Kleberg County Economic Conditions: A study of Local Trends Including Comparisons to Brooks County, Jim Wells County, and the State of Texas
Dr. Keith R. Phillips–
Senior Economic and Policy Advisor at the Federal Reserve Bank of Dallas- San Antonio Branch

“An Overview of the Texas Economy”

Dr. Phillips joined the Federal Reserve Bank of Dallas in January, 1984. His areas of concentration include regional economics and economic forecasting. Dr. Phillips developed business cycle indexes for Texas and its major metro areas, which he uses to analyze business conditions in those regions. He is a contributing member of the Western Blue Chip Economic Forecasting Group, where he has been the most accurate Texas forecaster for eight out of the past thirteen years. His research and analysis have been covered in media such as CNN, The News Hour with Jim Lehrer, USA Today, Business Week, The Wall Street Journal, The New York Times, MSNBC and in media throughout Texas. In August, 1996, Dr. Phillips was transferred to the San Antonio branch in an effort to improve the regional economic coverage of the Dallas office and to better serve the needs of the South Texas community.

Dr. Phillips teaches courses in managerial economics and quantitative analysis in the Executive MBA program at UTSA. He obtained his Ph.D. in economics from Southern Methodist University and holds a B.A. and M.A. in Economics and a Bachelor of Journalism degree in News/Editorial from the University of Missouri at Columbia.

Dr. Thomas Krueger–
Professor and Director of Faculty Research at
Texas A&M University-Kingsville College of Business Administration

“Economic Information on the Coastal Bend Counties with a Narrow Focus on Kleberg County”

Dr. Thomas Krueger is a professor in the Department of Accounting and Finance at Texas A&M University-Kingsville. He holds a DBA in Finance from the University of Kentucky, an MBA from Minnesota State University and a BS from University of Wisconsin-Eau Claire. Before joining Texas A&M University, he taught finance at the University of North Carolina at Charlotte (1986-1989) and the University of Wisconsin-La Crosse (1989-2010). While at UW-La Crosse, he was chair of the Finance Department from 1993-1999 and Internship Coordinator for the East Central European Scholarship Program, finding and directing the internship experience for 450 mid-level and higher managers from Eastern Europe. In 2010, Professor Krueger taught Investments to members of the U.S. Army at the Fort McCoy installation.

As Director of Research, Professor Krueger monitors and assists other faculty in their research efforts. Over sixty refereed journal publications have been authored by him, including original rigorous research leading to the identification of the famous “Super Bowl Stock Market Predictor.” His research has been found in such renowned publications as the Journal of Finance, Journal of Accounting and Finance, and International Business Research and Practices. While at UW-La Crosse, for over a decade, he provided semi-annual reports on the performance of local companies, which were combined into a “7 Rivers Equity Index.” His presentation derives from this past experience.
Tuesday, March 6, 11:30 a.m. - 1:30 p.m.

Memorial Student Union Building
Rms. 219 A,B&C

Lunch ...............................................................11:30 a.m. - 12:00 p.m.
Welcome and Introductions by Dr. Tom Dock ...........................................12:00 - 12:05 p.m.
Overview of Texas Economy by Federal Reserve Speaker Dr. Keith Phillips ..........12:05 - 12:25 p.m.
Questions & Answers Session ........................................................................12:25 - 12:40 p.m.
Overview of Coastal Bend Economy & Kleberg County by Dr. Thomas Krueger ....12:40 - 1:05 p.m.
Questions & Answers Session...........................................................................1:05 - 1:25 p.m.
Concluding Remarks by Dr. Tom Dock .............................................................1:25 - 1:30 p.m.

Featured Speakers:

Dr. Keith R. Phillips–
Senior Economic and Policy Advisor at the Federal Reserve Bank of Dallas- San Antonio Branch
“An Overview of the Texas Economy”

Dr. Thomas Krueger–
Professor and Director of Faculty Research at Texas A&M University-Kingsville
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Forum Agenda:

Today we will be presenting a variety of economic indicators for our region. This project will provide decision-makers with valuable tools for strategic planning. Data for the presentation has been gathered from the survey participated in online.
This report provides comprehensive documentation of regional economic indicators for Kleberg County. The research will be an ongoing analysis provided by the College of Business Administration at Texas A&M University-Kingsville. At the outset, many of the charts and figures provide graphic analysis as of a specific point in time. For instance, this report presents current businessmen and student opinions regarding key economic factors. In other instances, the report focuses on poverty and education levels reaching back over 20 years. This project is expected to continuously build on this base of economic information and provide decision makers with valuable tools for strategic planning.

In addition to trend comparisons, this information includes data for Brooks County and Jim Wells County. Through comparative analysis, readers will be able to more clearly understand economic conditions in Kleberg County. Due to the relative size of their economies, Nueces County (too big) and Kennedy County (too small) are not included in the presentation. However, information for the state of Texas is included where possible in order to position Kleberg County in a larger perspective.

Kleberg Bank sponsors this research in collaboration with the Texas A&M University-Kingsville College of Business Administration. In addition, Mr. Dick Messbarger (Kingsville Chamber of Commerce) and Mike Kellam (Director of Development Services for Kingsville) provided input on this project at various junctures. Finally, I want to thank Professor Jack Shorter and Ms. Mary Alice Wiechman (CBA Graphic Designer) for their assistance and feedback.

