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KERN ECONOMIC JOURNAL

Volume 4 Issue 2

2003 Second Quarter



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Clean Air and Job Creation
Assessment of Labor Markets
Edwards Air Force Base

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KERN ECONOMIC JOURNAL is a quarterly publication of California State University, Bakersfield. Its 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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Editorial and analytical articles on important local, regional, national, and international issues and trends are invited for *consideration* of publication in the journal. Articles (not exceeding 800 words in length) must be submitted to the Managing Editor in hard or electronic copy. Individual authors are responsible for the views and research results.

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Population Growth in Kern County

Between January 1, 2002 and January 1, 2003, population of Kern County increased by 14,000 persons. Of this increase, 8,500 (60.7%) resided in Bakersfield, 1,000 (7.1%) in Delano, 1,800 (12.9%) in the unincorporated area of the county, and 2,700 (19.3%) in all other cities.

Kern's population increased at an annual rate of 2%. The fastest growing cities were McFarland (6.0%), Arvin (3.7%), Bakersfield (3.3%), and Tehachapi (3.2%).

	Population		Increase (#)	Increase % of Total	Growth (%)
	Jan. 1, 2002	Jan. 1, 2003			
Kern	688,900	702,900	14,000	100.0	2.0
Arvin	13,550	14,050	500	3.6	3.7
Bakersfield	258,300	266,800	8,500	60.7	3.3
California City	10,850	11,100	250	1.8	2.3
Delano	41,000	42,000	1,000	7.1	2.4
Maricopa	1,130	1,130	0	0.0	0.0
McFarland	10,050	10,650	600	4.3	6.0
Ridgecrest	25,550	25,600	50	0.4	0.2
Shafter	13,050	13,400	350	2.5	2.3
Taft	8,950	9,000	50	0.4	0.3
Tehachapi	11,050	11,400	350	2.5	3.2
Wasco	21,700	22,250	550	3.9	2.5
Unincorporated Area	273,800	275,600	1,800	12.9	0.7

Source: California Department of Finance

ECONOMY AT A GLANCE!

Kern's economy has shown signs of improvement. Businesses and households are cautiously optimistic about current and future economic conditions. Labor markets record a lower unemployment rate and a faster growth rate of nonfarm employment. The economy has created additional total and per capita income. Lower mortgage interest rates have fueled the housing demand, resulting

in higher prices and greater construction activities. Inflation has remained low with falling oil prices and stable gasoline prices. In the meantime, investors are recovering from earlier losses as stock prices have climbed to higher levels. However, the weakening of the dollar relative to other major currencies is penalizing foreign travelers and international traders.

Economic Indicator	2003 First Quarter	2003 Second Quarter	Quarterly Change	Data Source
Kern Business Outlook Index	99	102	3	CSUB
Bakersfield Consumer Sentiment Index	98	109	11	CSUB
Unemployment Rate (%)				California Employment Development Department (CEDD)
Kern	12.7	11.4	-1.3	
Bakersfield	9.0	8.0	-1.0	
Nonfarm Employment Growth (%)				
Kern	-1.7	1.6	3.3	Bureau of Labor Statistics (BLS)
Bakersfield	-1.9	2.0	3.9	
Total Personal Income (\$ billion)				
Kern	13.62	13.71	0.09	
Bakersfield	7.55	7.60	0.05	CEDD
Personal Income Per Capita (\$)				
Kern	20,480	20,520	40	
Bakersfield	31,000	31,150	150	
Economic Growth (%)				CEDD
Kern	1.4	2.6	1.2	
Bakersfield	1.6	2.7	1.1	
Average Weekly Earnings in Manufacturing (\$)	567	559	-8	
Median Housing Price (\$)				California Association of Realtors
Kern	121,500	129,000	7,500	
Bakersfield	129,300	137,000	7,700	
New Housing Permits (#)	391	473	82	
Housing Affordability Index	57	56	-1	economagic.com
Interest Rates, U.S.				
Mortgage Interest Rate (%)	5.84	5.51	-0.33	
Bank Prime Rate (%)	4.25	4.24	-0.01	
Energy Prices				Berry Petroleum economagic.com
Price of Crude Oil (\$/barrel), SJV	28.40	21.20	-7.20	
Price of Gasoline (\$/gallon), CA	1.84	1.88	0.03	
Cost of Living, U.S.				BLS
Consumer Price Index	107.1	107.5	0.4	
Inflation Rate (%)	3.4	1.5	-1.9	
Stock Price Index				economagic.com
DJIA	7,979	8,772	793	
NASDAQ	1,333	1,561	228	
S&P 500	860	938	78	
Foreign Exchange Rate				economagic.com
Japanese Yen	118.9	118.5	-0.4	
Mexican Peso	10.8	10.4	-0.4	
Canadian Dollar	1.55	1.40	-0.15	
Euro	1.09	0.88	-0.21	

BUSINESS OUTLOOK IN KERN COUNTY

ABBAS P. GRAMMY
PROFESSOR OF ECONOMICS



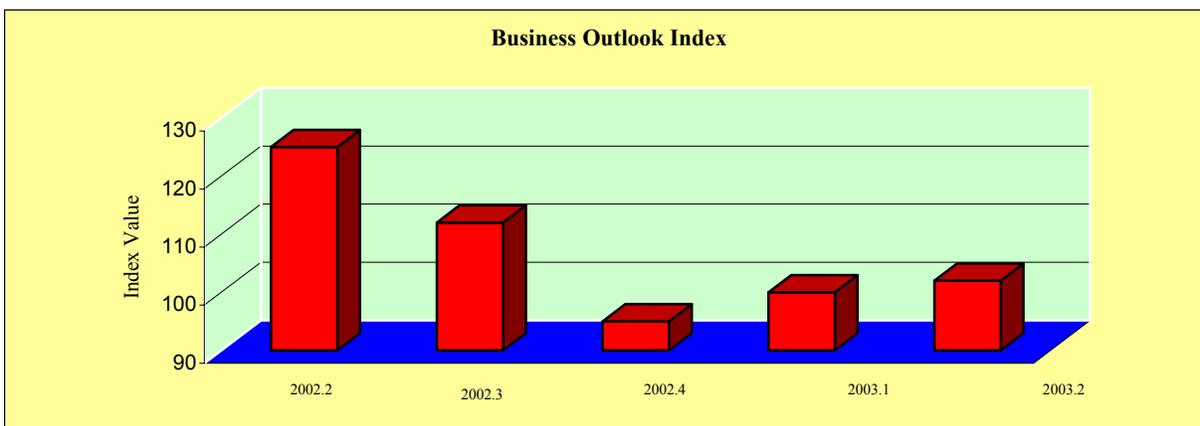
This article presents opinions of business managers regarding current and expected economic conditions of Kern County in the second quarter of 2003. We began compiling the local index in the first quarter of 1999. It is constructed from telephone surveys administered to a random sample of the Greater Bakersfield Chamber of Commerce membership. Responses are enumerated to construct the Business Outlook Index (BOI) for the county. The value of 100 indicates *neutrality* about local business conditions, greater than 100 expresses *optimism*, and less than 100 *pessimism*. Results are illustrated in the following charts.

The BOI increased 3 percentage points from 99 in the first quarter to 102 in the second quarter of 2003. This increase indicates that business managers have become slightly *optimistic* about local business conditions. Since

the fourth quarter of 2002, the BOI has shown a slow rising trend. However, over the past four quarters the BOI has fallen 23 percentage points.

This cautious *optimism* is reflected in the neutral responses most business managers have given to individual questions. The majority of the survey respondents report that the number of jobs in their companies stayed the same this quarter. They expect the number of jobs available in their companies to remain unchanged next quarter. Most business managers perceive that financial conditions (sales or profits) of their companies are unchanged this quarter. They project no improvements next quarter. Also, the majority of business managers indicate that current employment and financial condi-

(Continued on page 5)



Question	Response		
	Better	Same	Worse
	(Percentage of Total Responses)		
Employment in your company this quarter was	23	57	20
Employment in your company next quarter will be	17	72	11
Financial condition (sales or profits) of your company this quarter was	14	81	5
Financial condition (sales or profits) of your company next quarter will be	16	80	4
Employment and general business conditions in your industry this quarter were	13	75	12
Employment and general business conditions in your industry next quarter will be	12	77	11
Employment and general business conditions in Kern County this quarter were	5	73	22
Employment and general business conditions in Kern County next quarter will be	4	78	18

CONSUMER SENTIMENT IN BAKERSFIELD

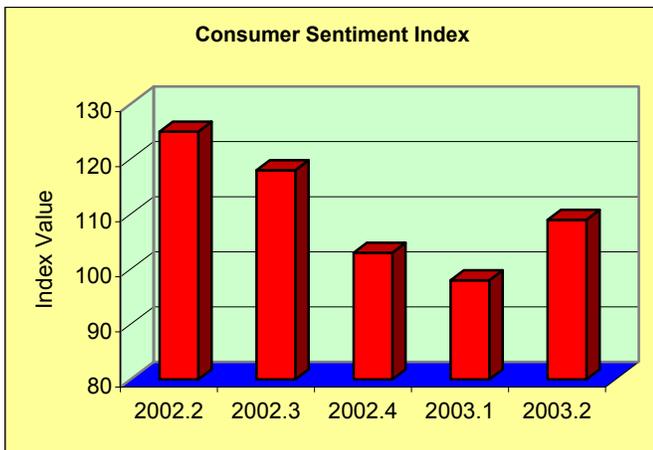
MARK EVANS
INTERIM DEAN, EXTENDED UNIVERSITY
DIVISION



The Bakersfield Consumer Sentiment Index rebounded nicely from 98 in the first quarter of 2003 to 109 in the second quarter. The first quarter was characterized by uncertainty preceding the war in Iraq and was the only period other than the aftermath of September 11, 2000 when the index had a value less than 100. We began compiling the local index in 1999. It is constructed from telephone surveys administered to a random sample of households listed in the Bakersfield section of the phone book. Index values about 100 indicate consumer optimism, while values below 100 are rare and suggest considerable pessimism. The index is disaggregated into sub-indexes relating to recent trends and future expectations. The index of recent trends was unchanged, so the overall improvement was solely attributable to improved expectations.

