



Creating Economic Opportunities



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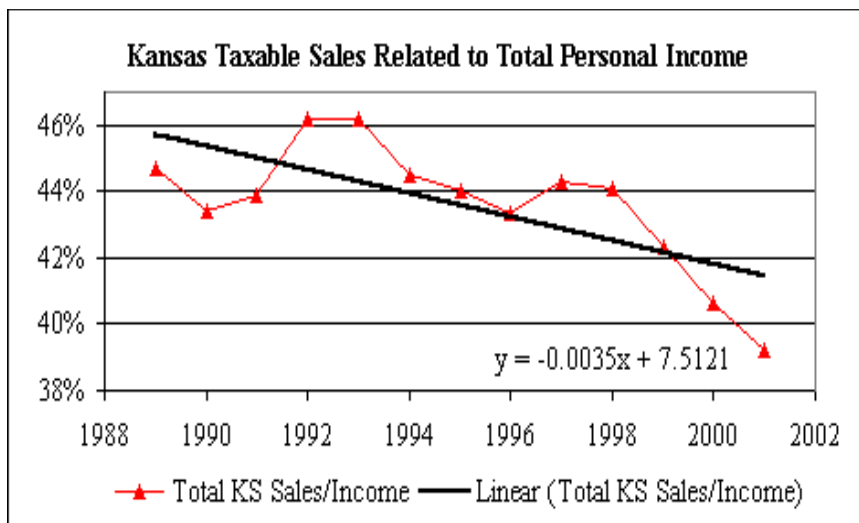
IDEAS YOU CAN USE

Retail Trade and Tax Collections

Experts in public finance recommend that state and local governments have a broad tax base. They recommend taxing consumption, income, and wealth equally. Then user fees and enterprise revenues can be added to top off the revenue stream, but not all tax revenue sources are stable. Corporate income tax revenues and capital gains tax revenues are down dramatically in Kansas and across the U.S. Sales tax revenues, however, have been consistently going up in many places. Consumers have been buying motor vehicles, houses, and electronics equipment and this retail activity has driven sales tax revenues. Therefore, it came as a surprise when David Darling and Mark Seitz discovered that the retail base, taxable retail sales, has been shrinking. They discovered that the percent of total personal income spent on taxable retail sales was only 39.2 percent in CY 2001, down from 46.2 percent in 1992. This may be an all time low since World War II. See the graph below.



Our mission:
 “Dedicated to a safe, sustainable, competitive food and fiber system and to strong, healthy communities, families and youth through integrated research, analysis and education.”



Sales Tax Source: **Kansas Department of Revenue**
 Total Personal Income Source: Governor's Economic & Demographic Annual Report
 Compiled by: **K-State Research & Extension, D. Darling & M. Seitz, February 2003**

This discovery has implications for all Kansas governments that rely on sales tax revenues to fund government services.

City Pull Factors. Out of 105 Counties, 77 rely on sales tax revenues. Almost all cities of the first class have their own sales tax option in place. Wichita is a major exception. The retail statistics for these 25 cities are shown in Table 1. Lenexa has the highest pull factor, 2.05, a measure of the balance of trade. The unified government of Kansas City has one of the lowest pull factors, 0.70. Prairie Village is even lower with a pull factor of only 0.67.

These two low numbers indicate that the balance of trade in Kansas City and Prairie Village is negative. A pull factor of 1.00 is a perfectly balanced trade pattern. Wichita ranks number one in trade area capture, serving 437,745 customers. Overland Park is next with a trade are capture of 271,861. Another interesting statistic in

Table 1 is the dominance of a city in its county. Liberal dominates Seward County because 95 percent of all retail trade occurs inside the boundaries of Liberal.

These percentages help address the critical mass issue. Retail trade functions best when a critical mass of retail businesses form a strong cluster. Economists call this the agglomeration effect. In order to hold the status of a strong trade center in Kansas, the central city must have a critical mass of retail businesses and dominate its county and surrounding counties. Parsons and Atchison don't succeed as well as Liberal and Salina. The county trade pull factors of the four respective counties are 0.64 for Labette, 0.58 for Atchison, 1.18 for Seward, and 1.36 for Saline County. The full report on county retail trade can be found on the KSU web-site:

www.agecon.ksu.edu/ddarling.

Go to the section that contains C.D. Study Reports and click on map 1 that shows the county trade pull factors.

CITIES OF THE FIRST CLASS

Table 1

| | City Name | City Pull Factors | Trade Area Captures | Percent of County Trade |
|----|---------------------|--------------------------|----------------------------|--------------------------------|
| 1 | Atchison | 0.87 | 8527 | 89.10% |
| 2 | Coffeyville | 1.05 | 10969 | 36.74% |
| 3 | Dodge City | 1.22 | 30106 | 93.26% |
| 4 | Emporia | 1.14 | 29854 | 95.63% |
| 5 | Fort Scott | 1.10 | 8858 | 89.47% |
| 6 | Garden City | 1.24 | 34312 | 83.06% |
| 7 | Hutchinson | 1.45 | 54492 | 84.03% |
| 8 | Junction city | 1.02 | 18162 | 91.63% |
| 9 | Lawrence | 1.10 | 87101 | 93.17% |
| 10 | Leavenworth | 0.80 | 25673 | 71.84% |
| 11 | Leawood | 1.12 | 31450 | 4.10% |
| 12 | Lenexa | 2.05 | 82253 | 11.47% |
| 13 | Liberal | 1.29 | 25033 | 95.12% |
| 14 | Manhattan | 1.18 | 50035 | 89.42% |
| 15 | Newton | 1.05 | 17502 | 65.83% |
| 16 | Olathe | 1.60 | 153073 | 19.96% |
| 17 | Overland Park | 1.78 | 271861 | 35.45% |
| 18 | Parsons | 1.00 | 11115 | 79.31% |
| 19 | Pittsburg | 1.09 | 20373 | 69.71% |
| 20 | Prairie Village | 0.67 | 14497 | 1.90% |
| 21 | Salina | 1.52 | 68529 | 94.33% |
| 22 | Shawnee | 1.18 | 59809 | 7.80% |
| 23 | Topeka | 1.57 | 186048 | 93.49% |
| 24 | Kansas City Unified | 0.70 | 101909 | 89.19% |
| 25 | Wichita | 1.28 | 437745 | 80.90% |