**Specific goals of this project include:**

- Support business owners in their business decisions by gathering key indicators of local economic vitality.
- Identify trends in order to ascertain the current situation in the dynamic nature of the economic condition.
- Develop specific economic indicators for the region that are not readily available to decision makers.
- Act as a storehouse of these fundamental and trend insights.
- Develop tools to assess Kleberg County’s economic progress. At the outset baseline measures are being developed that will allow comparison with other regions and measure future economic growth of the economy. Only by knowing one’s current condition is it possible to gain an understanding regarding what the future holds.
- Track the region's participation in the “new economy” made available through the Eagle Ford Shale formation.
- Bring academic and governmental professionals together with business owners for discussion about the local economy and related critical issues.
- Create a business recruitment and retention tool by publishing this information.
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### Conclusion
Kleberg County was named for Robert J. Kleberg, an early settler who came to Texas in 1836. As of the 2010 census, Kleberg County’s population was 32,061, an increase of two percent from a decade earlier. The county seat is Kingsville, and is part of the Kingsville Micropolitan Statistical Area. Of its 1,090 square miles, 871 is land, with the remaining 219 square miles (20.12%) being water. Much of the land is part of the King Ranch, while most of the water is in a Gulf of Mexico estuary, referred to as Baffin Bay.

As shown in Figure 1, the 871 square miles puts Kleberg County on par with Brooks County and Jim Wells County. The former county is located to the south west of Kleberg County and the latter being to the northwest. Brooks County is slightly larger, while Jim Wells County is slightly smaller. In total these three counties’ land mass is one percent of the state of Texas.

Despite the similarity in land mass, there is a significant difference in the number of persons per square mile. As illustrated in Figure 2, Kleberg county’s 36 persons per square mile measure is closer to Jim Wells’ level of 47 persons per square mile than Brooks county’s 8 persons per square mile. The population density rose 1.6% over the 2000 to 2010 period. Jim Wells population declined by 3.7 percent, while Brooks County’s population rose 10.4%. All three counties are more rural than Texas overall, which has a population density of 96 citizens per square mile. In total, the three counties account for less than one half of a percent (i.e., 0.5%) of Texas’ total population.

Each of the counties has one major population center. As exhibited in Figure 3, Kleberg County is the most urbanized, with 85 percent of its residents living in Kingsville. Approximately, two-thirds of Brooks County inhabitants live in Falfurrias. Less than half of the inhabitants in Jim Wells County live in Alice, though with the inclusion of Orange Grove and Premont, once again over half of the county’s population is living in an incorporated area.
In Kleberg County, high school diplomas are held by three-fourths of the citizens over 25 years of age. Stated another way, one-fourth of all Kleberg county residents have not finished high school. Relatively, few go on to complete college, with only one-fifth of this county’s citizens holding a bachelor’s degree. Figure 4 illustrates the greater educational attainment of Kleberg county relative to Brooks County and Jim Wells County, but fall short of the educational attainment experienced by Texas and the United States overall. Per every hundred citizens over the age of 25, an additional four Texans have a high school diploma. The national average of an 87 percent high school graduation rate equates to 11 more U.S. citizens, on average, having finished high school.

Lower completion rates do not automatically mean that Kleberg County is doing poorly on the education front. There could have been an improvement in the percentage of population obtaining a high school diploma. Given the importance of an education, additional study was conducted regarding trends in educational attainment. As shown in Figure 5, since 1970 the percentage of Kleberg County residents without a high school diploma dropped in half, from 51 percent to 24 percent. The largest percentage drop occurred in Jim Wells County, where the percentage of the population without a high school diploma dropped from 66 to 29 percent. These declines however, underperform the Texas average, which equates to a 62 percent decrease in the number of citizens without a high school diploma.
Fig. 3: Urban Concentration of Population

**Brooks County**
- Remainder of County: 31%
- Inflation: 69%

**Jim Wells County**
- Alice: 10%
- Remainder of County: 43%
- Orange Grove & Premont: 47%

**Kleberg County**
- Remainder of County: 15%
- Kingsville: 85%

Source: Texas Association of Counties, www.txcip.org/tac/census
Looking at the trend at the other end of the education spectrum, which is illustrated in Figure 6, we see that back in 1970, a higher proportion of Kleberg County residents held a bachelor's degree than either comparison county or Texas overall. In fact, at that time, twice the proportion of Kleberg County residents held a bachelor's degree as existed in Brooks or Jim Wells counties. During the 1980s, the overall Texas proportion has risen and surpassed the Kleberg County proportion. Though doubling, the proportion of Brooks County and Jim Wells County residents with a college degree has not closed the gap on the Kleberg County proportion.
Given the close relationship between educational attainment and wages, poverty rates in these areas were studied. The concept of poverty used here is the U.S. Bureau of the Census definition which sets money income thresholds that vary by family size and composition to determine who is in poverty. If a family’s total income is less than the family’s threshold, then that family and every individual in it is considered in poverty. It is not the same as absolute poverty, the inability to maintain a minimum standard of living (i.e., unclean water, no nutrition, and insufficient shelter). Currently, 15.3% of the U.S. population is considered to be in poverty, on the basis of the U.S. Census Bureau's definition.

A larger proportion of citizens in all three counties, and in Texas overall, are in poverty. As exhibited in Figure 7, about ten percent more of the citizens in Kleberg County live in poverty. This is slightly more than the proportion of Jim Wells County residents in poverty, and seven percent higher than the proportion of Texans living in poverty. With a third of its citizens living in poverty, Brooks County has the level of poverty equivalent to that found in the United States. The second row of data and red bars in Figure 7 demonstrate that homes with children under 18 are more likely to live in poverty. In Kleberg County, one third of all children live in poverty. Though of little solace, this is much better than the situation in Brooks County, where half of all children live in poverty. Child poverty in that county is approximately twice that found in Texas.