The Index of Recent Buying and Financial Trends is constructed from responses to questions relating to expenditures on discretionary items, financial status of the household compared to one year ago, and perceived changes in the financial condition of acquaintances in Kern County. This sub-index barely changed, increasing from 103 in the previous quarter to 104. Although the overall value of the index measuring current trends barely changed, there was a considerable change from the previous quarter in response patterns. The distribution of responses to all three questions became more bimodal with decreases in neutral responses being offset by increases in both positive and negative responses. For example, the percentage of households who spent more than usual on discretionary items quadrupled from 8 to 33 percent, but the percent who spent less than

(Continued on page 5)



	Most Recent Quarter	Previous Quarter	One Year Ago
Bakersfield Consumer Sentiment Index	109	98	125
Sub index: Recent Buying & Financial Trends	104	103	119
Sub index: Expectations	114	94	132

	More than usual	Same as usual	Less than usual
Your recent spending on discretionary items (dining out, weekend outings, entertainment)	33 %	44 %	23 %
	Better off	Same	Worse off
How your family is doing financially compared to one year ago.	25 %	50 %	25 %
How your acquaintances in Kern County are doing financially compared to one year ago.	17 %	69 %	14 %

Business Outlook (Continued from page 3)

tions of their industries are the same this quarter. They anticipate that employment and financial conditions of their industries to remain constant next quarter. Over seventy percent of the business managers feel that employment and business conditions in Kern County are the same this quarter and are likely to remain unchanged next quarter.

Survey participants are asked to identify local, regional, national, or international factors that affect employment and financial conditions of their companies. They have identified a number of factors contributing to improved local business conditions:

- Low rate of interest on mortgage loans
- Continued boom of the construction industry and the real estate market

- Low cost of living attracting population to the county
- Stronger retail sales (auto, grocery, clothing, and home appliances)

However, survey respondents state that the following factors have hindered the business outlook in Kern County:

- State budget cuts targeting education, local governments, and non-profit organizations
- Iraq war, war on terror, and airport security affecting the travel and tourism industry
- High energy costs reducing business profitability

In summary, local business managers have become cautiously optimistic about the county’s business outlook. Their expectations are influenced by a number of local, regional, national, and international issues.

Consumer Sentiment (Continued from page 4)

usual also significantly increased from 15 to 23 percent. The percent whose households were doing better financially compared to one year ago increased from 14 to 25 percent, but the percent whose household was worse off increased from 5 to 25 percent.

To assess consumer expectations, households were asked how they thought the financial situation of their families would change over the coming year, how their acquaintances in Kern County view the coming year, and whether this is a safe or risky time to draw down savings or incur debt. The forward-looking index constructed from these responses increased by 20 points from 94 in the first quarter to 114 in the second quarter. When asked the most likely financial situation of their household in one year, the percentage of households expecting improvement more than doubled from 18 to 39 percent. However, the percentage that thought their situation would worsen increased from 5

percent to 18 percent. There was unambiguous improvement in perceptions relating to acquaintances. Those stating that acquaintances in Kern County view the coming year optimistically increased to 45 percent from 29 percent in the previous quarter, while those who thought their acquaintances were pessimistic about the future decreased from one-in-three in the previous quarter to one-in-five respondents. Most significantly, while there was no change in the fraction of households who thought this was a risky time to use savings or incur debt (roughly one-third), the frequency of respondents who thought this was a safe time increased markedly from one-in-20 to one-in-four.

Summarizing, the Bakersfield Index of Consumer Sentiment bounced back in the second quarter after declining for three consecutive quarters. The increase was due to greater optimism about the future rather than to improvement over the recent past. Financial conditions did improve in a greater percentage of families, but this was offset by an increase in families whose condition worsened.

TABLE 3—FUTURE EXPECTATIONS (Percentage of Responses)

	Better or more stable	About the same	Worse or more risky
The most likely financial situation of your family one year from now	39 %	43 %	18 %
	Optimistic	Neutral	Fearful
How your acquaintances in Kern County view the coming year.	45 %	35 %	20 %
	Safe time to buy	Neutral response	Risky time to buy
Is now a safe or risky time for most people to use savings or incur debt to buy expensive goods?	26 %	44 %	30 %

STATE BUDGET RAIDS COUNTY COFFERS AGAIN

SCOTT E. JONES
KERN COUNTY ADMINISTRATIVE OFFICER



California's severe budget crisis is national news. Much less well known is the impact of the State's disastrous financial condition on local government, which often serves as the emergency piggy bank when hard times hit Sacramento.

California counties and State government are fiscally joined at the hip. About 78 percent of the Kern County budget is devoted to health care, welfare, and social programs that State law requires the County to operate, and more than 40% of County revenues come from State sources. Therefore, when the State of California is in financial trouble, the County of Kern budget feels the impact.

In 1992 and 1993, when California's previous economic downturn left the State treasury several billion dollars short, the Legislature and Governor shifted nearly \$4 billion in local property taxes from counties, cities, and special districts to State use each year. That raid on local governments' general funds now costs local taxpayers \$50 million each and every year in revenues that are not available to finance Kern County services. Between 1992 and the end of this fiscal year, this property tax shift will have cost the County \$500 million in discretionary revenues.

These missing revenues translate into hard choices for County services. The County's total annual discretionary revenues are about \$210 million. This is money that the Board of Supervisors decides how to spend instead of being mandated by Sacramento or Washington, and the biggest share goes to law enforcement and fire protection. County roads also claim a share, as do parks and libraries and many other services.

When local taxpayers lose \$50 million in discretionary money to Sacramento each year, roads do not get patched or widened quickly enough, the ratio of Sheriff's officers stagnates below one deputy per thousand population, and libraries cut back hours of operation. These service impacts are a direct and unavoidable result when discretionary revenues are raided by the State.

With less local revenue, the Board of Supervisors must find ways to minimize the impact on services to the public. In order to keep parks and libraries open, deputies on the street, health inspectors in the field, and to maintain many other services provided by County government, the County budget must defer essential major maintenance and capital projects each year. This backlog of deferred projects has now reached \$500 million, which is (not coincidentally) about the same amount the County has lost to the property tax shift since 1992.

In this year's State Budget, the Legislature and Governor came knocking for even more local money. However, Sacramento's immense chasm between revenues and spending makes the 1992 State Budget deficit look puny.

This time, it is vehicle license fees that will be swept by the State Budget. How does this State-collected tax affect the County? Many people do not realize that the California Constitution guarantees proceeds from the so-called "car tax" to cities and counties, who have received these revenues for many decades. The car tax remained at 2% of value for 60 years until 1998, when the Legislature and Governor Wilson began cutting it to approximately one-third of that rate. This politically popular move

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allowed Sacramento lawmakers to claim credit for a tax cut that was financed with local revenues.

Because cities and counties have long depended on these revenues to help finance local services, the State made up the lost revenues to local government from its general fund, which at the time was in surplus. The 1998 car tax cut specified that the tax would automatically return to its former level if the State general fund ever had insufficient funds to pay cities and counties for their substantial loss of revenues.

This year, with the State living on borrowed cash and facing a \$38 billion budget deficit, Governor Davis returned the vehicle license fee to its former level on June 20. However, the State Budget includes no money to reimburse local governments for the gap in revenues between when motorists are billed at the higher rate and when the taxes must be paid on October 1. That means the County will

lose \$11.5 million in discretionary car tax revenues – another State raid on local taxpayer funds.

The new State Budget also requires the County to help pay a federal penalty the State owes for its failure to integrate child support payments into a single computerized system, which will cost \$1.6 million. With the cutback in vehicle license fee revenues and cuts in State aid to County libraries, roads, and law enforcement, the State Budget will cost the County’s General Fund nearly \$17 million.

The budget pain is far from over. At least \$8 billion in red ink still remains in the current State Budget and no economic upturn is in sight, so the State’s fiscal future – and by extension, the County budget – remains extremely uncertain for years to come. The only sure thing is that in both good times and bad, State Budget raids on local revenues hurt the public safety and the quality of life of people in Kern County.

Econ Brief!

Population Growth in San Joaquin Valley

Between January 1, 2002 and January 1, 2003, population of the San Joaquin Valley increased by 74,000 persons. Of this increase, 16,600 resided in San Joaquin County, 14,100 in Fresno, 14,000 in Kern, 11,600 in Stanislaus, 9,700 in Tulare, 5,500 in Merced, and 2,500 in Kings.

Population of the Valley increased at an annual rate of 2.2% compared with 1.7% of California. While the Valley’s population was 9.5% of California’s population, it accounted for 12.5% of the state’s population growth.

	Population		Increase (#)	Increase % of Total	Growth (%)
	Jan. 1, 2002	Jan. 1, 2003			
California	35,000,000	35,591,000	591,000	-	1.7
Fresno	827,300	841,400	14,100	19.1	1.7
Kern	688,900	702,900	14,000	18.9	2.0
Kings	133,600	136,100	2,500	3.4	1.9
Merced	219,600	225,100	5,500	7.4	2.5
San Joaquin	596,900	613,500	16,600	22.4	2.8
Stanislaus	470,000	481,600	11,600	15.7	2.5
Tulare	376,500	386,200	9,700	13.1	2.6
SJV Total (#)	3,312,800	3,386,800	74,000	100.0	-
SJV Avg. (%)	-	-	-	-	2.2
SJV/CA (%)	9.5	9.5	12.5	-	-

Source: California Department of Finance

Econ Brief!

Housing Price Appreciation in Kern County

In recent years, low interest rate on mortgage loans stimulated the demand for housing, resulting in higher prices and increased construction activity. Over the past four quarters, the median sales price for all homes appreciated more than 10% in the county and the following cities.

