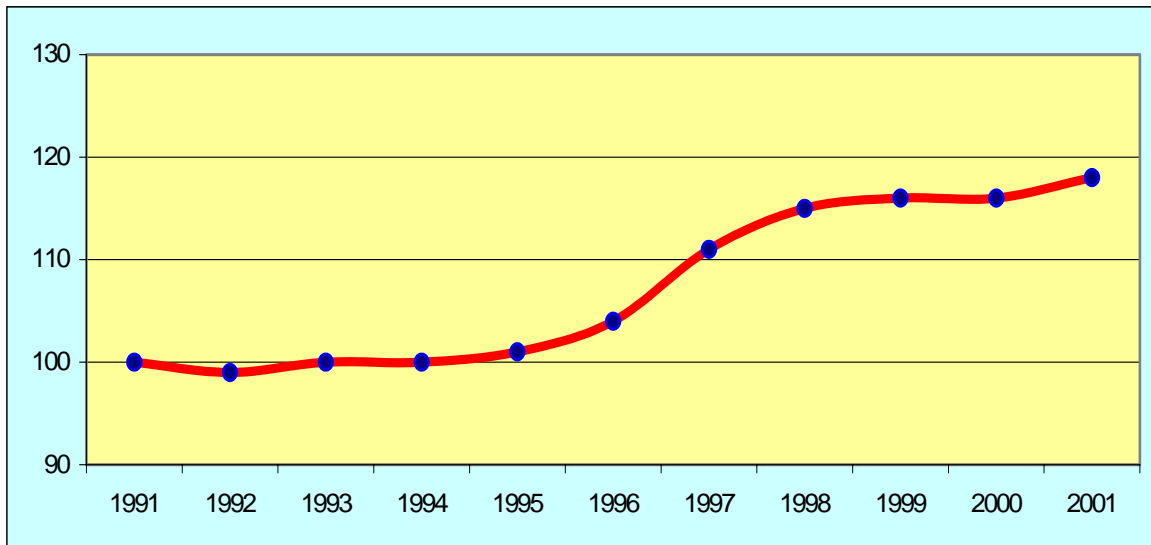
Personal income per capita
Employment growth
Cost of living

Social indicators:

Education
College preparation
Family environment
Health care
Public assistance
Crime rate
Air quality

I take 1991 as the *base-year*, for which the index value is 100. For the years following 1991, I adjust the base-year value by the percentage *change* relative to 1991. I then take arithmetic mean of all social and economic indicators to construct the Quality of Life Index (QLI). Also, I calculate the index for the economic indicators (E-QLI) and for the social indicators (S-QLI). For the year 2001, when several data points are missing, I adjust the previous year index value by the average *change* over the entire dataset.

As depicted below, the QLI showed no improvement during 1991-95, when the index value remained constant. However, the QLI improved substantially since 1996. It increased from 104 in 1996 to 118 in 2001, gaining 14 percentage points. Hence, in 2001 relative to 1991, the quality of life in Kern County improved 18 percentage points.



The E-QLI shows the same trend as the overall index, but at a slower pace. After three years of stagnation, the economy improved slightly in 1994. Then, the E-QLI rose from 103 in 1995 to 111 in 2001, gaining 8 percentage points. In sum, in 2001 relative to 1991, the “economic” quality of life improved 11 percentage points.

(Cont'd on next page)

The Quality of Life Index for Kern County			
	QLI	E-QLI	S-QLI
1991	100	100	100
1992	99	100	99
1993	100	100	100
1994	100	101	100
1995	101	103	100
1996	104	104	104
1997	111	107	113
1998	115	109	118
1999	116	109	118
2000	116	110	118
2001	118	111	120

The S-QLI did not recover until 1996. In the following three years, however, the S-QLI increased sharply. It rose by 4 percentage points in 1996, 9 percentage points in 1997, and 5 percentage points in 1998. The index value, which remained constant at 118 in 1998-2000, is expected to increase to 120 in 2001. Hence, in 2001 relative to 1991, the “social” quality of life improved 20 percentage points.

The QLI trends indicate that the quality of life has improved in Kern County. Although there is room for continued enhancement in all areas, this exercise helps us gain a better understanding of the strengths and weaknesses of our community. Over the past eleven years improvements in the following indicators contributed to the rising trend of the QLI:

Employment growth
 Cost of living
 Family environment
 Crime rate
 Education
 Air Quality

The key to social and economic prosperity is to sustain and enhance it over time. Despite the deep and lengthy recession of the early 1990s, Kern County has stayed on the path to prosperity. Nevertheless, we must continue to work hard in the following areas:

Accelerate economic growth above population growth
 Sustain employment growth through local job creation efforts
 Maintain affordable home prices
 Improve female education and student academic preparation
 Lower the crime rate to the state level
 Invest in pollution abatement
 Improve health care services
 Help welfare recipients gain meaningful employment