Source: U.S. Department of Agriculture, Economic Research Service
Although these findings regarding poverty in Kleberg County and the surrounding region are alarming, one has to be aware of a statistical artifact in the U.S. Census Bureau’s calculation of poverty. The official poverty level does not vary geographically. According to city-data.com, the cost of living in Kleberg County is only 81 percent of the cost of living elsewhere. Hence, income needs are lower in the local area and these statistics overstate the local level of poverty.

A related consideration is how poverty has been changing in the local area. To ascertain this, poverty data was obtained from each of the recent three censuses. As illustrated by the nearly-flat green line in Figure 8, the poverty level in Kleberg County has been fairly constant, at about 26 percent. Jim Wells level of poverty dropped with each census after 1990. In addition to having the highest level of poverty, Brooks County poverty reached forty percent for the general population in 2000. The slight v-shape in the Texas poverty line indicates that poverty has become more common statewide since 2000.

Source: U.S. Department of Agriculture, Economic Research Service
Housing

Looking at residences in a more focused manner, Figure 9 presents the housing profile for the region. Approximately half of all residences in Kleberg County are owner-occupied. This rate is over ten percent lower than that found in either Jim Wells or Brooks Counties. The biggest reason for the difference is undoubtedly the transient nature of the university and naval air station residents. Due to these populations’ preferences for leasing, the renter-occupied proportion of homes is over fifty percent higher in Kleberg County.

Fourteen percent of Kleberg County homes are vacant. This proportion is equivalent to one in every seven residences. The ratio may seem high because the computation includes empty rental units. Kleberg County’s vacancy ratio lies between that of Brooks County and Jim Wells County.
Now that the reader has an impression regarding some key demographic aspects of Kleberg County, an examination of its workforce, employment rates, and worker income will be presented. There is a lot of similarity between Kleberg County and its benchmarks in terms of the proportion of the community that is of workforce age. As shown in Figure 10, the percentage of Kleberg County and Texas citizens between 19 and 65 years old is within one percent. Both have about 63 percent of their population in the age range between high school and retirement. Stated another way, slightly more than one third of the population is outside of the age normally associated with the workforce.

There is also a lot of similarity between Kleberg County and Texas overall in terms of the portion that is below school age (8 percent), of school age (17 percent), and retired (12 percent). The highest proportion of citizens under school age is found in Brooks County (9 percent), while the highest proportion of school age children is found in Jim Wells (21 percent). At the other end of the spectrum, in Brooks County one finds the highest proportion of citizens of retirement age. Consequently, it is likely that a lower proportion of the citizens in these counties are in the workforce, led by Brooks County where only fifty-five percent of its residents are between the ages of 19 and 65.

After rising as high as 6.9 percent at the end of 2010, Kleberg County’s unemployment rate began to abate in 2011. The 6.1 percent unemployment rate at the end of last year is still 2.0 percent higher than it was at the end of 2007. As shown in Figure 11, all four jurisdictions have seen unemployment fall by at least 0.8 percent.

As good as the unemployment news has been recently, unemployment rates still have to drop a significant amount to get back to the 2007 and 2008 levels. Even though Kleberg County’s unemployment rate fell further to 6.0 percent in early 2012, the unemployment rate is still higher than it was as recently as 2008. Compared to year-end 2007, Kleberg County’s unemployment rate is still approximately two percent higher.

**Fig. 9: Housing Profile**

<table>
<thead>
<tr>
<th></th>
<th>Owner-Occupied</th>
<th>Renter-Occupied</th>
<th>Vacant</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kleberg</td>
<td>50.1</td>
<td>35.4</td>
<td>14.5</td>
</tr>
<tr>
<td>Jim Wells</td>
<td>66.9</td>
<td>20.6</td>
<td>12.5</td>
</tr>
<tr>
<td>Brooks</td>
<td>61.8</td>
<td>22.8</td>
<td>15.4</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau
The lowest year-end unemployment rate record over the past four years across the covered counties is Jim Wells County’s rate of 3.9 percent in 2007. This was only slightly below the Kleberg County’s rate in that year. Over the next two years, Jim Wells County’s unemployment rate rocketed up to 9.3 percent, which was 2.6 percent higher than that found in Kleberg County. Due in part to the Eagle Ford shale formation, Jim Wells unemployment rate started to fall more quickly than that in Kleberg County and as of early 2012 stood at six percent.

A lower unemployment rate can be a function of many positive factors such as new employers moving into a region or past employers hiring more workers. Lower unemployment rates may arise from worker retirements and the unemployed simply giving up the job search and dropping out of the labor force. Hence it is also good to look at employment statistics. As shown in Figure 12, Kleberg County has experienced a slow but generally positive increase in its labor force. Employment has grown from 13,694 to 16,417 over the past decade. The 2,273 additional workers represent a twenty percent gain in the size of the Kleberg County workforce.

Over the same time period, Jim Wells County experienced a 4,085 gain, a twenty-five percent increase in the number of employed. This number experienced a noticeable 1,313 job drop during the 2008-2009 recession, as shown by the decrease in the red line in Figure 12. By comparison, Brooks County has had a very stable employment level over the past decade of about 3,000 jobs.