Median Sales Housing Price			
	2003 Second Quarter (\$)	2002 Second Quarter (\$)	Increase %
Kern County	129,000	111,500	15.7
Bakersfield	137,000	118,000	16.1
California City	91,250	75,250	21.3
Delano	109,000	88,500	23.2
Ridgecrest	101,000	85,000	18.8
Rosamond	131,000	113,000	15.9
Tehachapi	150,000	132,750	13.0
Wasco	81,500	74,000	10.1

Source: California Association of Realtors

CLEAN AIR AND JOB CREATION IN SAN JOAQUIN VALLEY

BARBARA PATRICK
KERN COUNTY SUPERVISOR



In recent years it has become clear that the San Joaquin Valley needs to step up efforts to deal with an increasingly difficult air pollution problem. Thousands of the Valley residents are suffering from health consequences of air pollution. Recent news articles have documented the problems air pollution is causing here:

- Months of continuing "bad air" days
- Haze that blots out the mountains for weeks at a time
- Costly crop damage
- 47,500 asthma attacks each year
- More than 1,000 hospital admissions per year due to air pollution related problems
- 204,000 annual lost workdays related to air pollution problems
- 1,000 premature deaths per year caused by particulate pollution

Resident and elected officials of the Valley know we need to increase our efforts to clean the air. Fortunately, there are signs that most citizens, government agencies, farmers, land developers, and business enterprises are taking this effort seriously. Together, we are finding innovative ways to deal with air pollution -- ways that will not only protect our health but will also improve the local economy. It's no secret that the San Joaquin Valley has the state's most rapid population growth, and also some of the highest unemployment and poverty rates. To bring jobs to this region, we need an attractive environment where people wish to live, work, and enjoy life. Controlling air pollution is vital to both our economic and physical well being.

The eight-county San Joaquin Valley Air Pollution Control District is leading the charge by analyzing the problem in great detail, forecasting into the future and identifying specific emission control strategies to clean the air. A plan for reducing particulate matter is already in place, with a revised, updated ozone plan to follow in short order. But, the District is not alone in solving this problem.

One of the newest Valley organizations dealing with air pollution is Operation Clean Air. This organization is comprised of a group of business, government and community leaders who are working to identify voluntary strategies to clean up the Valley's air.

Operation Clean Air is proposing an air quality empowerment zone, where business would receive tax incentives to help pay for air cleanup efforts. The idea also includes low interest and no interest loans to help pay for advanced technologies. While in its infancy, this is one example of the new creative thinking required to find solutions for the Valley's air problems. The plan can be viewed at www.operationcleanair.org.

Another helpful Internet site can be found on the California Air Resources Board's web page at www.arb.ca.gov. Type "agriculture" into the search engine and you will be taken to the web page describing ARB's collaborative efforts with the agricultural community to reduce air pollution.

Meanwhile, the Great Valley Center, a private non-profit organization, has published a report on the great potential for renewable energy in the San Joaquin Valley. The report, *Renewable Energy: Strategic Opportunities for the Great Central Valley*, suggests that the Valley possesses abundant resources that could help reduce air pollution while contributing to the production of renewable energy. Some of these resources include agricultural wastes such as crop residue and animal manure that are currently contributing to the Valley's air pollution problems. The report suggests that crop waste could be turned into ethanol instead of burning. Ethanol is used in California's gasoline blends. Animal manure can be used to produce electricity to power farming operations. Processing crop waste and manure would reduce air pollution while adding to the income of the Valley's agricultural operations.

The report also points out that in September 2002, California enacted a renewable energy standard requiring the state's utilities to provide 20 percent of their electricity

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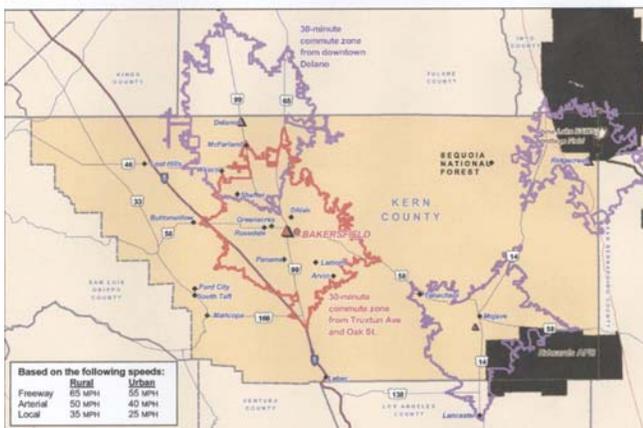
LABOR MARKET ASSESSMENT IN KERN COUNTY

THE WADLEY-DONOVAN GROUP, A GRUBB & ELLIS
COMPANY¹

Kern County is a metropolitan statistical area in south-central California. Bakersfield, the county seat, is 110 miles north of Los Angeles. According to the 2000 Census, the county had a population of 661,645. This population is projected to grow at a faster rate than the state or nation by 2007. Bakersfield accounts for 37 percent of Kern County's residents. The county covers almost 8,141 square miles, which is more land area than five states (i.e., Rhode Island, Delaware, New Jersey, Massachusetts, Connecticut, etc.). As such, the county has several distinct communities and diverse labor markets, of which there is only some overlap.

Figure 1 demonstrates 30-minute commute zones for the cities of Bakersfield, Delano, Ridgecrest, and Mojave. Three of these cities (Delano, Ridgecrest and Mojave) were selected for analysis by the Wadley-Donovan Group as representative locations of the county, while Bakersfield was selected by the Kern EDC for analysis because it is the largest city in the county. As can be seen, only the Bakersfield and Delano labor sheds experience some overlap. The western portion of the county is within the southern San Joaquin Valley, while the southeastern portion of the county is within the Antelope Valley.

FIGURE 1
30-MINUTE COMMUTE ZONES FROM DELANO, BAKERSFIELD, RIDGECREST, AND MOJAVE



The county's attributes distinguish it as an excellent place in which to live and work. Businesses and residents alike are discovering the county's modest costs of living and doing business; a high quality of life; available, quality labor; and a local pro-business environment. This makes Kern County an attractive alternative to many other communities in California,

which are facing escalating housing costs, increased traffic congestion, and certain skill shortages.

Kern County's assets make it an attractive location for varied business activities, including:

- Office operations, especially administrative support centers, and high-end call centers with start-up employment of fewer than 500 employees
- Distribution facilities
- Small (fewer than 100 employees), select, light-manufacturing operations to support existing industry needs

In addition, Kern County provides a potential location for small entrepreneurial operations, provided that sufficient capital, real estate, and support systems are in place to encourage this type of activity. Unlike several of the coastal communities that have become too expensive for many start-up operations, Kern County offers a lower cost operating environment that is strategically located two hours from Los Angeles, four hours from San Diego, and approximately five hours from San Francisco.

The county's primary assets include:

- Direct air service from Kern County Meadows Field Airport in Bakersfield to Los Angeles, San Francisco, and Phoenix
- A large population base (661,645), providing a considerable labor pool of 296,808
- Good availability of certain skill sets, including entry-level call center representatives, bilingual personnel, computer and office technical support specialists, unskilled manufacturing laborers, entry-level clerical workers, computer network administrators, and accounting clerks
- Edwards Air Force Base in the eastern part of the county has 4,900 active duty personnel, 231 reservists, and 8,000 family members, and employs 3,432 civilians.
- China Lake is home to the Naval Air Warfare Center Weapons Division with 3,400 civilian employees, 1,000 military personnel, and 1,600 family members.
- Ability to recruit professional and managerial talent from outside the area
- Several high-quality, post-secondary institutions graduating more than 3,000 students per year in a wide variety of disciplines

(Continued on page 10)

¹This is the executive summary of a study prepared for Goodwill Industries of South Central California and Kern Economic Development Corporation. The study is funded by Kern, Inyo, and Mono Counties Workforce Investment Board and Pacific Gas and Electric Company. Results were presented in the Kern County Economic Summit in March 2003.

- Average wages and salaries are below the state and national averages. Overall, average employee earnings are 82.5% of the national average. Effective minimum starting rates for entry-level office/clerical employees average between \$9.00 and \$10.00 per hour.
- The county's unemployment rate is significantly higher than state or national averages. In 2002, the average unemployment rate was 11.3%, while the state rate was 6.7% and the national rate was 6.9%.
- A large proportion of households have median incomes below \$35,000, relative to the rest of California. In WDG's experience, this may indicate a high proportion of residents that would be interested in entering the workforce as second-income earners or moving into positions that offer greater earnings and career advancement potential.
- An excellent quality of life with many recreational opportunities, available homes and rentals, excellent climate, good health care, and safety from crime.

Simultaneously, however, the county is facing challenges at both the state and local levels:

- Employers report that Kern County is typically pro-business, but California is typically viewed as a less-than-friendly business state, partly due to the absence of right-to-work legislation, less favorable positions on workers' compensation, and recently enacted state legislation allowing six weeks paid family leave.
- Education levels in Kern County are below state and national figures. According to the 2000 Census, 31.5% of Kern County residents do not have at least a high school diploma, compared to 23.2% in California and 19.6% nationally. This can be partly attributed to large influxes into the area of Hispanic residents who, employers agree, tend to be excellent workers but may lack the formal education and training required for certain positions.
- Kern County's economic base is not sufficiently diversified. Employment is heavily weighted towards the service and retail sectors, while manufacturing employment is significantly under-represented.
- New employers will not draw a large number of employees from residents not currently participating in the workforce. The workforce participation rate in Kern County is 66.8%, compared to 65.1% nationally.
- Some skills are not available from the local workforce or are difficult to recruit or retain. These include maintenance mechanics/electricians, clerical workers with advanced computer skills, experienced inbound call center representatives, field workers, and experienced maintenance workers. Similarly, some of these occupations reported to be in short supply will be in demand over the next six months to one year, according to local employers.
- Employers report minimal interaction with local post-secondary institutions for general and customized training programs, as well as for recruiting opportunities.
- Employers rely on very traditional recruiting techniques.

Very few employers recruit at colleges, universities, or tech schools, or use Internet-based recruiting.

- Air quality has become a major concern among residents. Kern County is a non-attainment area, according to the EPA.