Source of data:
 US Census and
 KS Dept of Revenue.
 Provided by K-State
 Research and Extension,
 David Darling
 and Ravi Katragadda
 18-Feb-03

NEWS YOU CAN USE

Regional and Urban Non-Urban Summary

The newest retail report is CD Study 211:

Regional Analysis of Taxable Business

Activity in Different Business Classes

This report uses FY 2002 sales tax collection data from the Kansas Department of Revenue to compare retail activity in the nine metropolitan counties to the 96 non-metropolitan counties. Also, the report analyzes 17 different business categories in six regions of Kansas. These six regions are the northwest, north central, northeast, southwest, south central and southeast region. This regional analysis has been done to provide Small Business Development Center counselors a method to assess the strengths of proposed business ventures in their areas. In depth details of this regional analysis can be found in CD Study Report #211 written by Mark Seitz and David Darling and posted to the URL: www.agecon.ksu.edu/ddarling.

Sales tax collections for 17 business categories were collected for metro and non-metro counties of Kansas. In both county groups the top three business categories, those with the strongest per capita sales, were General Merchandise, Automotive Dealers & Service Stations, and Food Stores. The major difference in

these categories between metro and non-metro settings was in the estimation of sales per firm. In the nine metro county group, sales per firm were four times larger for General Merchandisers than those of the 96 non-metro county group. General Merchandisers sold \$12.95 million versus \$3.65 million, respectively. This disparity is also driven by the sizeable difference in customer base between the two groups of counties, 7,004 and 2,651, respectively. These trends are consistent across the 17 categories of business.

The analysis of business categories in the six regions of the state show interesting differences also. Four of the six regions have General Merchandise, Automotive Dealers and Service Stations and Food Stores, in order, dominating retail trade. The order is reversed in the north central and south central regions where Automotive Dealers and Service Stations are the leaders in retail activity (See Table 3 in CD Report #211). Table 4 in CD Report #211 provides counselors a format to assist in determining the potential success a new business may have in a region. The authors designed this table to be used as part of a feasibility analysis and to help planners and small business managers understand the business environment they face.

TOOLS YOU CAN USE

Customized County Retail Reports

This is an example report available upon request.

Emporia, Kansas in Lyon County, has the highest pull factor of 1.14, followed by Olpe and Americus, which have pull factors of 0.30 and 0.17, respectively. Emporia has the highest TAC (29,854) in Lyon County, followed by Americus and Olpe, with TACs of 154 and 152, respectively. Percent of county sales indicates the dominance of the central city within its county. Emporia's retail businesses capture 96% of all taxable retail sales in Lyon County.



To get a customized report contact K-State Research and Extension.

| Table 1. Lyon County - City Pull Factor Analysis | | | |
|---|-----------|------------|----------------------|
| Location | PF | TAC | %County Sales |
| Admire | 0.14 | 25 | 0.08% |
| Allen | 0.08 | 16 | 0.05% |
| Americus | 0.17 | 154 | 0.49% |
| Emporia | 1.14 | 29854 | 95.63% |
| Hartford | 0.07 | 33 | 0.10% |
| Neosho Rapids | 0.02 | 5 | 0.02% |
| Olpe | 0.30 | 152 | 0.49% |
| Reading | 0.04 | 10 | 0.03% |
| Rest of County | 0.16 | 970 | 3.11% |
| Total County Data | 0.89 | 31220 | 100.00% |



*Knowledge For
Life*

CONFERENCE DATE BOOK

**CELEBRATING COMMUNITY LEADERSHIP:
PAST, PRESENT, AND FUTURE**

**CENTER FOR THE STUDY OF RURAL
AMERICA**

When: March 28, 2003

Where: K-State Union (Hansen Little Theatre)

Featuring: Ron Wilson, 216 Call Hall

Price: 18 for Adults and \$ 10 for Youth

Contact: Huck Boyd Institute, KSU at 532-7690

When: April 28-29, 2003

Where: The Westin Crown Center Hotel
Kansas City, MO

Contact: Bridget Abraham at (800) 333-1010,
extension 2754

15TH ANNUAL COMMUNITY ECONOMIC DEVELOPMENT CONFERENCE

ECONOMIC DEVELOPMENT IN HARD TIMES: KEEPING COMMUNITIES STRONG

When: April 9-10, 2003

Where: Plaza Hotel, Hutchinson, KS

Featuring: Lt. Governor, John E. Moore and Economist, Jason Henderson

Fees: \$90 Full Conference or \$60 Single Day

Contact : K-State Division of Continuing Education or register online at www.ksu.edu/kcri/kcced

A PEARL COLLECTION:

*“A person’s mind stretched by
new ideas never goes back to its
original dimensions.”*

Oliver Wendell Homes

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