<table>
<thead>
<tr>
<th></th>
<th>Kleberg</th>
<th>Brooks</th>
<th>Jim Wells</th>
<th>Texas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 5 years</td>
<td>0.077</td>
<td>0.086</td>
<td>0.082</td>
<td>0.077</td>
</tr>
<tr>
<td>16 to 18 years</td>
<td>0.174</td>
<td>0.192</td>
<td>0.206</td>
<td>0.196</td>
</tr>
<tr>
<td>19 to 65 years</td>
<td>0.634</td>
<td>0.552</td>
<td>0.581</td>
<td>0.624</td>
</tr>
<tr>
<td>Over 65 years</td>
<td>0.115</td>
<td>0.17</td>
<td>0.131</td>
<td>0.103</td>
</tr>
</tbody>
</table>

Source: Texas Association of Counties
Fig. 11: Year-End Unemployment Rate

Last Five Years

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brooks</td>
<td>5</td>
<td>5.3</td>
<td>9.5</td>
<td>9.5</td>
<td>8.2</td>
</tr>
<tr>
<td>Jim Wells</td>
<td>3.9</td>
<td>4.5</td>
<td>9.3</td>
<td>9.5</td>
<td>6.3</td>
</tr>
<tr>
<td>Kleberg</td>
<td>4.1</td>
<td>4.7</td>
<td>6.7</td>
<td>6.9</td>
<td>6.1</td>
</tr>
<tr>
<td>Texas</td>
<td>4.3</td>
<td>5.7</td>
<td>7.9</td>
<td>8</td>
<td>7.2</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Labor, Bureau of Labor Statistics

Fig. 12: Employment over the Past Decade

Source: U.S. Department of Agriculture, Economic Research Service
Total Personal Income

As long as employees are not taking lesser jobs in order to make ends meet, there should be a strong correlation between employment and income. Consequently, the similar pattern of Figures 12 (Employment) and Figure 13 (Personal Income) is not unexpected. We again see Kleberg County’s purple line having a slow but fairly constant rise, Jim Wells County’s red line surging, but falling back during the recent financial crisis, and Brooks County’s blue line showing very little change from year to year. As of this writing, the most recent year available is 2009, which likely understates the surge in income arising from the Eagle Ford Shale deposit development, especially in Jim Wells County.

Fig. 13: Personal Income

A key point to be made about the financial health of Kleberg County is that even during the 2008-2009 recession, personal income rose by two percent. By comparison, residents in Jim Wells County experienced a four percent cut. Furthermore, neither county kept up with the 3.3 percent inflation rate over these two years, as measured by the Consumer Price Index.
Monetary Income

Despite having higher personal income, one third more residents may reside in Jim Wells County. In order to assess the relative financial situation of individuals, one has to study per capita income and median household income. These “monetary” amounts do not include health care, retirement, or other benefits. An advantage of studying these “per citizen” values is that it allows inclusion of information for all of Texas in Figure 14.

Fig. 14: Monetary Income

<table>
<thead>
<tr>
<th></th>
<th>Per Capita Income</th>
<th>Median Household Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kleberg</td>
<td>24318</td>
<td>48286</td>
</tr>
<tr>
<td>Brooks</td>
<td>15799</td>
<td>35806</td>
</tr>
<tr>
<td>Jim Wells</td>
<td>14720</td>
<td>24052</td>
</tr>
<tr>
<td>Texas</td>
<td>17941</td>
<td>37450</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau

In 2009, the most recent year for which data is available, the average per capita money income was $17,941 in Kleberg County. As shown by the red bars in Figure 14, this amount is greater than the amounts in Brooks County and Jim Wells County, though it trails state levels. Per capita income is twenty-two percent higher in Kleberg than Brooks County, though it trails the state by twenty-six percent.

Household monetary income is higher if multiple family members are employed outside the home. Therefore, a secondary monetary income measure reported by the U.S. Census Bureau is median household income. In all jurisdictions, median household income is approximately twice the per capita values. In Kleberg County, in 2009, median household income was $37,450. This amount equates to $3,121 per month. By comparison, households in Brook County subside on only $2,004 a month. Across Texas, the monthly household income is $4,023 on average, or fifty percent more than Kleberg County’s amount.
Total Compensation

Studying total compensation provides two advantages over personal monetary income. One, it includes the value of benefit packages. Two, this data is available for 2010. The disadvantage of this information provided by the U.S. Department of Commerce’s Bureau of Economic Analysis is that average income information is biased upward by the high salaries of those with very high incomes. Stated another way, the minimum compensation would be $14,500 ($7.25 minimum wage x 2,000 hours per year) plus benefits, while the upper bound is unlimited.

As illustrated in Figures 15, average total compensation per job in Kleberg County stands at $44,718, which is seven percent higher than it was four years earlier. In terms of average compensation per job, Kleberg ranks last, being three percent below the Jim Wells County number and trailing the state average by a whopping twenty-eight percent.

![Total Average Compensation Per Job](chart)

**Fig. 15: Total Average Compensation Per Job**

<table>
<thead>
<tr>
<th>County</th>
<th>2006</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kleberg</td>
<td>41,971</td>
<td>44,718</td>
</tr>
<tr>
<td>Brooks</td>
<td>34,875</td>
<td>45,406</td>
</tr>
<tr>
<td>Jim Wells</td>
<td>38,606</td>
<td>46,061</td>
</tr>
<tr>
<td>Texas</td>
<td>51,256</td>
<td>57,303</td>
</tr>
</tbody>
</table>

Source: Department of Commerce, Bureau of Economic Analysis
As illustrated in Figure 16, there was a 1.6 percent annual growth rate in average compensation per job in Kleberg County over the 2006 to 2010 period. Starting from an average compensation per job level of only $34,875, Brooks County’s seven percent growth rate in this economic measure was the highest. The state of Texas registered a growth rate approaching three percent, or twice that of Kleberg County.