In light of the challenges faced by Kern County as it charts a course for future development, certain steps can be taken:

1. The region should emphasize economic development in all business sectors. The effort should be taken through business attraction, business expansion, and entrepreneurial development programs. Business attraction marketing should emphasize the area's high quality labor and good operating environment that is available at a lower cost than in other California communities. The message must be stated and supported that the Bakersfield MSA offers a more profitable operating environment than other metro areas offering the county's amenities – a large labor force, a pro-business environment, and an excellent quality of life.
 - The county is not yet ready to market itself as a "high-tech" location. It has an insufficient base of "high-tech" employers (although it has some, such as ChevronTexaco) and occupational skills, and the computer literacy of its residents needs to be elevated. It also needs a full engineering program in electrical/electronic engineering, and larger programs in computer and software engineering. Other technology-focused university programs would also be helpful in biology and bioengineering. The county can, and should, look to expand its technology operations and steer to a future as a high-technology center. Success in this direction will require a leading role by Cal State, Bakersfield College, and other post-secondary institutions.
2. Directing activities so that the county is ultimately able to "grow their own" or recruit technology-intensive professional operations including engineering, software development, and diversified technology will depend on several factors:
 - The county needs to demonstrate its ability to accommodate employers by having available real estate options and assistance with access to capital.
 - Maintain lists of area relocation specialists that can be made available to companies considering Kern County from outside the area.
 - Create a résumé database of spouses of relocated professionals/executives at a central office.
 - The Kern EDC should look at areas with comparable demographics that have become technology centers and adopt similar programs designed to encourage technology-intensive development.
3. A survey of the county residents who commute to jobs outside of Kern County is recommended. The survey should detail the occupations, educational characteristics,

(Continued on page 11)

- salary, age, and places of residence and work (by zip code). The survey should also ask what would be needed for them to work in Kern County. Frequently, people are willing to work closer to home and accept lower salaries to avoid long commutes.
- The survey would show the driving times and distances of the out-commuters. This data can be shown to employers looking to locate facilities in Kern that employ these out-commuting skills.
4. A countywide household survey is recommended to provide details on the characteristics of the resident labor force. This survey would provide the data on the out-commuters as described above, on the county's employed workforce (covering the full and underemployed), and on its hidden labor force (i.e., the residents who are not working but would want to work, the students at Cal State and the other county schools). This survey would profile the under-employed by occupation. The survey should use three survey methods: mail-out and personal interviews as the primary methods, and telephone as backup. It is important that the survey should not rely only on telephone surveys, as those surveys cannot provide the depth of labor market information needed by the Kern EDC, because they ask insufficient numbers of questions and can lead to misleading conclusions. A multi-modal survey is needed to provide the detailed information needed by the Kern EDC to profile its workforce and to provide a truly stratified and statistically valid sample. The questions to be asked need to include the training desired by the employed who wish to change or upgrade their careers. We recommend that the Kern EDC conduct or supervise this survey in order to focus the county's economic development efforts. However, results should be shared by both agencies.
 5. The Kern EDC also is urged to survey its employers on labor availability, quality, cost, and demand, and on training requirements and availability of underemployed, students, retirees, and part-time employees. The survey should include all employers, in all business sectors. Special efforts would be needed to assure that key county employers and small employers participate in the survey. The survey instrument used by WDG could be used in this larger scale survey. Results should be shared with the Workforce Investment Board.
 6. A comprehensive wage survey should be included in the employer survey. Because the county spans such a large geographic area, it is difficult to obtain accurate wage information that is relevant to all areas of the county without utilizing a customized survey that reflects all business sectors, covers a statistically valid sample size, and is representative of the sub-regions within the county. Existing wage surveys and data provide conflicting information and conclusions. A locally-generated survey would be able to provide needed detail by specific occupations, by geography, and by level of employment (i.e., entry, average, and median).
 7. It is important to improve the image of vocational-technical education for students who are not college bound. The area's two-year, post-secondary schools are urged to continue to expand their business and technology-focused training. Concerted efforts need to be made to attract students into these programs.
 8. A closer link between workforce development and economic development is needed. A campaign to encourage adult residents to obtain their high school diplomas or GEDs is important. ESL programs are also needed at the place of business and at community and cultural centers, churches, career service centers, and libraries. GED, computer literacy, and ESL adult classes need to be easily accessible and open late at night or early in the morning to be successful. Simultaneously, employers should encourage and assist existing employees in getting their GEDs.
 9. Area education and training institutions should conduct additional outreach to regional residents to capture their interest in obtaining new skill sets. Educational programs geared to adults should be publicized regularly in local newspapers and other media outlets to inform residents and employers of education and training opportunities. Material can be disseminated via churches, retail outlets, utility bill stuffers, and newspaper inserts.
 10. County employers report that they have minimal interaction with post-secondary institutions for both workforce training and recruiting opportunities. This disconnect results in a lack of full understanding of the training needs of area industries among area educators and employers' understanding of the training resources available locally. A joint committee comprised of employers and educators is encouraged to conduct periodic assessments and to plan for current and future training needs. The Kern EDC or some other neutral, respected agency should be the catalyst of this effort.
 11. Efforts must be taken to keep local graduates in the area. Employers should expand on-campus recruiting as one effort. An expansion and increased development of co-ops, internships, and apprenticeships is also critical.

EDWARDS AFB—THE FUTURE IS NOW!

PHIL BRADY
DIRECTOR, AEROSPACE OFFICE,
EDWARDS AFB



Pursuant to the 1995 Base Realignment and Closure (BRAC) process the Federal Government closed or realigned many US military installations. The United States Congress has taken action to close or realign an additional 25% of the remaining defense facilities in 2005. They reason that funds cannot continue to be taken from the nation's the war fighting capability to support bases that are no longer affordable and/or do not help meet Department of Defense (hereafter DoD) requirements, as spelled out in DoD's Joint Vision 2010, and again in Joint Vision 2020. Further, the 15 November 2002 policy directive of the Secretary of Defense "Transformation through Base Realignment and Closure" outlines DoD's future requirements and directs processes and actions to achieve the "Vision".

In the four previous rounds of Base Realignment and Closure (BRAC) proceedings, the State of California:

- lost 29 bases - more than the other 49 states combined
- lost 101,000 direct military and civilian jobs – more than the other 49 states combined
- lost about 300,000 private sector defense industry jobs
- suffered a cumulative economic loss of \$30 billion.

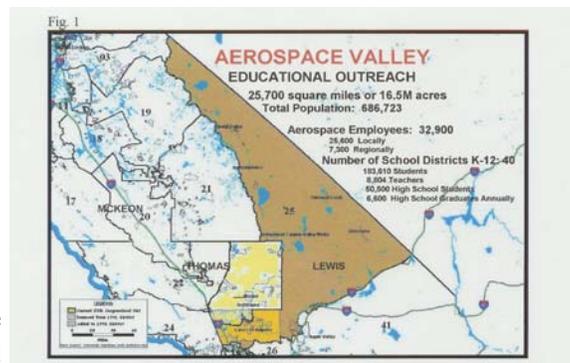
On September 16, 1999 the Governor signed SB1099, the California Defense and Retention and Conversion Act of 1999, creating the California Base Retention and Conversion Council and the Office of Military Base Retention (now Military Base Support). This office, recognizing the economic criticality to California of the Aerospace Valley (see Figure 1), with its high tech research, test and training bases funded "Base Retention" Grants for Edwards AFB, Ft. Irwin, Barstow USMC Depot, AF Plant 42, and China Lake NAWC.

In 2001 and 2002, Kern County was awarded grant funds from the California Technology, Trade and

Commerce Agency to prepare an action plan designed to preserve and protect the missions of Edwards Air Force Base (EAFB) and the Air Force Flight Test Center (AFFTC). One component of the scope of work in the grant agreement requires the formation of the Edwards Community Alliance. This group is composed of representatives from communities, organizations, and other individuals who have a stake in the success of the proposed plan and its implementation. The purpose of the Edwards Community Alliance ("the Alliance") is to support the continued viability of EAFB and the AFFTC through collaborative efforts, including political lobbying, financial support, and promotion of EAFB and the Antelope Valley Region as a premier location for continued pursuit of military, defense, and commercial aerospace enterprises.

Aerospace Valley, an area including 686,723 residents, reaps substantial economic benefits by having an active military base in the area. Of the 112,648 jobs in the Antelope Valley, 56 percent are white collar, 31 percent are blue collar, and 13 percent are in service and agricultural-related industries. Historically, a large percentage (25% plus) of local jobs have been aerospace and defense related. The loss of EAFB, or a major mission change at the base, would result in the loss of thousands of irreplaceable, high paying research and development jobs. Both Los Angeles County and Kern County would experience substantial revenue losses, and the region would become financially distressed. Negative impacts on the local governments' ability to perform critically needed capital projects as well as deliver basic services such as libraries, parks, police, and fire protection, to support growing populations, would be felt. Impacts of the loss of Edwards would be felt throughout the State of California. Also, having engineers, highly skilled technicians, and others with advanced educational degrees living in the area, benefits the entire community. The local school systems become

(Continued on page 13)



more competitive and all students tend to perform at higher academic levels.

Kern County, designated by the State as the "Single Local Base Retention Entity" for Edwards AFB, retained the Aerospace Office, a non-profit organization, to execute the Edwards Base Retention Grant.

The Scope of Work defined two primary needs.

- Plan and establish a regional Community Alliance to implement community outreach program to:
 - preserve the existing Research, Development Test and Evaluation, and training mission of the AFFTC in the short-term; and
 - protect, preserve and enhance the region's economic base by encouraging appropriate decision makers to consolidate DoD test and training in the west, and particularly in the EAFB region, in the long term.
- Find a way to regionally overcome the National workforce shortfall in Math, Science, Engineering & Technology (MSE&T)
 - Local shortages is a regional economic threat (see Figure 2)
 - Affects new work acceptance and program retention at Edwards and Aerospace Valley Contractors
 - Creates a Military Base retention issue.

The Edwards Community Alliance has been formed and actively participated in preparation of a plan to use a regional community outreach program to first preserve, and secondly to expand the research, development, test, evaluation, and training missions of the AFFTC at EAFB.

Critical criteria that will be used in the next round of BRAC are the encroachment of surrounding land uses and its affect on the installation's mission. The community outreach program is used to convey and protect the mission airspace and land use requirements of EAFB and express strong community support for DoD to continue and expand

the AFFTC mission here. It is important that the unique and irreplaceable value of Edwards Air Force Base be conveyed to decision-makers. A continuing goal of this effort is to enhance the mission and economic base by encouraging BRAC decision-makers to consolidate DoD test and training in the west. Particularly, consolidation of Department of Defense air vehicle testing at Edwards with the AFFTC serving as the hub of **all** DoD test and training activities nationwide.

As the second largest installation in the US Air Force, Edwards Air Force Base is uniquely postured to accommodate future growth. The vast expanse of the base with its nearly contiguous Army, Navy, Air Force, and Marine installations and ranges with millions of acres of DoD owned land, and also including thousands of square miles of sea ranges, makes it well suited to serve as the future home for all Department of Defense flight test activities. Edwards is more than just a valuable asset to the DoD; it truly is a one-of-a-kind and irreplaceable national resource, and it is of critical importance to the Aerospace Valley economy.

A major concern, not only for the military but the entire aerospace industry in the Antelope Valley, is the shortfall in scientific and engineering personnel. A broad based consortium of representatives from the military; industry; educational institutions, from elementary to college level; state; county; and city governments; federal agencies; and economic development organizations was established to research the problem. This Math, Science, Engineering and Technology Consortium (consortium) was organized into working groups to explore various aspects of the problem and potential solutions that could be implemented on the local level. Identification of the Antelope Valley scientific, engineering, and technology shortfall, although it follows a national trend, quickly revealed a potential economic impact, i.e.

Edwards and other organizations are unable to accept additional work until they are able to fill their vacant scientific and engineering positions.

The goal of the Math, Science, Engineering, and Technology Consortium is to create an integrated technical education program where students can explore "technology" as a career and flow freely from elementary and

(Continued on page 14)



secondary schools through community colleges, higher education and into the workforce.

A long term program to "Grow Our Own" engineers and scientists will require a fundamental change in the way we approach math, science, engineering and technology education in the future. To be successful we must ignore county lines and school district boundaries to establish a single goal; a goal to interest K-12 students in math, science and engineering careers and to provide those students with a career path that will prepare them for a four-year engineering program. A program of this magnitude (see Figure 1) will require a regional, cooperative plan in order to enable the ambitious scope required. East Kern and Northern Los Angeles Counties define the geographic boundaries of an area known as the "Aerospace Valley". City governments, industry, education, community, professional societies, media, Department of Defense, and other federal agencies within these boundaries must commit to supporting an improved math, science, engineering, and technology program in the Aerospace Valley.

Adequate facilities must be provided to enable a four-year engineering program in the immediate future and a doctorate program in the not too distant future, including essential laboratories. Curricula in at least some of the schools must be revised to incorporate a math and sci-

ence track. Teachers must be trained. Job shadowing, mentoring, internships, and cooperative education programs must be established with industry partners. Professional societies need to provide mentors, project evaluators, scholarships, and engineering week support. Funding must be made available through federal and state grants. Donations of equipment for laboratories and computer and computer infrastructure support may be required in some schools.

Previous BRAC's have focused the bulk of their efforts on California and the 2005 BRAC can be expected to do the same. Through California Base Retention Grant support, the Edwards Community Alliance was formed and is now active in the Aerospace Valley to counter this BRAC threat to Edwards AFB missions. With 25% of the population employed in aerospace and defense, closure or mission change would dramatically impact the entire regions economy. The Alliance has developed strong community support and is advocating consolidation in this region with Edwards as a National Center to accomplish the entire Defense Aerospace Test & Evaluation Mission at a single site. To solve the Engineering shortage, a Math, Science, Engineering, & Technology (MSE&T) Consortium is now working to establish a local 4 year Engineering Program, installing pre-engineering programs in High Schools, and obtaining Grants to train Teachers to interest K-12 students in math & science so they can pursue technical careers.

Econ Brief!

Cost of Iraq Occupation

Last September, Lawrence Lindsey, the former Chairman of the Council of Economic Advisors, suggested that the cost of Iraq war would top \$100 billion and might reach \$200 billion. Mitchell Daniels Jr., the Budget Director at the time, called Mr. Lindsey's figures too high and Ari Fleischer, Presidential Spokesperson, said discussion of the war costs was "premature." It seems, however, that Mr. Lindsey was correct since the Defense Secretary Donald Rumsfeld disclosed this July that, the occupation of Iraq is costing \$3.9 billion a month over and above war-fighting expenses (*Wall Street Journal*, July 16, 2003).

Using Mr. Rumsfeld's figure, the cost of occupying Iraq would reach \$50 billion in thirteen months, \$100 billion in

twenty-six months, and \$200 billion in fifty-one months. The true costs would be astronomical if we add the loss of human life, and if we consider the alternative cost of these expenditures in improving economic conditions at home. The benefits of the war are liberating Iraq from a ruthless dictatorship and getting one step closer to bringing peace to the historic region of the Middle East.

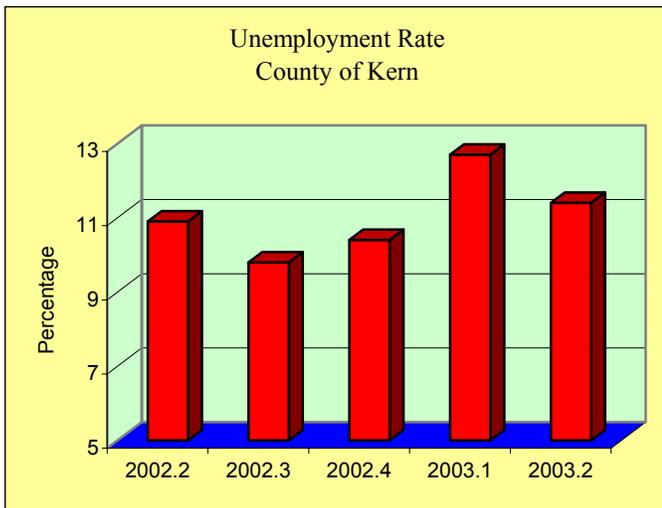
Months of Occupation	Costs (in billion \$)
6	\$25
13	\$50
26	\$100
51	\$200

ECONOMIC INDICATORS

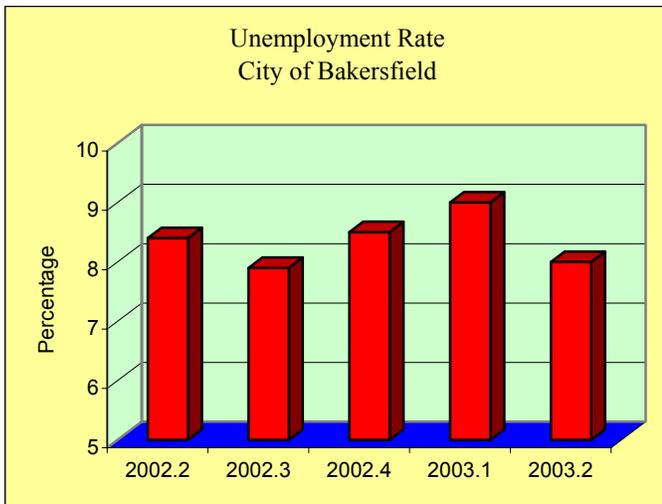
ABBAS P. GRAMMY
PROFESSOR OF ECONOMICS

Unemployment Rate

The *seasonally adjusted* unemployment rate in Kern County declined from 12.7% in the first quarter to 11.4% in the second quarter of 2003. Compared with four quarters ago the county's unemployment rate was 0.5% higher. The county's unemployment rate was 4.7% higher than the state rate and 5.2% greater than the national rate.

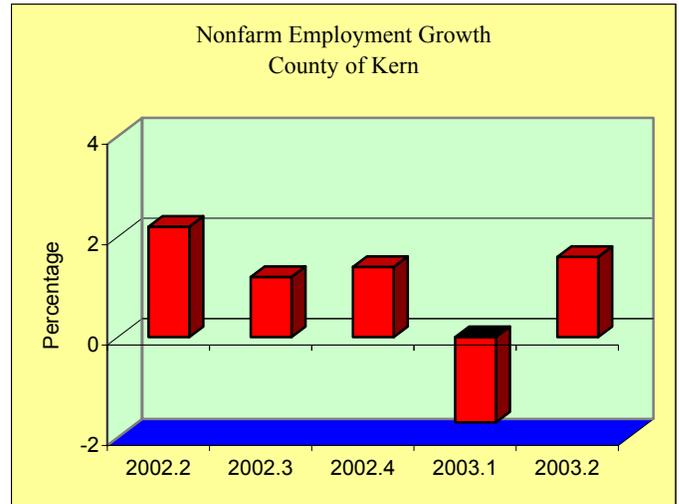


The *seasonally adjusted* unemployment rate in the City of Bakersfield dropped from 9.0% in the first quarter to 8.0% in the second quarter of 2003. Compared with four quarters ago, the city's unemployment rate was 0.4% lower. Bakersfield's unemployment rate was 3.4% lower than the county rate, but 1.3% higher than the state rate and 1.8% greater than the national rate.