### Fig. 16: Annualized Growth Rate in Total Compensation

<table>
<thead>
<tr>
<th>Region</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kleberg</td>
<td>1.6%</td>
</tr>
<tr>
<td>Brooks</td>
<td>7%</td>
</tr>
<tr>
<td>Jim Wells</td>
<td>4%</td>
</tr>
<tr>
<td>Texas</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Department of Commerce, Bureau of Economic Analysis

### Industrial Composition

#### Income Derived from the Top Six Industries

The dependence of Kleberg County on various industries for jobs is presented in four phases. First, there is a numeric presentation of income arising from the top six industries in each region. Next, there is a relative ranking of industry importance across thirteen industries. Then, information is provided regarding industry growth in Kleberg County. Finally, the largest sector of Kleberg County’s economy, the governmental sector, is broken down across its four primary divisions. Unfortunately, the U.S. Bureau of Economic Analysis’s study of income may understate the value of the agriculture industry to a region. This is especially where agriculture is not labor intensive, such as on the King Ranch. For instance, it reports that the total agriculture-based income during 2010 totaled only $6.4 million dollars, ranking it below the “Repairs and Maintenance” subset of the “Services” industry.

Across all jurisdictions studied, the governmental sector generates a considerable amount of income. This is especially true in Kleberg County, where $307 million in 2010 came from governmental employment, as shown in the top, red-shaded row of Figure 17. This amount equates to seventy percent of the income derived from the top six industries. The second most important industry in Kleberg County, the retail industry which is shaded in light green, accounts for $43 million or about ten percent of the income from the top six non-agriculture segments. Health care, at $27 million, is the third most important non-agricultural sector (shaded in blue). Mining/oil, services, and accommodations round out the top six, with a similar amount of $20 million being earned in all three sectors.
Only in Jim Wells County does one witness an industry with employment exceeding the government workforce. The oil/mining industry, which many refer to as the energy sector, accounts for $262 million, which is a total approaching Kleberg County’s large stake in government jobs arising from its schools and Naval Air Station-Kingsville. In Jim Wells County, the energy industry generates more income than the government, health care, and wholesale industries combined.

Comparing local county value to the Texas figures points out several unique aspects about the area. As reported earlier, the population of all three counties is only 0.5% of the state’s population. However, even with Texas A&M-Kingsville and NAS-Kingsville, the government sector is only 0.4% of the state’s governmental activity. Some might argue that this suggests that the local area is underserved.

Another underrepresented industry is manufacturing. While manufacturing is the second biggest source of income statewide, manufacturing is not listed in the top six industries of any county being studied. Despite the numerous banks in the region, finance has a lower representation than found statewide, when measured by income. By contrast, it is interesting to see the similarity in the positioning of health care, which is listed as the second or third largest generator of income, regardless of county.

### Relative Ranking of the Top 13 Industries

Like Figure 17, Figure 18 (located on the following page) is based upon income received, however, Figure 18 reports the rank order of the top thirteen industries reported in Texas. The most important industry, in terms of employee income, has a rating of one, while the thirteenth most important industry in the state (i.e., Services), has a ranking of 13. These industries are presented by the diagonal line running from the upper left to the lower right. As counties in our sample deviate from these industries, their symbol will be above (more important sector) or below (less important sector in the local economy) the diagonal line. Kleberg County is represented by blue “x” symbols, Brooks by red boxes, and Jim Wells by green triangles.

As mentioned before, manufacturing generates the second highest level of income in the state. In Jim Wells, manufacturing is seventh most important, so the green triangle is below the diagonal. Kleberg County places even less reliance on manufacturing, so the blue “x” is even lower in the diagram. Brooks has no manufacturing so a “na” (i.e., not applicable) is placed in the table below Figure 18.

Mining (including oil) is the ninth most important industry to the state of Texas. However it is the first, second, and fourth most important sectors in Jim Wells, Brooks, and Kleberg counties, respectively. Hence, the green triangle, red box, and blue “x” lie above the Texas value, in this order, on this ninth factor (which lies between 8 and 10).
Comparing the blue “x” values to the Texas diagonal line, you can see that Kleberg has a relatively larger proportion of its income derived from services (5th versus 13th at the state level) and accommodations (6th versus 12th at the state level). Kleberg is well below the state when it comes to manufacturing (9th versus 2nd at the state level) and wholesale (12th versus 5th at the state level). Like Kleberg County, Brooks County also has relatively more accommodations and services based income businesses. Jim Wells County’s wholesale activity is similar to that found at the state level and much above that found in Kleberg County (4th versus 12th).

**Variation in Kleberg County Industry Activity over Time**

Additional insight regarding the variation in industry contributions to income in Kleberg County was gathered by studying income across time. In Figure 19, the proportion of total income earned within each industry in 2006, 2008, and 2010 is illustrated using green, blue, and red bars, respectively. Table values represent the total percentage of income derived from nine industries, as a percentage of all income.