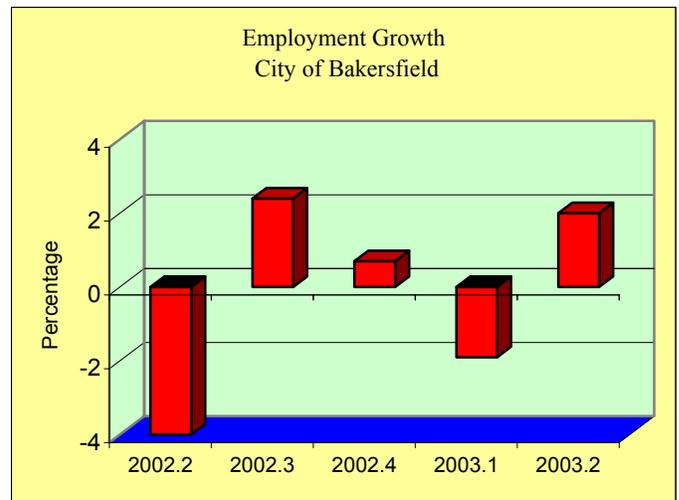


Employment Growth

Kern County recovered from the employment decline of the previous quarter. Nonfarm employment increased at an annual rate of 1.6% in the second quarter of 2003. Among the nonfarm industries, construction, manufacturing, wholesale trade, educational and health services, and leisure and hospitality added jobs. But, retail trade and state and local governments reduced employment.



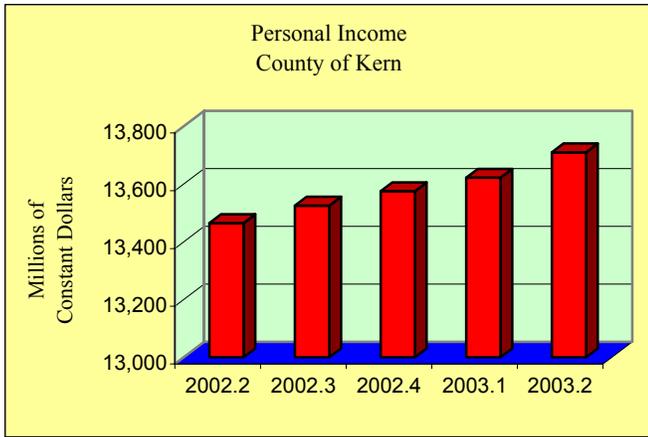
Likewise, Bakersfield recovered from the employment loss of the previous quarter. Employment increased at an annual rate of 2.0% in the second quarter of 2003.



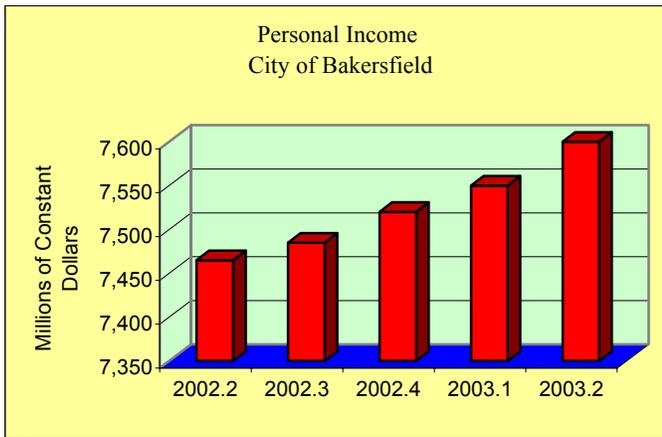
Total Personal Income

Kern County's total personal income (in constant 1996 dollars) increased from \$13.62 billion in the first quarter to \$13.71 billion in second quarter of 2003. Hence, the county's economy expanded by \$90 million.

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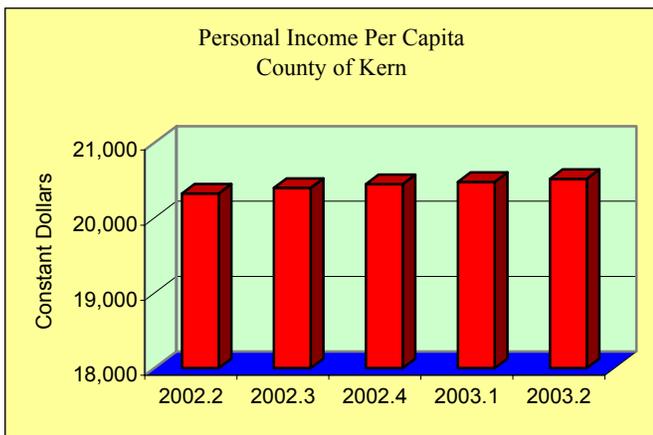


In Bakersfield, total personal income (in constant 1996 dollars) rose from \$7.55 billion in the first quarter to \$7.60 billion in the second quarter of 2003. Hence, the city's economy expanded by \$50 million.

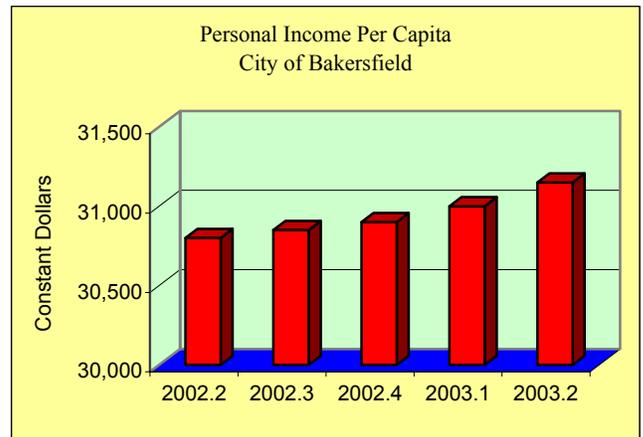


Personal Income Per Capita

In Kern County, personal income per capita (in constant 1996 dollars) rose from \$20,480 in the first quarter to \$20,520 in the second quarter of 2003. Over the previous four quarters, the county's average income increased by \$300.

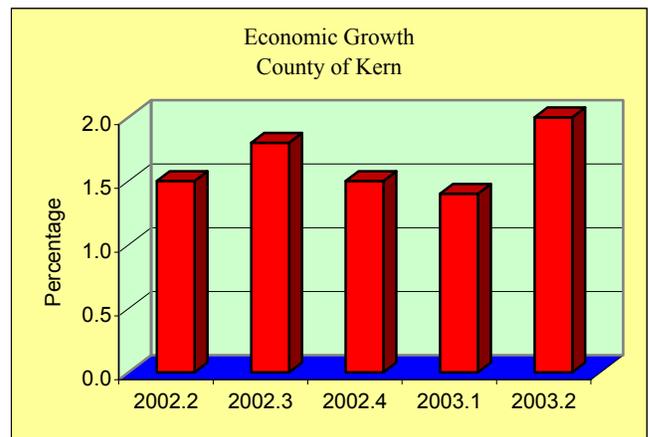


Bakersfield's personal income per capita (in constant 1996 dollars) rose from \$31,000 to \$31,150. Over the past four quarters, the city's average income increased by \$350.

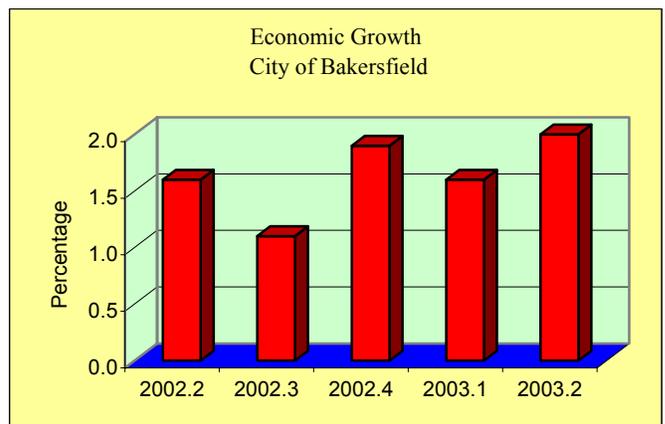


Economic Growth

In Kern County, total personal income increased at an annual rate of 2.6% in the second quarter of 2003. The rate of economic growth accelerated from 1.4% in the previous quarter. Over the past four quarters, the county's economy expanded at an average annual rate of 1.8%.



In Bakersfield, total personal income grew at an annual rate of 2.7% in the second quarter of 2003. The rate of economic



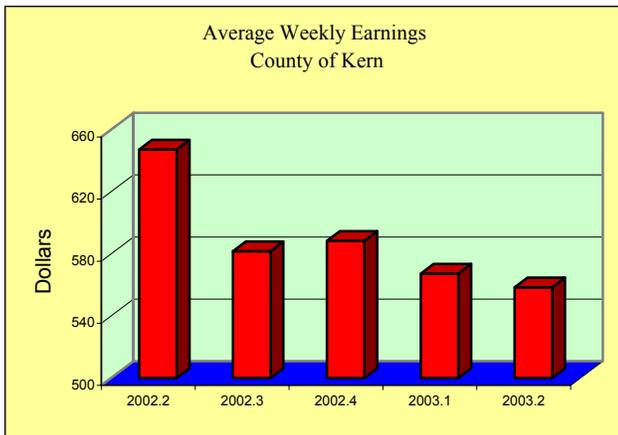
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Economic Indicators (Continued from page 16)

growth accelerated from 1.6% in the previous quarter. Over the past four quarters, the city's economy expanded at an average annual rate of 1.9%.

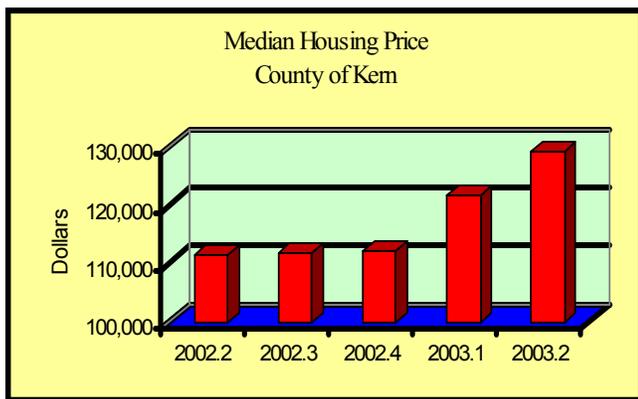
Average Weekly Earnings

In Kern County, the average weekly earnings in manufacturing declined from \$567.26 in the first quarter to \$558.50 in the second quarter of 2003. This decline was attributed mainly to the fall of the average weekly hours from 36.7 to 36.1. Compared with four quarters ago, manufacturing workers lost \$88.65 a week.

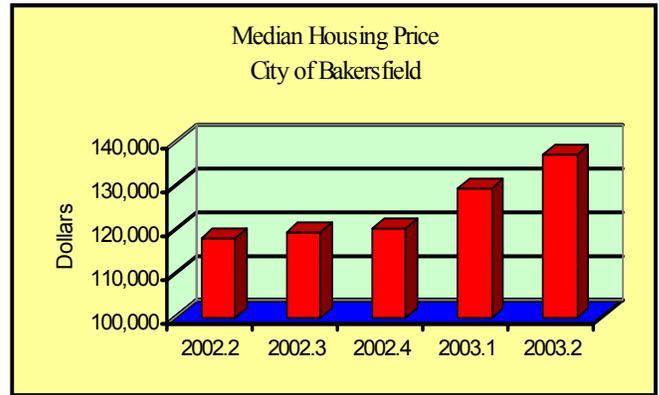


Housing Price

In Kern County, the median sales price of all homes (i.e., new and existing condominiums and single-family detached homes in current dollars) rose by \$7,500 (or 5.8%) from \$121,500 in the first quarter to \$129,000 in the second quarter of 2003. Since the second quarter of 2002, the median price has increased by \$25,000 (or 24%).

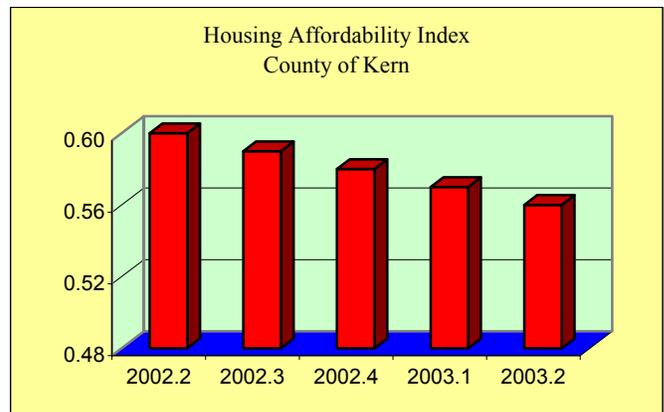


In Bakersfield, the median sales price of all homes jumped by \$7,700 (or 6%) from \$129,300 in the first quarter to \$137,000 in the second quarter of 2003. The city's median price was \$8,000 higher than the county's average. Since the second quarter of 2002, the median price increased by \$19,000 (or 16.1%).



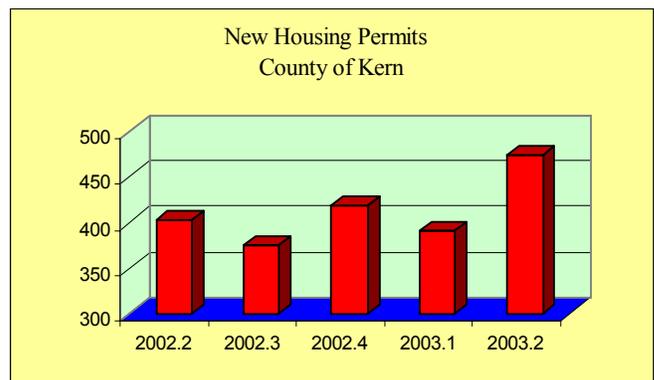
Housing Price Affordability

The index of housing affordability declined one percentage point from 57 in the first quarter to 56 in the second quarter of 2003. This index value indicates that a family earning the median household income has 56 percent of the income necessary to qualify for a conventional loan covering 80% of a median-priced, existing single-family home. Over the past four quarters, the county's index fell by 4 percentage points. Compared with the state's affordability index of 27, Kern remains one of the most affordable counties of California.



New Housing Permits

In Kern County, the monthly average construction permits for single-family homes increased by 82 (or 21.2%) from 391 in

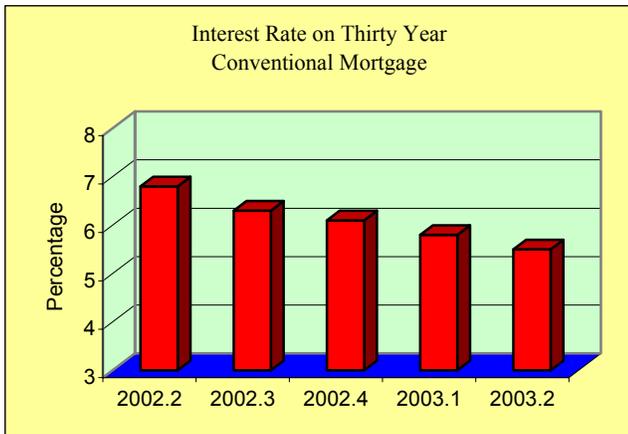


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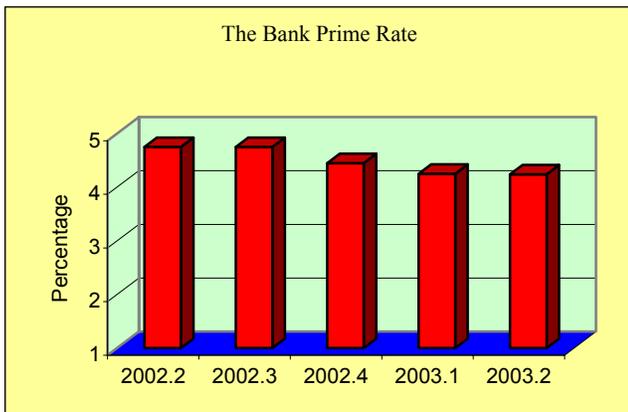
the first to 473 in the second quarter of 2003. Relative to four quarters ago, the number of new housing permits was 71 (or 17.6%) higher.

Interest Rate

The interest rate on thirty-year conventional mortgage loans fell from 5.84% in the first quarter to 5.51% in the second quarter of 2003. Compared with four quarters ago, the mortgage interest rate was 1.31% lower.



The prime loan rate is the interest rate charged by banks to their most creditworthy customers. The prime rate fell from 4.25% in the first to 4.24% in the second quarter of 2003. Compared with four quarters ago, the prime rate was 0.5% lower.



Consumer Price Index

The CPI (December 1999 =100; seasonally adjusted; average of all U.S. cities) rose from 107.1 in the first quarter to 107.5 in the second quarter of 2003. Compared with four quarters ago, the CPI was 3 percentage points higher.

The rate of price inflation is measured by the percentage change of the CPI over the previous quarter. Inflation fell from an annual rate of 3.4% in the first quarter to 1.5% in the

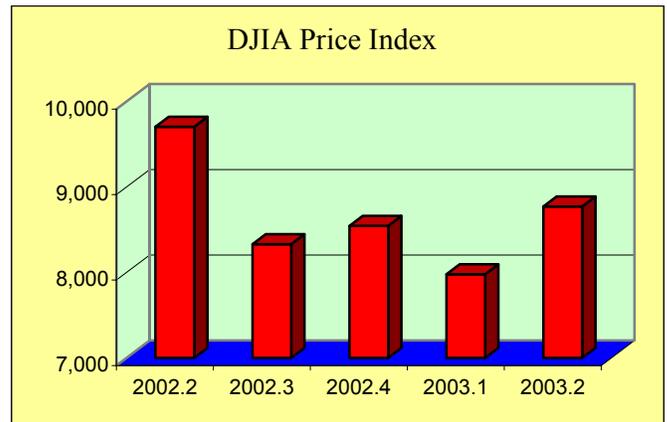
second quarter of 2003. Relative to the second quarter of 2002, the inflation rate was 2.7% lower.



Stock Price Index

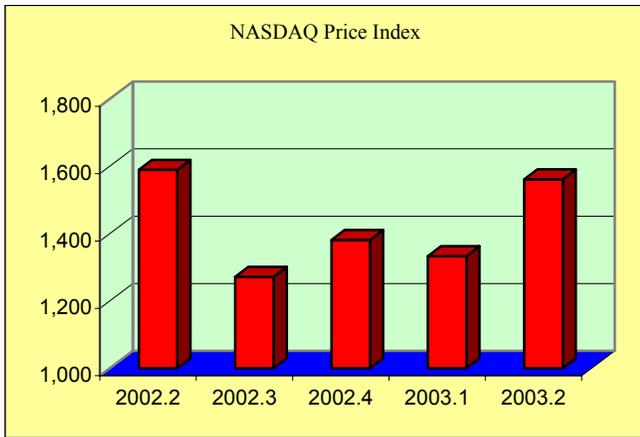
While experiencing frequent periods of volatility, stock prices ascended in the second quarter of 2003.

The Dow Jones Industrial Average soared by 793 points (or 10%) from 7,979 in the first quarter to 8,772 in the second quarter of 2003. But, relative to the second quarter of 2002, the index was 933 points (or 59%) lower.

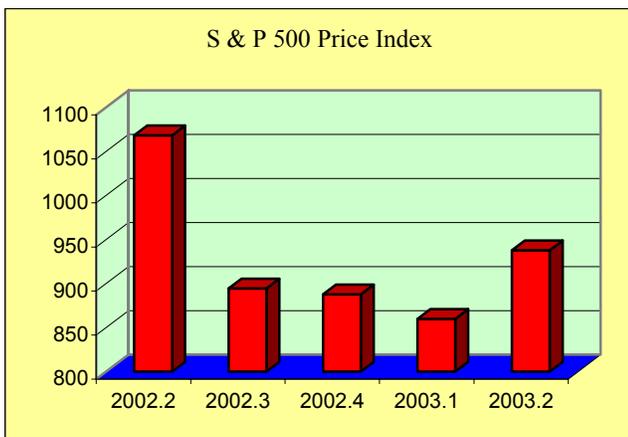


Likewise, the NASDAQ price index leaped 228 points (or 17%) from 1,333 in the first to 1,561 in the second quarter of 2003. However, since the second quarter of 2002, the index was 28 points (or 2%) lower.