**Fig. 18: Ranking or Key Industries**

<table>
<thead>
<tr>
<th>Industry</th>
<th>2006</th>
<th>2008</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>1</td>
<td>2</td>
<td>3</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>na</td>
<td>na</td>
<td>11</td>
</tr>
<tr>
<td>Health Care</td>
<td>4</td>
<td>na</td>
<td>na</td>
</tr>
<tr>
<td>Professional</td>
<td>5</td>
<td>5</td>
<td>na</td>
</tr>
<tr>
<td>Wholesale</td>
<td>na</td>
<td>na</td>
<td>5</td>
</tr>
<tr>
<td>Finance</td>
<td>6</td>
<td>na</td>
<td>8</td>
</tr>
<tr>
<td>Retail</td>
<td>7</td>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>Construction</td>
<td>8</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Mining</td>
<td>9</td>
<td>9</td>
<td>na</td>
</tr>
<tr>
<td>Administration</td>
<td>10</td>
<td>10</td>
<td>na</td>
</tr>
<tr>
<td>Transportation</td>
<td>11</td>
<td>11</td>
<td>na</td>
</tr>
<tr>
<td>Accommodations</td>
<td>12</td>
<td>12</td>
<td>na</td>
</tr>
<tr>
<td>Services</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
</tbody>
</table>

Source: U.S. Department of Commerce, Bureau of Economic Analysis
Looking the government industry set of bars given at the bottom of Figure 19, we see that the government sector has become an increasing segment of the Kleberg County economy. It currently accounts for 50.8 percent of all paychecks, which is up from 45.8 percent in 2006. Stated another way, its share of the local economy has grown by about one percent per year. The largest single proportionate change has been in the retail sector, which has seen a drop in the percentage of income produced in Kleberg County from 10.7 percent to 7.2 percent. This would be a decline of about one percent per year. Although larger by twelve percent than it was in 2006, the health care sector still only accounts for about five percent of Kleberg County income.

**Government Sector Distribution**

Given the importance of the government sector across all geographic areas, but especially in Kleberg County, additional analysis was made of the composition of the government workforce. Government workers were grouped into local (i.e., K-12 education), state (i.e., TAMUK), Federal civil (i.e., border patrol), and military (i.e., NAS-Kingsville) segments. These segments are illustrated in blue, red, green, and purple respectively, in Figure 20. Government sector data is presented from left to right in terms of the largest to smallest government proportions in the state of Texas, which is shown at the bottom of Figure 20.
Compared to the state of Texas, Kleberg County has relatively little local government activity. More of its workers are found in state, federal (civil), and military employment. The proportion difference relative to state levels is similar for all of these non-local governmental divisions. By comparison, Brooks County has a large influx of federal, civil workers and virtually no state or military personnel. Jim Wells, without a large university or military installation, has a much higher percent of its government workers employed by the local governmental institutions.

Fig. 20: Composition of Government Workforce

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Local Expenditures

Sales Tax Revenue

With the background regarding the Kleberg County workforce and its income, the next logical question regards expenditures. A popular gauge of economic vitality is the amount of sales tax revenue returned to cities and counties by the Texas State Comptroller. Figure 21 presents annual reallocations over the past four years.

After a swoon in sale tax revenue in 2009 across all taxing jurisdictions covered by this study, the percentage of sales tax went up in most of the governmental units in 2010 and all jurisdictions in 2011. As of 2011, the sales tax revenues were, as a whole, forty-two percent higher than it was in 2008.

Kleberg County experienced a 33.5 percent surge in sales tax revenues during 2011, more than tripling 2009’s 10.1 percent drop. Overall, the taxable sales in 2011 are 39 percent higher than they were in 2008.

Perhaps the most insightful piece of Kleberg County-related information in Figure 21 is the limited drop in sales tax revenues in 2009. Jim Wells County’s sales taxes revenues fell three times as much, dropping 30.9 percent. During the most recent year, the gain in sales tax revenues was over eleven percent higher in Jim Wells County. Obviously, Jim Wells County has a more volatile economy.
One advantage of investigating sales tax revenues data is that information is also provided on a city-by-city basis. Hence, it is possible to chart the relative economic vitality of Kingsville, versus Alice and Falfurrias. As shown in Figure 21, Kingsville was the least impacted unit during the cutback in consumer spending during 2009. As a consequence, sales tax revenues only declined 3.8 percent. However, the decline continued into 2010. Over the four-year period, the sales tax allocation to Kingsville grew by twenty-two percent, or only half the gain experienced in Kleberg County overall.

By comparison, Alice and Jim Wells county sales tax allocations are more highly correlated and volatile. Both declined by about thirty percent in 2009, increased by about forty percent in 2010, and rose by a larger forty-four percent in 2011. Across all jurisdictions, Alice reports the highest percentage gain in sales tax revenues, receiving seventy-five percent more money from the Texas State Comptroller than it did in 2008.

Falfurrias, by contrast, has received the lowest increase in sales tax revenues across all units reported in Figure 21. Like Kingsville, in half the years sales tax allocations declined. However, in the years with sales tax allocations increases, 2008 and 2011, the increase never exceeded ten percent. Hence, across the four year period, Falfurrias' sales tax allocation rose by only nine percent, or four-tenths of the growth experienced by Kingsville.

Source: Texas State Comptroller, cpa.cpa.state.tx.us/allocation/AllocHist.jsp

Fig. 21: Percentage Change in Sales Tax Revenue Received Versus Prior Year
(Brooks County Does Not Have Sales Tax)
Residential Building Permits

A related, key driver in long-term economic growth is the level of building activity. New residences result in incremental needs for everything from lumber to appliances. The number of building permits and average unit value of new residential construction is presented in Figure 22 and Figure 23, respectively. Due to the on-going nature of building, a two-year window is used. For instance, in 2005 and 2006, forty-seven building permits were issued in Kleberg County. Data for 2011 was not available at the time of this writing.

The ebb and flow of building permits is quite evident in Figure 22. Building permits in Kleberg County surged in 2006/2007 and then slowly declined through the remainder of the decade. In 2009/2010 the number of building permits was only two-thirds of the amount in 2006/2007.