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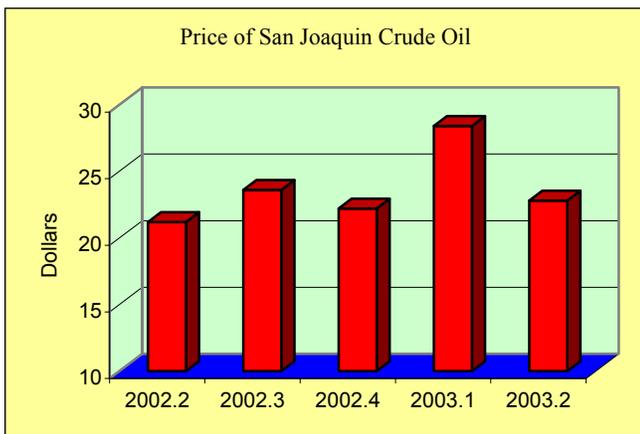


The S&P 500 price index inclined from 860 points in the first quarter to 938 points in the second quarter of 2003. This 78 points increase accounted for a quarterly growth rate of 9%. However, compared with four quarters ago, the index was 130 points (or 12%) lower.



Price of Crude Oil

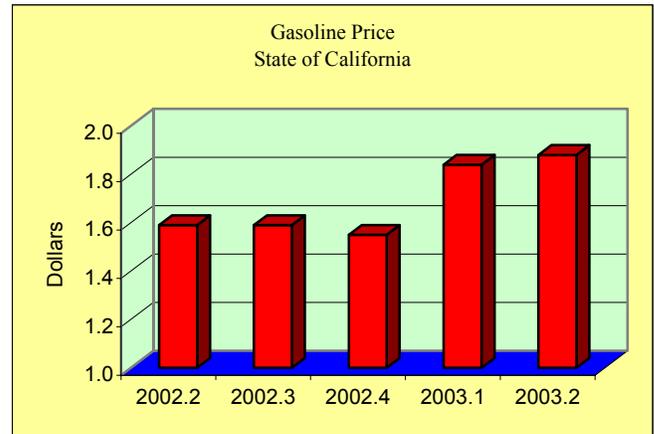
The price of the San Joaquin Valley heavy crude oil-- updated at each posting change by date-- is averaged to calculate the monthly and quarterly prices. The quarterly average price of



the crude oil declined from \$28.40 per barrel in the first quarter to \$22.80 per barrel in the second quarter of 2003. Compared with four quarters ago, the price of crude oil was \$1.60 higher.

Price of Gasoline

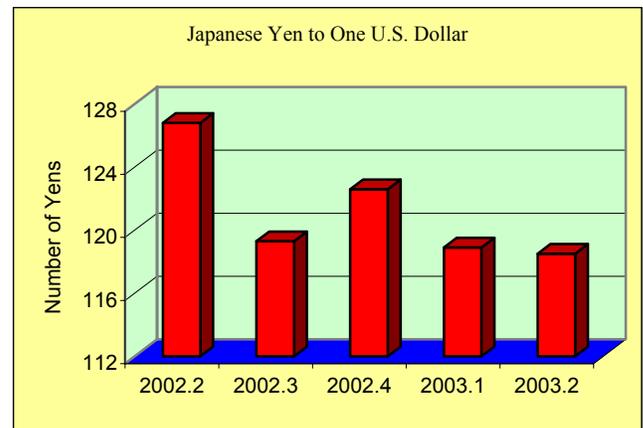
In California, the average retail price of gasoline (all formulations) per gallon jumped from \$1.84 in the first quarter to \$1.88 in the second quarter of 2003. Compared with the second quarter of 2002, the average price was 29 cents higher.



Foreign Exchange Rate

In the second quarter of 2003, major foreign currencies depreciated against the U.S. dollar. The weakening of the dollar tends to deteriorate the U.S. balance of trade as American-made goods and services become more expensive to foreign buyers and foreign-made goods and services become cheaper to domestic consumers.

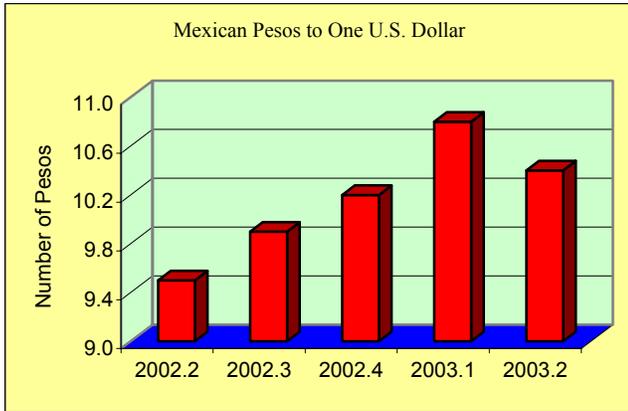
The number of Japanese yen to one U.S. dollar plunged from 118.9 in the first quarter to 118.5 in the second quarter of 2003. However, four quarters ago one dollar exchanged for 126.8 yens.



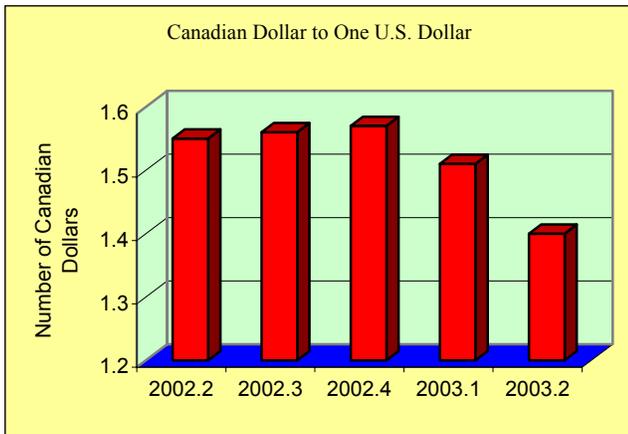
(Continued on page 20)

Economic Indicators (Continued from page 19)

Likewise, the number of Mexican pesos to one U.S. dollar declined from 10.8 in the first quarter to 10.4 in the second quarter of 2003. Four quarters ago, one dollar converted to 9.2 pesos.

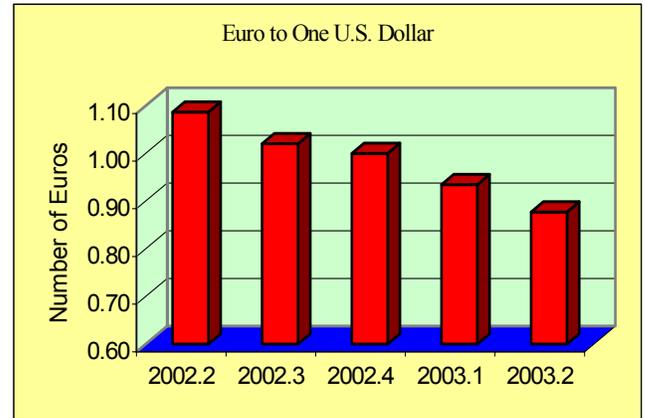


The number of Canadian dollars to one U.S. dollar declined from 1.51 in the first quarter to 1.40 in the second quarter of



2003. Four quarters ago, one U.S. dollar converted to 1.55 Canadian dollars.

Similarly, the number of euros to one U.S. dollar plummeted sharply from 1.09 in the second quarter of 2002 to 0.88 in the second quarter of 2003.



Clean Air (Continued from page 8)

from wind, solar, and other renewable energy resources by 2017. "With its unique energy resources and regional assets, the Central Valley has a distinct advantage in the renewable energy market," the report's Executive Summary says. The suggestion that the Valley's abundant sunshine could be used in the production of solar-generated electricity is already being implemented.

Last June ChevronTexaco announced that its subsidiary, Chevron Energy Solutions, had installed near Bakersfield the first solar powered generating facility in California providing electricity to oil field operations. The project generates 500 kilowatts of pollution-free electricity from 4,800 solar panels at a six-acre facility called Solarmine.

The project uses a new type of solar panel that can withstand direct impacts and punctures without losing its ability to generate electric power. Another goal of the project is to review how environmental factors such as heat and dust affect the performance of the generating panels. ChevronTexaco feels the panels are candidates for generating electricity on the roofs of commercial buildings and other large facilities. Developing this project also provided employment opportunities for the local workforce.

We realize that bringing the health benefits of cleaner air does not have to be an economic burden on our resources. In many instances, the technology needed to make the Valley a cleaner, healthier place to live can also mean renewed economic growth and job creation.

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Econ Brief!

**What to Expect in 2003? WSJ vs. CSUB Forecast
CSUB Economics Students¹**

One of the assignments in the Intermediate Macroeconomics course offered in Spring Quarter 2003 was to forecast performance of the U.S. economy in 2003. Students-- *role-playing as economic analysts of a manufacturing company*-- were asked to provide a reasoned forecast of major economic indicators. Students had to keep up with the current economic news and events throughout the term. A major survey article they read listed the forecasts made by fifty-five economists (Wall Street Journal, January 2, 2003).

The CSUB forecast turned out to be *less optimistic* than the WSJ forecast. This *less optimistic* forecast was based on several adverse economic factors including (1) persistent loss of jobs; (2) low consumer confidence; (3) volatility of the stock market; (4) slow growth of consumer spending; (5) insufficient capital investment; and a (6) mounting budget deficit. They felt the time lag involved in the economy's response to the President's tax proposal would not affect growth and employment in 2003. However, the Fed's easy monetary policy would continue to stimulate consumer spending and business investment.

	Real GDP Growth Rate	Unemployment Rate	Inflation Rate	Short-term Interest Rate	Long-term Interest Rate
WSJ Economists	3.3	6.0	2.2	1.4	4.4
CSUB Students	2.7	6.3	2.8	1.4	4.5

¹Students completing this assignment were Reyna Barriga, Annette Cazares, Stefanie Chaffin, Neva Griffis, Rebecca Kwon, Serenity Radney, and Khoi Ybarra. The course instructor was Dr. Abbas Grammy.