Building activity in Brooks County took a little longer to get started, reaching its height in the 2007/2008 two-year window. In that period, it accounted for nine percent of all building permits. By 2009/2010, residential building activity in Brooks County was half of what it was at its height.

Jim Wells County’s surge in building activity during the past decade slightly predated that in Kleberg County. During the 2005/2006 period over seventy percent of all building was occurring in Jim Wells County. By 2009/2010, this proportion had dropped off to a third, with Kleberg county accounting for fifty-eight percent of the new building permits at the end of the sample period. Activity around the Eagle Ford Shale formation is likely to result in a rebound in residential construction within the region, especially in Jim Wells County.
Kleberg County is the only studied county which experienced a general increase in the value of new residential construction over the past six years. As shown in Figure 23, the value of new residences in 2009/2010 was $126,000 per unit, or $10,000 higher than it had been in 2005/2006. This is a rebound from the 2007/2008 period when the value of new residences fell to $98,000.

By comparison, the average value of new residential construction in Brooks County during 2009/2010 was much lower than $95,000. Although up from the 2007/2008 low of $89,000, the average value of new residences was still below the 2005/2006 average of $114,000. Residential construction in Jim Wells County went against the trend in 2007/2008, and ironically reached the three-county high of $130,000. Over subsequent years, the value of its new residential construction fell to $117,000, dropping below that of Kleberg County by $9,000 per unit.

**Home Sales**

Of course, most of home sales are those of existing units. Consequently, a measure of all homes sales is necessary to gain insight regarding the health of the local economy. The only figure copied from another source in this presentation is Figure 24, which is published by City-data.com. A direct copy was chosen because the diagram gives a clear picture of local housing conditions by simultaneously showing the decline in home sales, accompanied by an upward trend in amounts paid for homes.

The blue bars represent housing units sold, with the count measure exhibited on the left vertical axis. Kleberg County housing sales reached its highest level in the second quarter of 2007, before the financial crisis. Subsequently, home sales fell to a low as 30 units in the fourth quarter of 2008. This low level of home sales was matched again during the first quarter of 2011.

By contrast, the price of home sales has been on a jagged incline, as illustrated by the red line which has its price measure exhibited on the right vertical axis. From 2007 to 2011, the highest quarterly average home value level rose from $100,000 to $122,000, an annualized growth rate of five percent. Looking at the lowest quarterly average price, one can see an increase from $70,000 in 2007 to $89,000 in 2011, or about six percent on an annualized basis.
Taking a long-term view of property values, Figure 25 presents insight to the total market value of property in the region since 1996. Over that period, Kleberg property value went up in virtually every year, crossing the two billion dollar level in 2007. Despite the recent decline, property values are approximately seventy-five percent higher than they were in 1996. This equates to an annualized growth rate between three and four percent. Property values also rose in the other counties, with the property value of Jim Wells County exceeding Kleberg County for the first time in 2010. Over the 1996-2010 period, the value of property in Jim Wells County rose at an annualized rate of almost seven percent. The highest growth rate was registered by Brooks County with a property value growth rate of almost eight percent.

Source: City-data.com

Taking a long-term view of property values, Figure 25 presents insight to the total market value of property in the region since 1996. Over that period, Kleberg property value went up in virtually every year, crossing the two billion dollar level in 2007. Despite the recent decline, property values are approximately seventy-five percent higher than they were in 1996. This equates to an annualized growth rate between three and four percent. Property values also rose in the other counties, with the property value of Jim Wells County exceeding Kleberg County for the first time in 2010. Over the 1996-2010 period, the value of property in Jim Wells County rose at an annualized rate of almost seven percent. The highest growth rate was registered by Brooks County with a property value growth rate of almost eight percent.
The Future

2011 Housing Market Study

In December 2011, Broaddus Planning and Pegasus Planning and Development delivered an analysis of Kingsville’s residential market to the City of Kingsville, the Industrial Development Foundation, and Texas A&M University-Kingsville. Their study included some of the information provided here and was also designed to provide strategic housing information, inform local stakeholders, and stimulate investment in Kleberg County.

The key findings of their Housing Market Study were:

a. Kingsville is poised for substantial growth over the next decade.
b. Kingsville city officials have acquired a publicly-owned land inventory to entice development.
c. Texas A&M-Kingsville anticipates growth from 6,500 to 12,500 students over the next 10 to 20 years.
d. NAS-Kingsville is and will continue to be a significant driver of economic activity.
e. Housing growth has not kept up with job growth in Kingsville.

The report cautions that improved school performance, stabilization of existing neighborhoods, and effective use of public land will be necessary for Kingsville to reach its potential. Depending upon these and a variety of other factors, Broaddus Planning and Pegasus Planning and Development project Kingsville’s population will be in the 18,569 to 32,542 range in 2040. The 18,569 forecast represents an annual rate of decline of 0.7 percent, while the latter projection is a 1.1 percent annual rate of growth.

Current Short-term Expectations

While housing discussions pay attention to a longer time span, individuals usually live in the here and now. Their concerns regard issues of whether they will be better off a year from now, whether government institutions are assisting them in their economic progress, and which of the key economic measures will be the greatest challenge to having a secure, happy life. In order to gain insight regarding these issues, a survey was conducted of conference attendees and Texas A&M University-Kingsville students. The students are members of the author’s graduate and undergraduate finance classes, come from a variety of backgrounds, and, therefore, are a reasonable representation of students in general. Only eight Economic Forum participants completed the survey, reducing the generalizability of these findings. However, there is no reason to believe that there is a bias in the responses.

Attendees tend to be less confident about the future. Less than half of all attendees believe the United States’ economy will improve over the next year, as illustrated by the top red bar in Figure 26. By comparison, slightly over half of the students believe the United States’ economy is on the right track, as illustrated by the blue bar. Expectations regarding the local economy are more positive, with three out of four in both groups expecting improvement. Although both groups are more confident that their personal finances will improve than the U.S. economy will improve, student expectations are much more positive. This difference may be a reflection of student confidence that their financial resources will improve with the arrival of their first paycheck after graduation. It may also reflect the tendency for the young to be more optimistic.
Attendees expressed slight variation in their perceptions regarding the extent to which business is supported by the local community, local government, and Texas A&M University-Kingsville, as shown in Figure 27. The reported percentages arise from a combination of the proportion of each group that strongly and mildly agree that the specified institution has a positive impact on local business. Seventy-five percent of the responding forum attendees agree with the statement “The Kleberg County community provides good support to the local business community.” This percentage drops slightly when asked about local government support, and rebounds when asked whether they believe Texas A&M-Kingsville provides good support to the local business community. Students have more consistent and generally positive views of support afforded to business by the local community and government, with almost 90 percent believing Texas A&M-Kingsville supports local business.

Economic Concerns

Survey respondents were asked to rate the importance of six key economic measures: health care, housing, inflation, safety/security, terrorism, and unemployment, on a six-point scale. An average score on these factors was computed and is exhibited in Figure 28, where the economic factors are listed from the least important to the most important. Although it was a hot-button issue a decade ago, shortly after the 9/11 terrorist attack on the World Trade Center, Pentagon, and United Flight 93, terrorism has dropped down to being the least worrisome issue for both attendees, with equal scores of 1.6. The most salient concerns of surveyed attendees are tied to their current standard of living, specifically housing (score of 4.38) and health care (score of 4.12). It is not surprising that post-graduation employment is the top concern of students, resulting unemployment receiving a score of 4.6 (the highest across both groups). Students are also concerned about the impact that inflation (score of 4.3) could have on their purchasing power over their longer lifetime. Attendees also noted the importance of education, which will be included in the 2013 Economic Forum report.
Fig. 27: Extent to Which Various Local Institutions Are Perceived As Being Supportive of Business

Fig. 28: Average Ranking of Economic Concerns

Higher Level of Concern Has Higher Ranking

Rankings from 1 (lowest concern) to 6 (Highest Concern)

Shaded area connects concerns on which respondents DO NOT have a statistically different level of anxiety

Source: Preliminary results of survey of attendees administered through the CBA home page. Student opinions were obtained through a questionnaire distributed to FINC 3321, FINC 4332, and FINC 5331 on February 2, 2012.
The bars in Figure 28 represent economic issues on which there is similarity in the level of concern expressed by attendees or students. With a ninety-five percent level of confidence, we can say that terrorism is less important to attendees than inflation. However, there is sufficient variation in the responses of individual attendees that we cannot conclude that there is a significant difference in the level of concern about inflation and housing.

For students, terrorism creates a significantly lower level of anxiety than other economic factors. Safety, health care, and housing have a similar level of concern, and are on a second level. At the highest level of anxiety, students are concerned about housing, inflation and unemployment. Although these factors have different mean rankings there is enough variation within the student population to keep one from concluding that unemployment has paramount importance.

**Top Economic Priorities**

Given the apparent lack of significant variation across the mean rankings for five of the six economic factors, an analysis was conducted regarding top economic concerns. Given the limited number of respondents, the top two concerns were identified for each respondent, as exhibited in Figure 29, which reports the percent of attendees listing each factor as one of their two top economic concerns. Housing was the top concern, earning 38% of the possible points. Unemployment replaces health care as the second top concern of attendees. The difference between Figure 28 and Figure 29 could arise from the fact that although quality health care is important to everyone, unemployment is of critical importance to those worried about the potential of losing their job. Not one of the surveyed attendees rated terrorism as their first or second concern.

The domination of unemployment and inflation as key economic concerns of students is made clear in Figure 30. There it is reported that 31 percent of students list unemployment as their highest concern, while 25 percent list inflation as their leading concern. Housing and terrorism together were listed first only by eighteen percent of students.
**Conclusion**

This report highlights the economic strengths and weaknesses of Kleberg County. Demographics, income, housing, and sales tax allocations were just a few of the measures used to compare current local conditions relative to past conditions and those currently found in Brooks County, Jim Wells County, and the State of Texas, in general. Survey results find that both attendees and students are somewhat optimistic about their future economic condition, though lingering concerns about housing, unemployment, and inflation exist.

Again, I want to thank Texas A&M-Kingsville (especially Dean Dock and Selina Kieschnick), Kleberg Bank, and you for your participation in our first Economic Forum. Your input regarding the strengths and weaknesses of this report and suggestions for improvement are greatly appreciated. Please send your comments to me by email at Thomas.krueger@tamuk.edu.

**Fig. 30: Top Economic Concerns of Students**

<table>
<thead>
<tr>
<th>Percentage of Whole</th>
<th>Unemployment</th>
<th>Inflation</th>
<th>Health Care</th>
<th>Security/Safety</th>
<th>Housing</th>
<th>Terrorism</th>
</tr>
</thead>
<tbody>
<tr>
<td>31%</td>
<td>16%</td>
<td>25%</td>
<td>16%</td>
<td>9%</td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>

Source: Student opinions were obtained through a questionnaire distributed to FINC 3321, FINC 4332, and FINC 5331 on February 2, 2012.
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